Ready for tomorrow

Growth, Competitiveness and Innovation

Solvay Global Annual Report 2007

SOLVAY

SOLVAY

An international Chemical and Pharmaceutical Group
Sales: EUR 9.6 billion
Operating result: EUR 1.2 billion
Cash flow: EUR 1.4 billion

Employing 28 340 people
Present in 50 countries on every continent
With 400 sales and production facilities
95% of sales come from outside Belgium and 49% from outside the European Union
Stable or rising dividends every year for the past 26 years
Operates in three Sectors: Pharmaceuticals, Chemicals and Plastics
Listed on NYSE Euronext-Brussels

Contents

Key figures – Solvay Group

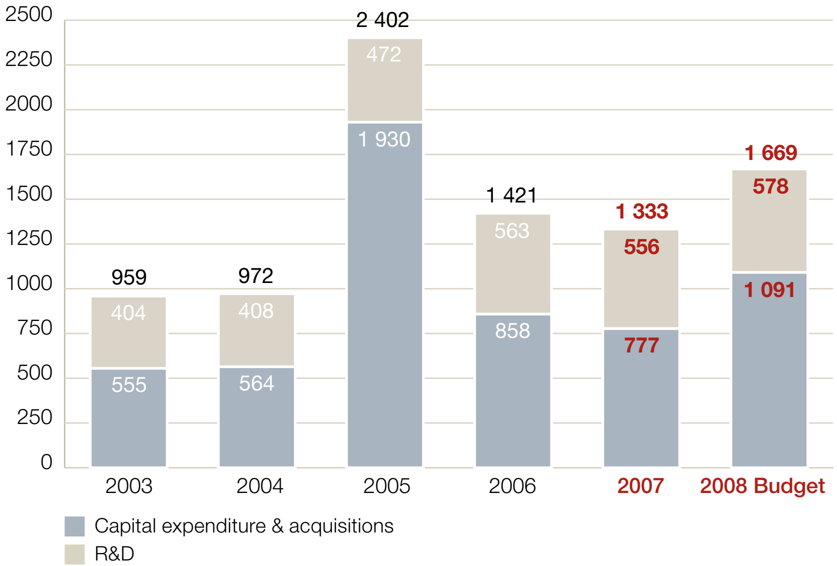
Financial data

	2003	2004	2005	2006	2007	
	EUR million				EUR million	USD million[7]
Operating situation						
External sales	7 557	7 271	8 562	9 399	**9 572**	**14 091**
REBITDA[1]	1 101	1 146	1 338	1 568	**1 662**	**2 447**
REBIT[2]	673	741	912	1 099	**1 192**	**1 755**
REBIT as % of sales	9 %	10 %	11 %	12 %	**12 %**	**12 %**
Net income	430	541	816	817	**828**	**1 219**
Total depreciation and amortization[3]	429	449	464	522	**593**	**873**
Cash flow[4]	859	990	1 280	1 339	**1 421**	**2 092**
Capital expenditure	555	564	1 930	858	**777**	**1 144**
Research expenditure	404	408	472	563	**556**	**818**
Personnel costs[5]	1 802	1 698	1 920	2 136	**2 081**	**3 063**
Added value	2 826	2 902	3 438	3 628	**3 921**	**5 772**
Financial situation						
Shareholders' equity	3 510	3 792	3 920	4 456	**4 459**	**6 564**
Net debt	1 120	795	1 680	1 258	**1 307**	**1 924**
Net debt/ shareholders' equity	32 %	21 %	43 %	28 %	**29 %**	**29 %**
Return on Equity (ROE)	12 %	15 %	22 %	19 %	**18 %**	**18 %**
Gross distribution to Solvay shareholders	199	210	221	232	**240**	**353**
Persons employed						
Persons employed at January 1[6]	30 139	26 926	28 730	29 258	**28 340**	**–**

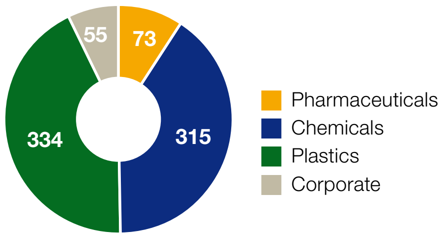
1. REBITDA = REBIT before amortization.
2. REBIT = recurrent EBIT.
3. Including impairment of 1 in 2003, 23 in 2004, 20 in 2005, 48 in 2006 and 123 in 2007.
4. Net income plus total depreciation, amortization and impairment.
5. 2006 figure restated.
6. In full-time equivalents at January 1 of the following year.
7. Exchange rate: 1 EUR: 1,4721 USD at 31/12/2007.

Expenditure for the future

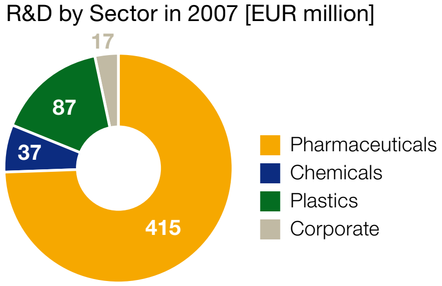
Total Group capital expenditure, acquisitions and R&D 2007 = EUR 1 333 million



Total capital expenditure & acquisitions by Sector in 2007 [EUR million]

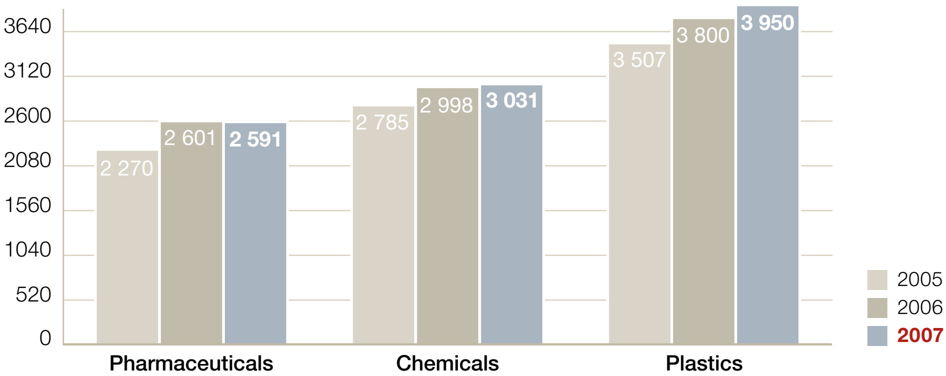


R&D by Sector in 2007 [EUR million]

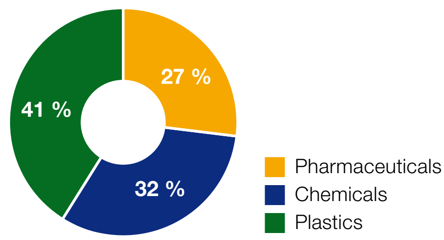


Activities

Group sales 2007 = EUR 9 572 million

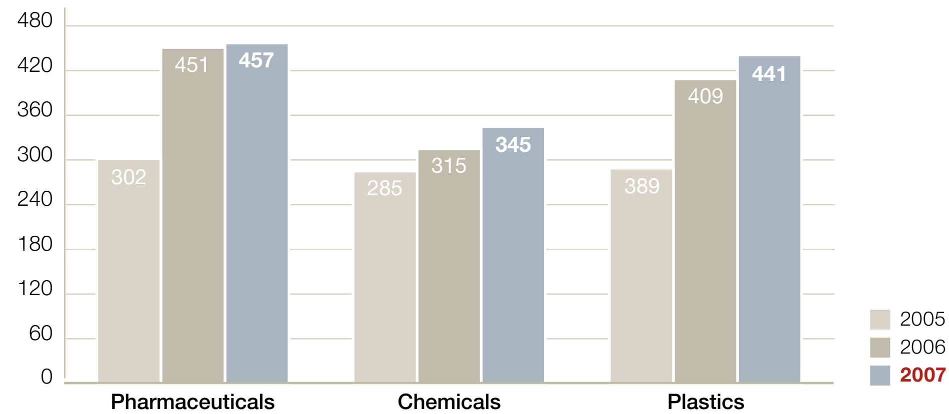


Sales by Sector in 2007



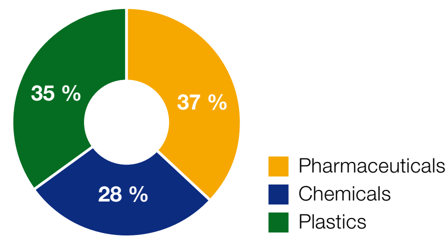
Group REBIT 2007 = EUR 1 192 million

[Including “Corporate & Business Support”: EUR -51 million]



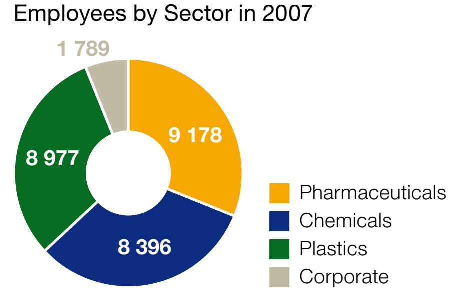
REBIT* by Sector in 2007

*Excluding “Corporate & Business Support” : EUR-51 million



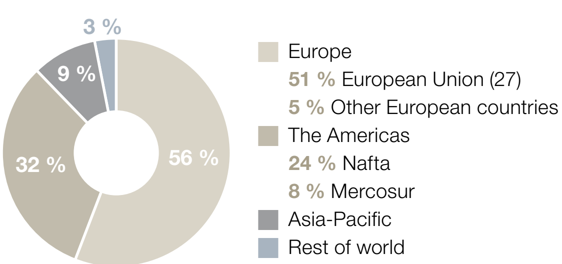
Group employees at January 1, 2008: 28 340 people

Employees by Sector in 2007



A global presence

Group sales 2007 = EUR 9 572 million



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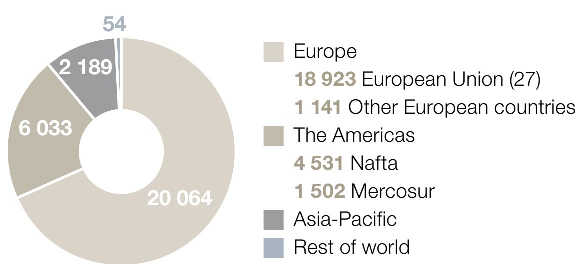


Customer markets

Group sales 2007 = EUR 9 572 million

Human health	**29 %**	Paper	**4 %**
Construction and architecture	**13 %**	Detergents, cleaning and hygiene products	**3 %**
Automobile industry	**12 %**	Packaging	**3 %**
Chemical industry	**9 %**	Consumer goods	**2 %**
Glass industry	**6 %**	Human and animal food processing	**1 %**
Water and the environment	**5 %**	Other industries	**9 %**
Electricity and electronics	**4 %**		

2007 Highlights

February
Perfluoropolyether
Solvay Solexis expands perfluoropolyether (PFPE) production capacity at Spinetta Marengo (Italy).

March - September
SolVin
SolVin announces the expansion of its polyvinylidene chloride (PVDC) latex capacity at its world-class site at Tavaux (France), with a new production unit to be operational by mid-2009.

April
Pipelife
Pipelife reinforces its product portfolio by acquiring speciality pipes & fittings manufacturer Quality Plastics (Ireland).

May
Inergy Automotive Systems
Inergy Automotive Systems announces new fuel systems activities in China, India and Russia.

June
Russia
Solvay, SolVin and Sibur sign a joint venture agreement to build the first world class vinyls production plant in Russia.

June
Printed memories
Solvay Solexis and Thin Film Electronics (Norway) sign an agreement to develop materials for printed memories.

June
Soda ash
Solvay Sodi decides to expand its soda ash production capacity at Devnya (Bulgaria) to keep up with customer growth.

July
Hydrogen peroxide
Solvay and Dow announce they are building a hydrogen peroxide plant in Thailand to feed propylene oxide production.

August
Bifeprunox
Solvay Pharmaceuticals and Wyeth Pharmaceuticals receive a “not approvable” letter from the Food and Drug Administration (FDA) for bifeprunox, an investigational treatment for schizophrenia.

China
The new peracetic acid (PAA) plant at Suzhou (China) becomes fully operational.

August
Plextronics
Solvay extends its printable electronics development platform by investing in Plextronics (USA).

September
EPICEROL®
Solvay announces it is building a world-class epichlorohydrin production plant in Thailand, to be ready by the end of 2009.

October
China
Solvay Solexis confirms its intention to expand its specialty polymers activities at the Changshu site (China).

October
Caprolactones
Solvay signs agreement to sell the Group’s entire Caprolactones business to Sweden’s Perstorp Group.

Pipelife
Pipelife begins production of a complete range of plastic pipe systems at its new Russian plant.

October
SOLVIVA™
Solvay unveils a series of innovative products at the K2007 International Plastics Trade Fair in Düsseldorf (Germany), including the SOLVIVA™ range for implantable medical devices.

October
Fluor chemicals business
Solvay takes steps to restore the competitiveness of its fluor chemicals business, focusing on high value added specialties and reducing its exposure to the fluorinated gases market, which is under attack from Chinese competition.

November
Fenofibrate
New clinical data show that Solvay’s fenofibrate reduces the risks from the main causes of vision loss in type 2 diabetes patients.

November
SEP
Solvay agrees to sell its Solvay Engineered Polymers subsidiary (USA) to Basell, a major producer of polypropylene compounds, for which, unlike Solvay, this acquisition is a natural fit.

December
Bioethanol
Solvay Indupa is to produce bioethanol-based vinyl in Brazil and is planning electricity power generation at its Argentine site.

Fenofibrate
Filing of a registration application in the USA for SLV348, a new generation fenofibrate developed with Abbott.

2

The Map Ta Phut (Thailand) plant, with its integrated production of PVC, hydrogen peroxide and, shortly, epichlorohydrin by the EPICEROL® process, is the Solvay group's principal industrial platform in Asia.

Strategy of sustainable and profitable growth confirmed

In 2007 the organizational and strategic choices defined during earlier reviews were again confirmed.

With the new organization for Human Resources, the structuring of our activities into Strategic Business Units and our support functions into Competence Centres and Business Support Centres is now complete.

Our business strategy unambiguously commits the Group to growth on three fronts:

These have proved to be wise choices: after strong performances in 2004, 2005 and 2006, the Group again posted excellent results in 2007. These choices have reduced earnings cyclicality, improved the geographic balance of our activities and enabled us to offer regular dividend growth to our shareholders.

We strongly believe that the organization we have put in place, which achieves a good balance between cross-sector processes optimized and managed at the world level and respect for local situations, makes Solvay a multinational, polycultural Group that is effective and attractive to work for, offering every employee opportunities for development.

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

Our Mission

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

a Passion for Progress®

Our Vision

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

Our Values

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

Our Group is:

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

Mission, Vision, Values

Solvay is an independent, ethical and responsible global industrial Group, with a balanced portfolio of sustainable, profitable and growing businesses, managed with respect for social and environmental issues.

Petra Koch
Technical Expert

The Corporate Compound Center (CCC) of Solvay Pharmaceuticals was built in 1998 in Hannover to support the automated compound supply for all High and Medium Throughput campaigns at the Solvay research sites and at external collaborators. Technical expert Petra Koch is preparing a rack with compound flasks to be stored by the robotic system into one of the thousands of thousands of bins of the storehouse.

"Ready for tomorrow"

2007: a fourth excellent year

For the fourth year in a row, the Group posted **excellent results**. In 2007 our sales rose by 2% (+ 4% at constant exchange rates) to EUR 9.6 billion. The operating results were 9% above the record level of 2006, to EUR 1.2 billion. Our three Sectors realized record operating results; Chemicals advanced by 9%, Plastics by 8% and Pharmaceuticals posted similar results to 2006.

In the **Pharmaceuticals** Sector, we have seen remarkable sales growth in certain emerging countries such as India, Brazil, Mexico and Turkey. The integration of Fournier Pharma is nearing completion, with promising projects shaping up in the fenofibrate franchise. The FDA' s (Food and Drug Administration) request for additional data on bifeprunox (anti-schizophrenia drug) will mean delay. In our eyes this delay does not call into question either the value of this new compound, which offers major therapeutic benefits for patients, or the quality of the contributions of our Research and Development teams.

In the **Chemicals Sector**, our investments at Devnya (Bulgaria) are strengthening our leadership in soda ash. Our hydrogen peroxide mega-plant in Belgium, which will supply the BASF/Dow propylene oxide facility, is nearing completion.

This will be followed by a second plant of the same type of Thailand. It has also been decided to build, again in Thailand, a major plant to produce epichlorohydrin using the EPICEROL® process. This confirms the competitiveness of these processes, which are direct outcomes of our Innovation thrust. 2007 has been an eventful year for **Plastics**. We have made remarkable progress in Specialty Polymers, with widening product ranges and increasing numbers of applications contributing to growth and reducing the Sector's sensitivity to economic cycles. We also reached agreement with Sibur on a joint venture (RusVinyl) to build and operate a world-class integrated vinyl production plant. This unit will be the largest of its kind in Russia. We also approved a vinyls extension project in Brazil, including production of ethylene from cane-sugar alcohol, i.e. without using fossil fuels.

History moving ahead

These few examples illustrate the accelerated pursuit of our strategy of sustainable, profitable growth, by extending our product portfolio in activities in which we have a high level of control, and by establishing **solid geographic platforms** from which to expand and strengthen our global presence.

We have cited India, Thailand, Russia, Bulgaria and Brazil, all emerging countries with high growth potential. Let us not forget South Korea, where we are present with fluorinated specialties, nor of course China (ultrapure H_2O_2, specialty polymers, hydrogen fluoride, pharmaceuticals), which is surging ahead more than ever before. This geographic diversification is also strengthened by Inergy, the world's leading producer of plastic fuel systems, which is a joint venture between Solvay and Plastic Omnium.

These choices place us in the **flow of History**, as we continually seek to remain in step with a constantly changing world. Several developments seem inevitable: globalization with an attendant redistribution of labor and its wealth; major migratory flows of underprivileged populations towards the wealthier parts of our planet; demographic imbalances – aging and declining populations in "privileged" zones, offset by very rapid growth in less prosperous regions; the race for energy and raw materials for ever-growing economic development; and finally, the sustainability of our ecosystem, under increasing strain from an exponentially-expanding world population.

Any industrial group wanting to develop in a sustainable and profitable manner must move with, if not ahead of, History. Adaptation and anticipation are vital here, the more so as the new constraints imposed by Society come packaged with multiple regulatory constraints, like the Kyoto Protocol or, beginning this year, the European REACh regulation addressed at the world of chemistry. Aimed at protecting public health and the environment, REACh requires the chemical industry to prove its mastery of the risks of the products it places on the market. Having anticipated these changes, Solvay is well prepared for them in a spirit of converting constraints into opportunities.

Personal development and Sustainable Development

In 2007 we launched numerous initiatives in the Human

Resources area, beginning with the reformulation of our main policies. These revised policies, based on careful examination of our primary processes and on the desire to manage all HR data on a single information system, are now deployed consistently throughout the Group. This large-scale initiative, directly supported by the Executive Committee, will continue in 2008. Concretely, we have laid the foundations for the "Solvay Corporate University", and have also launched the "Yes" and "Youth Employment" programs, all to promote the training and development of our present and future personnel. Particular attention is also being paid to the **multicultural nature of our human resources**.

Finally, our new Code of Conduct, backed by a world-spanning training plan, strives to strengthen the practice of the Group's Ethical Values by all employees.

From the very beginning Solvay has sought to act as a good corporate citizen and to respond to the concerns of each succeeding era. This is why we have defined our commitment to Sustainable Development, which will be actively deployed in 2008 and will be set out in our report "For Sustainable Development 2008-2012."

Our emphasis is on processes that are more sparing of natural resources and energy and respectful of the environment and that reduce strains on it (emissions and effluents) to acceptable levels. 2007 was the year of the Bali Conference on climate change and the publication of the IPCC (Intergovernmental Panel on Climate Change) report, telling us that industrialized countries absolutely must cut their greenhouse gas emissions by 25% to 40% by 2020 at the latest.
We are focusing our research on original processes that consume less energy and raw material and are also cleaner, assisted in this effort by the Innovation thrust that we initiated several years ago. With our multiple partnerships, research projects and innovative ideas, and with the rapid progress of our New Business Development (NBD), we have set in motion a formidable machine for building the future, perfectly consistent with our signature "Solvay, a Passion for Progress®."

Energy and raw materials costs are becoming increasingly volatile. Here too we are working to consolidate our positions. With our policy of vertical integration, we are progressively limiting our exposures by gaining optimal mastery of our value chains.

Ready for tomorrow

What does the future hold in store for us? What are the challenges of tomorrow? In the short term, for 2008, people are talking of the impact of the US financial crisis and a slowing of the economy. **We believe the Group to be well prepared here**. Our strategy has proved its worth in recent years and we will continue in the same direction.

One thing we can be sure of: our behaviour today will have a decisive effect on the future of humanity. This is why we have elected to look much further ahead than 2008, thirty years forward and to ask ourselves: what will Solvay look like in 2038, when it celebrates its 175th anniversary, and how will we prepare for this unknown?
Part of the answer lies in encouraging research and Innovation, opening even wider our doors and our minds to contributions from outside, and allocating our resources more selectively in a way that includes new assessment criteria. We need to dream of what is unimaginable today and to make it reality, as is so well symbolized by the Solar Impulse solar aircraft, now under construction, which is fast moving from a dream on paper to a tangible object.

Christian Jourquin
Chairman of the
Executive Committee

Aloïs Michielsen
Chairman of the
Board of Directors

Strategic Positions of Solvay

Sales: EUR 9.6 billion – REBIT: EUR 1.2 billion
28 340 employees

Pharmaceuticals

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

Chemicals

Main products	Europe	World
Soda ash	1	1
Hydrogen peroxide	1	1
Sodium percarbonate/perborate	1	1
Caustic soda	2	3
Precipitated calcium carbonate	amongst the world leaders	
Sodium bicarbonate	1	1

Plastics

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

Pharmaceuticals

Sales: EUR 2.6 billion – REBIT: EUR 457 million
9 178 employees

Therapeutic fields

Integrated franchises (R&D and commercial)
- **Cardiometabolics** (dyslipidemia, obesity, type 2 diabetes, congestive heart failure, renal insufficiency, atrial fibrillation);
- **Neuroscience** (schizophrenia, Parkinson's disease, traumatic brain injury, cognition);
- Niches in **flu vaccines** and **pancreatic enzymes**.

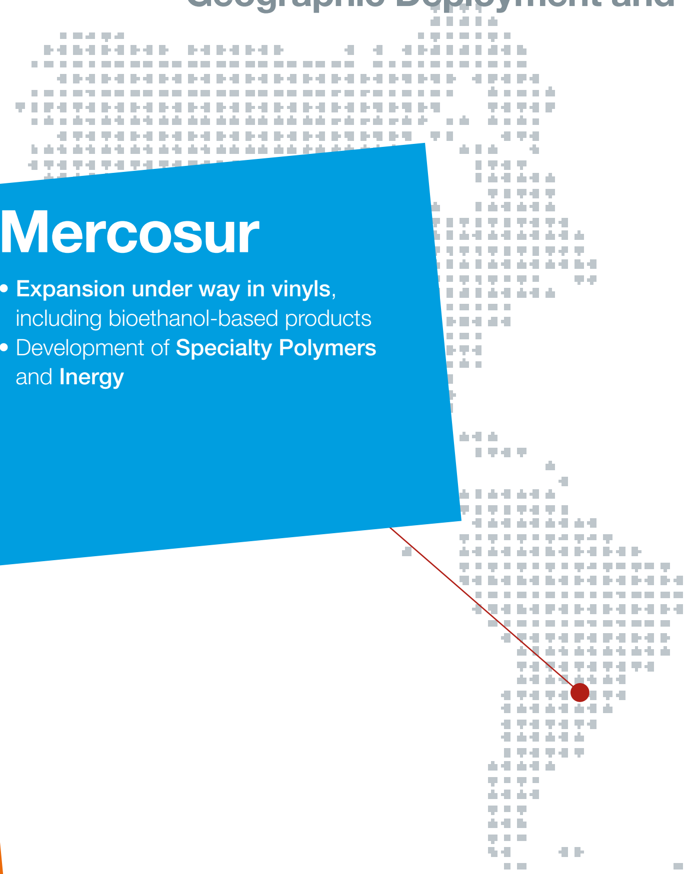
Commercial franchises
- Gastroenterology;
- Women's and men's health.

Strategic priorities (2010)

- Concentration on therapeutic fields;
- Improving profitability:
  – Operating margin*: 20%;
  – Efficiency improvements: EUR 300 million of annual savings;
- Sales: EUR 3.2 billion;
- Increasing the R&D/sales ratio.

* REBIT/sales

Geographic Deployment and



Mercosur

- **Expansion under way in vinyls**, including bioethanol-based products
- Development of **Specialty Polymers** and **Inergy**

Chemicals

Sales: EUR 3.0 billion – REBIT: EUR 345 million
8 395 employees

4 clusters

Minerals
- Soda ash and derivatives (bicarbonate);
- Advanced Functional Minerals (precipitated calcium carbonate).

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

Oxygen
- Hydrogen peroxide;
- Detergents (persalts).

Organic (Molecular Solutions)

Strategic priorities

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

Plastics

Sales: EUR 4.0 billion – REBIT: EUR 441 million
8 977 employees

2 clusters

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

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

Strategic priorities

- Globalization;
- R&D and technological innovation;
- Product leadership;
- Competitiveness.

Technological Innovation Platforms

Asia

- **Thailand**: expansion under way in vinyls, new investments (epichlorohydrin (EPICEROL®), Inergy, hydrogen peroxide)
- **India**: Specialty Polymers, Pharma, Inergy
- **China**: ultra-pure H_2O_2, Specialty Polymers, Pharma, Inergy
- **South Korea**: Fluor

Russia/CIS

- **Pharma**: major sales growth over past 5 years
- Major industrial project in vinyls (RusVinyl)
- **JV** in vinyl compounds
- **Pipelife & Inergy**

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Financial Statements part 1

Record operating result for Solvay in 2007 of EUR 1.2 billion, up 9% from 2006

- Record sales (EUR 9.6 billion), operating result (EUR 1.2 billion), net income of the Group (EUR 828 million) and cash flow (EUR 1.4 billion)
- Record operating results for all three Sectors: Pharmaceuticals (stable), Chemicals (+9%), and Plastics (+8%)
- Net dividend for 2007 up 4.8% to EUR 2.20 (EUR 2.9333 gross) per share

The Management Report for the accounting period ending on December 31, 2007, consisting of pages 10 to 17, 106 to 112 (risk analysis) and 127 to 148 (Report on the Application of the Corporate Governance Rules) has been prepared in accordance with article 119 of the Companies' Code and approved for publication by the Board of Directors meeting on February 14, 2008.

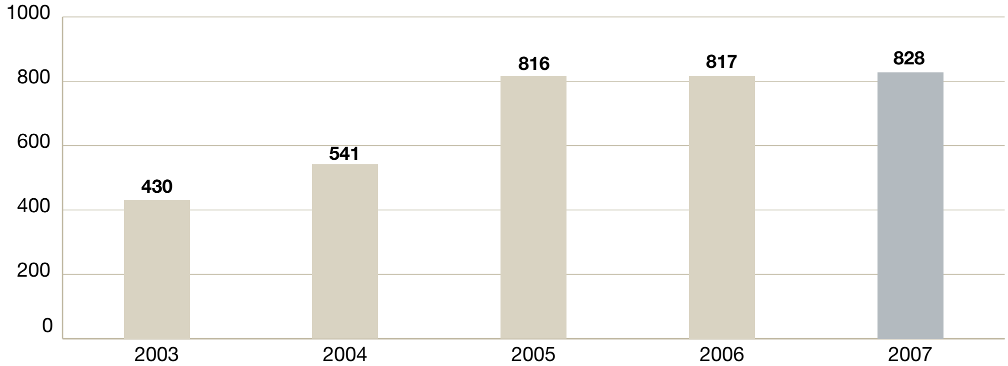
Business progress

Sales reached EUR 9 572 million in 2007, up 2% compared with 2006, despite the unfavourable impact of exchange rates. At constant exchange rates, they would have risen by 4%.

REBIT (EUR 1 192 million) was 9% above the record level of 2006. The Pharmaceuticals Sector posted results comparable (+1%) with those of last year; the Chemicals (+9%) and Plastics (+8%) Sectors continued to grow. **Operating margin** (REBIT as a percentage of sales) was 12.5%, up from 11.7% in 2006.

The **net income of the Group** (EUR 828 million) surpassed (+1%) the record level of 2006. Apart from the growth in operating results, it included positive **non-operating items**[1] of EUR 31 million (compared with a negative balance of EUR 40 million in 2006). At the same time, **income taxes** were significantly higher (+EUR 158 million) in 2007, reflecting the improvement in results and the one-time effect of tax-rate changes
in Germany and Italy (a negative "non cash" effect of EUR 82 million in 2007).

Net income of the Group (EUR million)



Progress by Sector

Sales by the Pharmaceuticals Sector in 2007 amounted to EUR 2 591 million, comparable with 2006 despite the unfavourable impact of the USD – at constant exchange rates they would have increased by 3%. Sales of major products improved, including excellent performances by ANDROGEL®, fenofibrates and flu vaccines, as well as growth in emerging countries. This offset the significant pressure on prices in Europe due to increased competition from generic drugs and the loss of marketing rights to PANTOLOC® in Canada.

+2%
in sales
+9%
in operating results

1. Non-operating items: non-recurring items and results from discontinued operations.

EUR million	2006	2007	2007/2006
Group sales	**9 399**	**9 572**	**+2 %**
Pharmaceuticals	2 601	2 591	0 %
Chemicals	2 998	3 031	+1 %
Plastics	3 800	3 950	+4 %
"Corporate & Business Support"[2]	–	–	–
Group REBIT	**1 099**	**1 192**	**+9 %**
Pharmaceuticals	451	457	+1 %
Chemicals	315	345	+9 %
Plastics	409	441	+8 %
"Corporate & Business Support"[2]	-76	-51	-33 %

Operating results (EUR 457 million) and the operating margin (17.6%) were comparable with 2006. Research and Development expenditure (EUR 415 million) reached 16% of sales for 2007. The "INSPIRE" efficiency improvement plan (for a EUR 300 million annual cost reduction by 2010) continued as planned.

The **Chemicals Sector** improved in 2007, thanks to the continuing favourable global balance between supply and demand. Sales in 2007 (EUR 3 031 million) were comparable (+1%) with 2006. Results (REBIT of EUR 345 million) grew by 9% compared with 2006. Both the "Minerals" and "Oxygen" clusters and the "Electrochemistry" activities (caustic soda) continued to post excellent results. The fluor chemical commodities remained under heavy pressure and the announced restructuring is under way.

The **Plastics Sector** again showed improvement due to the excellent performance of its "Specialties" and "Vinyls" clusters. Sales increased by 4% in 2007 to EUR 3 950 million. Results (REBIT of EUR 441 million) increased by 8% despite the favourable effects of USD and JPY exchange rates, which impacted mainly Specialty Polymers.

Energy situation

The Group is particularly attentive to the evolving energy context, and is stepping up initiatives to attenuate its effects (technological leadership, high-performance industrial infrastructures, co-generation units, medium and long-term hedging through supply contracts). Participation by Solvay in the Exeltium consortium, a group of electricity-intensive industries in France, which is in the process of being approved by the European authorities, should ensure reliable and competitively priced energy supplies to Solvay's large production sites in France. In Belgium, a feasibility study is under way for a similar project. Depending on the specific market conditions of each SBU, price rises are negotiated to compensate the rise in energy costs.

2007 was the year of constantly high energy prices. The Group's specific energy policy enabled it, however, to limit the rise in its energy bill to well below that of market prices.

For 2007 energy costs represent around 8% of sales, which is in line with the average for recent years. In 2008 energy prices remain again very high.

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

Comments on the key figures

Income statement
Non-recurring items amounted to EUR 31 million in 2007 compared with EUR -143 million in 2006. They include:

– non-recurring income, which is primarily the capital gain (EUR 151 million) booked in the 4th quarter on the sale of the Caprolactones activity, the capital gains on the sale of Sofina shares (EUR 73 million) and the sale of rights to subscribe to the capital increase of Fortis[3] (EUR 37 million);

– non-recurring charges for restructuring the fluor activities announced in the 4th quarter (EUR 99 million, including EUR 65 million of impairment losses as well as, in the Pharmaceuticals Sector, for the "INSPIRE" project (EUR 59 million) and for the impairment of an asset (the odiparcil project) due to a reallocation of R&D priorities.

In 2006, non-recurrent charges included EUR 133 million for the "INSPIRE" project.

Charges on net indebtedness were stable at EUR 82 million. At the end of December 2007 almost 100% of the financial debt was covered at an average fixed rate of 5.4% with an average duration of 7.7 years.

Income from investments represents the dividends paid by Fortis and Sofina in 2007.

Income taxes sharply increased in 2007 (+EUR 158 million) to EUR 337 million, giving an average tax rate of 29%. This is principally due to the improvement in results and the one-time charge of EUR 82 million, without cash effect. In effect, the fall in the tax rate in Germany in the 3rd quarter and in Italy in the 4th quarter had the effect of reducing deferred tax assets and generating this non-cash charge.

In 2007, there were no results from **discontinued operations**. In 2006 this item amounted to EUR 103 million before taxes following the sale of the industrial foils activity.

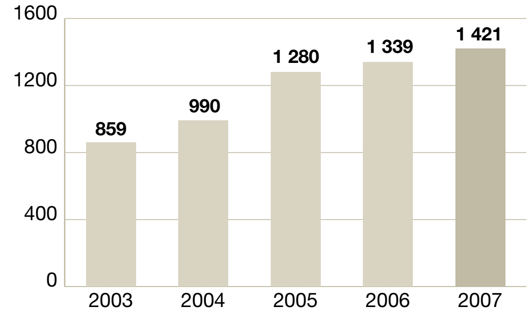
Net income of the Group amounted to EUR 828 million compared with EUR 817 million in 2006. Minority interests (EUR 47 million) increased compared with 2006 (EUR 26 million) due to the favourable trend of income from investments in which minority interests are present.

3. Solvay elected to sell a portion of its subscription rights to the Fortis capital increase in order to finance a partial subscription (around 2.5 million new shares).

Cash flow

Depreciation and amortization (EUR 593 million) were significantly up in 2007 taking into account impairment losses linked to restructuring in Fluor activities and in Pharmaceuticals.
REBITDA amounted to EUR 1 662 million.
Cash flow advanced by 6% to EUR 1 421 million.

(EUR million)



Balance sheet

Total equity stood at EUR 4 459 million at the end of 2007, stable compared with the end of 2006.

The **net indebtedness** of the Group at the end of 2007 (EUR 1 307 million) was up slightly compared with that of December 31, 2006 (EUR 1 257 million). The increase in **working capital** compared with December 31, 2006 is due principally to an increase in current assets at the end of 2007 taking into account the expected receipt in 2008 of the proceeds of the sale of the Caprolactones activities which was finalized in 2007.

The **net debt to equity ratio** was 29% at the end of December 2007, compared with 28% at the end of 2006. This situation reflects the Group's policy of having a sound financial situation, with the objective of not persistently exceeding a net debt to equity ratio of 45%.

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

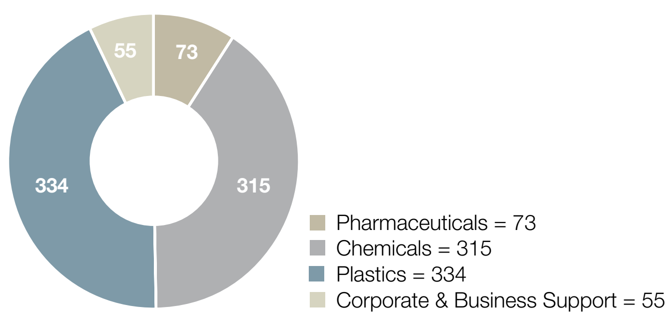
Capital expenditures and Research and Development

The Group is actively pursuing its strategy of sustainable and profitable growth through projects in its three Sectors of activity. These are capital expenditures targeted to expand its activities and its industrial platforms in certain emerging markets such as Asia, Mercosur and Russia. Examples include the EPICEROL® process for epichlorohydrin and hydrogen peroxide in Thailand, specialty polymers in India and China and vinyls in Russia and Mercosur. It also encompasses projects for improving our energy efficiency. Simultaneously, the Group is reinforcing its exploration of new promising areas for the medium term, especially in membranes for fuel cells (joint venture with SolviCore), organic products for electronics, lighting and photovoltaic cells (Plextronics), and nanotechnologies.

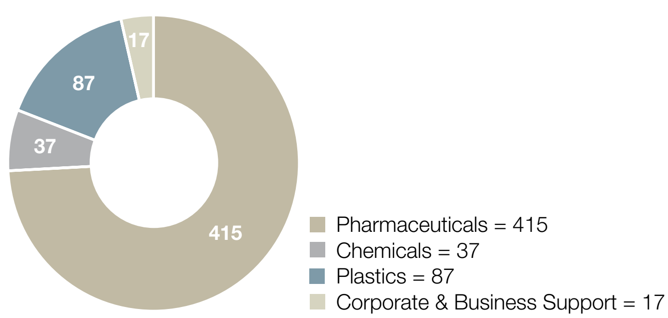
Research and Development (R&D) costs in 2007 reached EUR 556 million. 75% of these were incurred in the Pharmaceuticals sector, where R&D efforts amounted to EUR 415 million, or 16% of sales. The **R&D budget for 2008** is EUR 578 million, of which 75% is earmarked for the Pharmaceuticals Sector.

Capital expenditures in 2007 amounted to EUR 777 million compared to an initial budget of EUR 905 million. For 2008, the **capital expenditure budget** is an ambitious EUR 1 091 million. These expenditures permit the Group to implement a series of projects in the framework of its strategy for sustainable and profitable growth and a dynamic management of its portfolio of activities. However, the Group is carefully applying its policy of selectivity, which aims to adapt, to the extent possible, the timing of its capital expenditures to the evolution of its performance and the macroeconomic context.

Investments & acquisitions by the Group in 2007 = EUR 777 million



Group R&D in 2007 = EUR 556 million



Financial information per share

Earnings per share

Net income of the Group amounted to EUR 828 million compared with EUR 817 million in 2006. Minority interests (EUR 47 million) increased compared with 2006 (EUR 26 million) due to the favourable trend of income from investments in which minority interests are present In this way the **net earnings per share** amounted in 2007 to EUR 9.46 (EUR 9.57 in 2006).

Dividend

The Board of Directors on February 14, 2008 decided to propose to the General Shareholders' Meeting of May 13, 2008 that the company pay a **net dividend** of EUR 2.20 per share (EUR 2.9333 gross per share). This is an increase of 4.8% compared with 2006.

Based on the closing price on February 13, 2008 (EUR 83.36), this represents a gross dividend yield of 3.5% and a net dividend yield of 2.6%.

Given the interim dividend of EUR 0.85 per share (coupon no. 81) paid on January 17, 2008, the balance of the dividend in respect of 2007, equal to EUR 1.35 net per share, will be paid on May 20, 2008 (coupon no. 82).

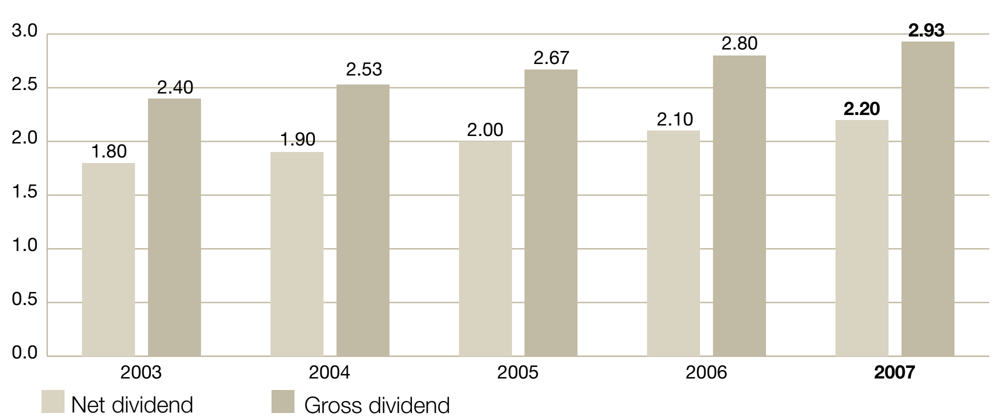
This increase is in line with Group policy of increasing the dividend whenever possible and, as far as possible, not reducing it. Over the past 26 years the dividend has been steadily increased and never reduced.

Parent company results (Solvay S.A.)

Solvay S.A. is a holding company. Its income comes essentially from managing a portfolio of investments.

The operating result represents the balance of the head office operating costs partially offset by income from industrial and commercial activities not undertaken through subsidiaries.

Gross and net dividend per share (in EUR)



Current profit before taxes amounted to EUR 105 million, compared with EUR 157 million in 2006. The balance of extraordinary results amounted to EUR 330 million compared with EUR 94 million in 2006. Taking into account a tax credit of EUR 44 million (2006: EUR 7 million), the profit for the year of Solvay S.A. amounted in 2007 to EUR 479 million, compared with EUR 258 million in 2006.
In the absence of transfers to untaxed reserves, net income for the year of EUR 479 million is available for appropriation.

EUR million	**2006**	**2007**
Net profit for the year available for distribution	258	479
Carried forward	529	550
Total available to the General Shareholders' Meeting	**787**	**1 029**
Appropriation		
Gross dividend	237	249
Carried forward	550	780
Total	**787**	**1 029**

Consolidated data per share

In EUR	**2003**	**2004**	**2005**	**2006**	**2007**
Stockholders' equity	32.23	34.92	45.46	50.97	52.10
Cash flow	9.91	12.00	15.42	16.20	17.21
REBITDA	13.16	13.88	16.13	18.97	20.13
Net income	4.78	5.92	9.51	9.57	9.46
Net income (excluding discontinued operations)	4.83	5.12	3.77	8.33	9.46
Diluted net income	4.78	5.90	9.46	9.52	9.40
Diluted net income (excluding discontinued operations)	4.82	5.11	3.75	8.28	9.40
Number of shares (in thousands) at December 31	*84 610*	*84 623*	*84 696*	*84 701*	*84 701*
Average number of shares (in thousands) for calculating IFRS earnings per share	*82 748*	*82 521*	*83 021*	*82 669*	*82 586*
Average number of shares (in thousands) for calculating IFRS diluted earnings per share	*82 776*	*82 751*	*83 491*	*83 106*	*83 054*
Gross dividend	2.40	2.53	2.67	2.80	2.93
Net dividend	1.80	1.90	2.00	2.10	2.20
Highest price	69.3	83.9	104.1	116.2	123.2
Lowest price	47.6	64.1	79.95	83.1	92.3
Price at December 31	68.75	81	93.1	116.2	95.7
Price/earnings at December 31	14.4	13.7	9.8	12.1	10.2
Net dividend yield	2.6 %	2.3 %	2.1 %	1.8 %	2.6 %
Gross dividend yield	3.5 %	3.1 %	2.9 %	2.4 %	3.5 %
Annual volume (thousands of shares)	27 068	27 710	44 181	46 225	57 536
Annual volume (EUR million)	1 667	2 000	4 011	4 442	6 318
Market capitalization at December 31 (EUR billion)	5.8	6.9	7.9	9.8	8.1
Velocity (%)	32.3	31.5	53.3	56.9	71.5
Velocity adjusted by Free Float (73%) (in %)	44.2	43 .1	71.1	81.2	102.1

En route for tomorrow's Solvay Pharmaceuticals

Scientific expert Joachim Adam operating the open access automated NMR (Nuclear Magnetic Resonance) system providing synthetic chemists with data overnight.

Photograph taken on January 24, 2008 at the Solvay Pharmaceuticals site, Hannover, Germany.

Pharmaceuticals Sector

Solvay Pharmaceuticals operates in two main therapeutic areas, in which it undertakes a full range of Research and Development activities:

- Cardiometabolics (including the fenofibrate franchise);
- Neuroscience.

Supplementing these are several areas in which major medical needs exist, and where R&D support is selective and individualized:

- Flu vaccines;
- Pancreatic enzymes;
- Women's and men's health;
- Gastroenterology.

Key figures [EUR million]

	2005	2006	**2007**
Sales	2 270	2 601	**2 591**
REBIT	302	451	**457**
REBITDA	376	554	**559**
Capital expenditure	1 346	201	**73**
R&D	351	424	**415**
Headcount *	10 004	10 088	**9 178**

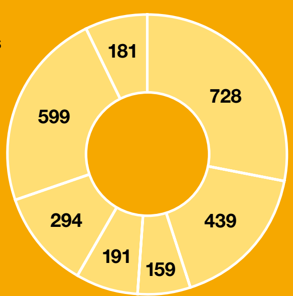
* Full-time equivalents at January 1 of the following year.

Kim Jonker
Chemical analyst

Sales breakdown 2007: EUR 2 591 million

By therapeutic field

Cardiometabolics
728
Neuroscience
439
Flu vaccines
159
Pancreatic enzymes
191
Gastroenterology
294
Women's and men's health
599
Others
181



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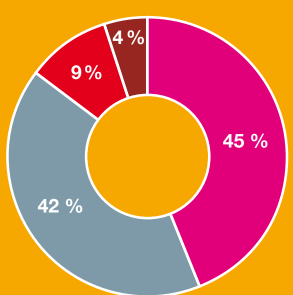
By geographic area

Europe 45 %
36 % European Union (27)
9 % Other European countries
The Americas 42 %
40 % Nafta
2 % Mercosur
Asia-Pacific 9 %
Rest of the world 4 %

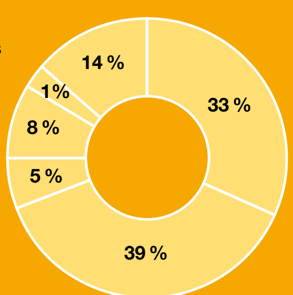


stable
in sales
+1%
in operating results

R&D expenditure 2007 : EUR 415 million

By therapeutic field

Cardiometabolics
33 %
Neuroscience
39 %
Flu vaccines
5 %
Pancreatic enzymes
8 %
Gastroenterology
1 %
Women's and men's health
14 %



Driving our strategy

Products
Our present offering includes a certain number of products in so-called "urgent medical needs" areas.

Our strategy

- sales objective of EUR 3.2 billion by 2010;
- confirmation of a REBIT/sales margin of 20% by 2010;
- confirmation of efficiency improvements to generate savings of EUR 300 million a year;
- geographic extension by establishing platforms in high growth markets;
- targeted Research and Development, with rising R&D/sales ratio;
- active partner-seeking strategy.

Products addressing urgent medical needs

Our present offering includes a certain number of products in so-called "urgent medical needs" areas.

Our CREON® line of pancreatic enzymes is a world-leading range of products for treating life-threatening cystic fibrosis in infants and adults. These enzymes are also used to combat other pancreatic disorders, like infections or cancers. R&D programs are also under way to create new pancreatic enzymes.

Our DUODOPA® product offers treatment for advanced stage Parkinson's disease. DUODOPA® acts by supplying the desired level of active ingredient directly into the narrow intestine through a catheter. The pump supplying the product is worn under the patient's clothing, and the patient himself manages its use. The patient is also able to administer larger amounts of DUODOPA® depending on the symptoms experienced at a particular point in time, but without exceeding the authorized daily dose. Solvay is also researching new treatments for Parkinson's, including pardoprunox (SLV308) for treating mild and moderate stages of the disorder.

Our INFLUVAC® range of flu vaccines is another product which meets an urgent medical need. One of the World Health Organization's priorities, either directly or through governments, is to encourage more people across the world to be vaccinated against flu.

Vaccination helps fight seasonal flu, which rages every year. It is also a key to preparing to confront a potential pandemic. As well as manufacturing these vaccines with chicken eggs using a well-established process, we are right now validating a new plant to produce vaccines using cell cultures.

We can also mention at this point OMACOR®, a product developed by Pronova Biocare Norway, containing high-purity, high-concentration Omega-3s, which reduces the risk of repeat myocardial infarction. Solvay Pharmaceuticals has the registration and the licence for Europe for this drug, which supplements its cardiometabolic range.

Establishing platforms in emerging markets beyond our traditional territories

Originally Solvay Pharmaceuticals was present primarily in Western European markets. To these were added the North American markets in the 80s and 90s. Since 2000, we have established solid platforms in what are for us new markets like Russia, Brazil, Mexico, China, India, Turkey, Poland and Australia, and to a lesser extent in Asia, Central and Eastern Europe and South America. The extension of our presence to these markets during the coming years will significantly rebalance the regional distribution of Solvay Pharmaceuticals' income.

In 2007, over 18% of our total revenues came from these emerging markets, which is 15% more than in 2006.

The great flexibility of a medium-sized company

The acquisition and the integration in under two years of French company Fournier Pharma is a recent example of this. As well as taking on board 1 100 new employees, some remarkable products like the fenofibrate franchise, and new R&D projects, we have also entirely restructured the Solvay Pharmaceuticals and Fournier Pharma companies.
In this area our "INSPIRE" project, running until 2010, aims to grow sales and improve profitability (REBIT/sales ratio of 20%), in particular through cost savings of EUR 300 million a year. The INSPIRE project is well on the way to achieving its objectives by 2010.

> "Within the dynamic context of today's radically mutating pharmaceuticals market, a more ambitious project, "Transformation Task Force 2015" was launched in 2007"

Numerous changes have been introduced in sales and marketing, management teams, manufacturing and supply, and Research and Development, with more to come between now and 2010.

In 2007, improved efficiency resulting from the "INSPIRE" project enabled us to save EUR 160 million a year, in line with the plan established, in 2005.
Most of this money has been reinvested in activities to promote growth and future profitability.
It has also helped cushion the effect of forced price reductions and the development of generics.

Within the dynamic context of today's radically mutating pharmaceuticals market, a more ambitious project, "Transformation Task Force 2015" was launched in 2007. This challenges us to review the way we manage our activities and to introduce new working methods at Solvay Pharmaceuticals. Over the coming years, the "INSPIRE" and "Transformation Task Force" projects will adapt our structures and working models to the face of tomorrow's pharmaceuticals industry.

Results in 2007

In 2007, Solvay Pharmaceuticals sales amounted to EUR 2.6 billion, on a par with those of the record year 2006. This represents growth of + 3% on a constant exchange rate basis. Earnings and margins are also comparable to those of 2006.

In 2007 we achieved records in two fields:

- sales of TRICOR® in the USA, where for the first time Abbott posted sales in excess of USD 1.2 billion, up 16% from 2006 and confirming this drug's "blockbuster" status;
- ANDROGEL® sales which, worldwide, grew by 12% to above EUR 300 million for the first time.

Distribution by geographic zones shows the USA to be our largest market, with 37% of sales in EUR. Sales here grew by 6% in 2007, expressed in EUR (16% in USD), compared with 2006.

Sales in the US passed the EUR 900 million mark for the first time.
The European Union comes in third place with 28%, now behind the rest of the world, in second place with 35% of total sales.
Russia today is our third largest single market after the USA and France:

- United States: EUR 957 million, 37% of the total, in first position;
- France: EUR 189 million, 7% of the total, in second position;
- Russia: EUR 130 million, 5% of the total, in third position.

Flagship products in 2007

Therapeutic field	Products	Markets	2007 sales in EUR million	% of 2007 sales	Differences 2007/2006 %	Differences 2007/2006 (at constant exchange rates)
Cardiometabolics	**TRICOR®/LIPANTHYL®**	Global	**433**	17 %	+ 5 %	+ 11 %
Men's health	**ANDROGEL®**	North America + Central & Eastern Europe, Middle East, South Africa	**308**	12 %	+ 12 %	+ 22 %
Pancreatic enzymes	**CREON®**	Global	**198**	8 %	+ 4 %	+ 7 %
Neuroscience	**SERC®**	Europe + Export	**150**	6 %	+ 3 %	+ 3 %
Flu vaccines	**INFLUVAC®**	Europe + Export	**127**	5 %	+ 8 %	+ 8 %
Cardiometabolics	**TEVETEN®**	Global [1]	**106**	4 %	+ 12 %	+ 12 %
Neuroscience	**MARINOL®**	USA	**105**	4 %	– 1 %	+ 8 %

1. Rights transferred in the USA to Biovail.

The Group's flagship product is now fenofibrate, sold as TRICOR® in the United States and mainly as LIPANTHYL® elsewhere in the world. ANDROGEL®, a male hormone product, is the second-best performing product after fenofibrate. CREON®, SERC®, INFLUVAC®, TEVETEN® and MARINOL® all produced sales of more than EUR 100 million in 2007.

Pharmaceuticals Sector

“ The Health, Safety and Environment (HSE) department is supporting the development and delivery of drugs throughout their life cycles to ensure the protection of our planet’s inhabitants while effectively meeting our patients’ needs. ”

Suzanne Hattink, microbiological analyst, evaluating samples.
GMP (Good Manufacturing Practices) requires us to evaluate the microbiological quality of cleanrooms. For this reason samples are taken and incubated at the microbiological laboratory to demonstrate that the cleanrooms are GMP compliant.

Photograph taken on January 22, 2008 at the Solvay Pharmaceuticals site, Olst, The Netherlands.

Major events at Solvay Pharmaceuticals in 2007

In Cardiometabolics

The fenofibrate franchise is the range of Solvay Pharmaceuticals products for treating dyslipidemia (controlling cholesterol and triglycerides).

Research results published in the Lancet indicate that fenofibrate reduces by over 30% the need for laser treatment of eye disorders in Type 2 diabetes patients.

Eye complaints, in particular diabetic retinopathy and macular degeneration, affect almost 50 million out of 200 million diabetes patients worldwide. Solvay Pharmaceuticals and Abbott Laboratories have concluded an agreement giving Solvay co-promotion rights in the USA for Abbott's combined, fixed-dose investigational dyslipidemia treatment, SIMCOR® (NIASPAN® with simvastatine), which is currently awaiting approval by the Food and Drug Administration (FDA). Under this agreement, Solvay will provide marketing support in the USA, will contribute to development and promotion costs, and will be compensated based on sales figures. SIMCOR® combines, in a single pill, two well-established leading-edge drugs, NIASPAN® and simvastatine, which target several lipid parameters ("bad" cholesterol or LDL, "good" cholesterol or HDL and triglycerides). In April 2007, Abbott applied to the FDA for authorization to market SIMCOR®.

Still in Cardiometabolics, the dossier on intravenous tedisamil (the planned commercial brand name is PULZIUM® IV), a new treatment developed from research by Solvay Pharmaceuticals, was submitted for registration in the countries of the European Union. In the USA, a reassessment is under way after receipt of a letter from the FDA stating that the product cannot be approved at this stage.

In Neuroscience

In response to Solvay Pharmaceuticals' and Wyeth's application for marketing authorization for the atypical antipsychotic drug bifeprunox, which has been developed to treat acute schizophrenia and to keep adult patients in a stable state, the FDA stated that the drug could not be approved at this stage. In its letter, the FDA indicated that bifeprunox proved effective in the long term maintenance study, stating that a second positive maintenance study could be enough to support a new application. Solvay Pharmaceuticals believes that bifeprunox presents various benefits in long term maintenance for schizophrenia patients.

In February 2008, Wyeth terminated the collaboration agreement on

bifeprunox and compounds at the initial development stage. In January 2007 the two companies had expanded the partnership concluded in April 2004.

Finally, in September 2007, during Solvay's annual investor briefing, an in-depth view was given of the Solvay Pharmaceuticals activities from both the financial and the commercial viewpoints. The key components of the Research and Development pipeline were also reviewed, along with the prospects for each of these substances. These elements are summarized in the table “Research and Development Pipeline” below.

How do Solvay Pharmaceuticals’ activities respond to the challenges of sustainability? Some examples

Limiting the risks connected to the use of medicines is essential for the sustainable success of the activity.

The Regulatory Affairs department represents the primary communication link between the company and regulatory authorities the world over. This department is responsible for tracking the scope and growing complexity of regulations concerning registration of drugs.

Pharmacovigilance consists of monitoring event data in order to ensure the appropriate use of our medicines. It involves recording, assessing and reporting the potential side effects of all our drugs. To meet daily increasing demands in the field of pharmovigilance, Solvay Pharmaceuticals has concluded a strategic partnership with an outside partner.

The Health, Safety and Environment (HSE) department is supporting the development and delivery of drugs throughout their life cycles to ensure the protection of our planet’s inhabitants while effectively meeting our patients’ needs. HSE keeps active watch on our compliance with all local, national and international regulations.

The various departments of the External Affairs section of the RESQS (Regulatory Affairs, External Affairs, Safety and Quality Strategies) function are working to ensure the best possible environment for Solvay Pharmaceuticals’ activities across the world, by creating active interaction with the political, economic and social environment and by representing Solvay's interests with the main stakeholders. Solvay Pharmaceuticals is currently embarked on a citizenship initiative.

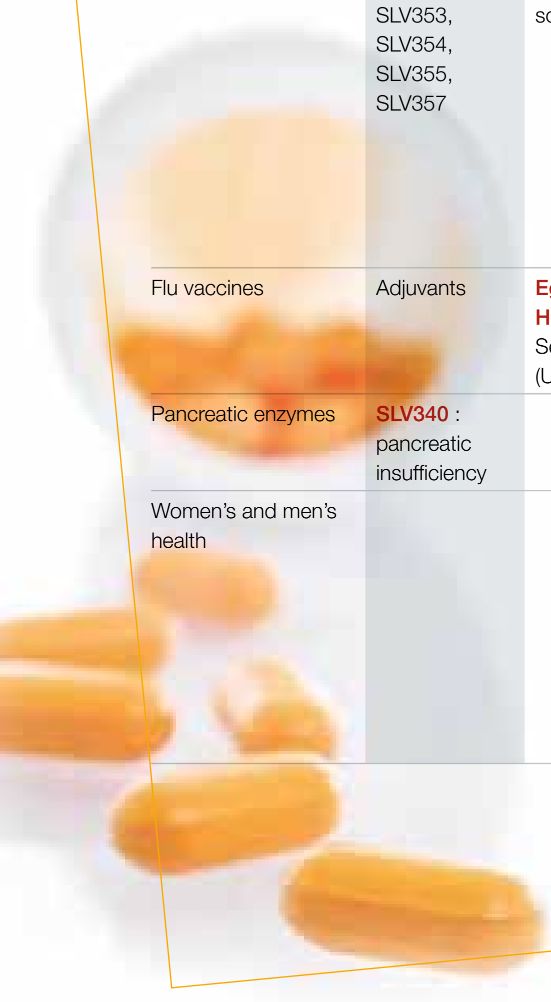
The RESQS department is also handling the environmental risk assessments that are now mandatory in Europe and the USA for new products.

Visual in process control of syringes.

Photograph taken on January 22, 2008 at the Solvay Pharmaceuticals site, Olst, The Netherlands.

Research and Development pipeline

Therapeutic field	Preclinical	Phase I	Phase II	Phase III	Filed/Approved
Cardiometabolics	SLV316, SLV329, SLV337, SLV338, SLV341, SLV342, SLV344, SLV345, SLV346, SLV352, SLV356		**SLV319** : obesity **daglutril (SLV306)** : hypertension and congestive heart failure **SLV320** : congestive heart failure and kidney disease	**ZOLIP** : (fenofibrate + statin) **SYNORDIA®**: (fenofibrate + metformin) **PULZIUM® intravenous (USA)** : atrial fibrillation	**SLV348 (USA)** : (new generation fenofibrate) **PULZIUM® intravenous (European Union)** : atrial fibrillation
Neuroscience	SLV347, SLV338, SLV351, SLV353, SLV354, SLV355, SLV357	**SLV330** : cognition **SLV314** : schizophrenia	**dronabinol** : dose inhaler **SLV313** : schizophrenia **SLV334** : traumatic brain injury **anatibant** : traumatic brain injury (+ Xytis)	**bifeprunox (USA)** : schizophrenia **bifeprunox (European Union)** : schizophrenia **pardoprunox (SLV308)** : mild/moderate Parkinson's disease **DUODOPA® (USA)** : late-stage Parkinson's disease	**fluvoxamine CR (USA)** **fluvoxamine IR (USA)**
Flu vaccines	Adjuvants	**Egg-derived H5N1** Seasonal tests (USA)		**GRIPPOL® TC**	**INFLUVAC® TC (European Union)** flu vaccine produced in cell cultures
Pancreatic enzymes	**SLV340** : pancreatic insufficiency		**SLV339** : pancreatic insufficiency	**CREON® (Japan)** : pancreatic insufficiency	**CREON® (USA)** : pancreatic insufficiency
Women's and men's health			**ESTRATEST® (USA)** : esterified estrogen + methyltestosterone	**ANDROGEL® "low volume"** : hypogonadism **ANDROGEL® (USA)** : pediatrics **FEMOSTON® low dose** : female hormone therapy	



Control operations on unprocessed Bicarbonate conveyer belt (BIB) conveying product to the drying process sector.

Photograph taken on January 28, 2008 at the Solvay Chimica site, Rosignano, Italy.

On the path of growth

Giacomo Poli
control operator
for band filter line Soda Ash Plant

Paolo Bartoli
online assistant / external technician
Soda Ash Plant

Strategy

- intensifying our geographic expansion;
- growth in Specialties;
- pursuing technological innovation;
- consolidating in essentials.

Key figures [EUR million]

	2005	2006	**2007**
Sales	2 785	2 998	**3 031**
REBIT	285	315	**345**
REBITDA	448	484	**508**
Capital expenditure	261	270	**315**
R&D	27	33	**37**
Headcount *	8 721	8 691	**8 395**

* Full-time equivalents at January 1 of the following year.

Riccardo Gazzari
In charge of Chemical Plant General Services

+1%
in sales

+9%
in operating results

Sales breakdown 2007: EUR 3 031 million

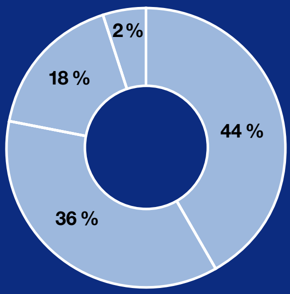
By cluster and SBU

Minerals cluster 44 %
- **38 %** Carbonates
- **6 %** Advanced Functional Minerals

Electrochemicals and Fluorinated Products cluster 36 %
- **24 %** Electrochemicals
- **12 %** Fluorinated Products

Oxygen cluster 18 %
- **12 %** Hydrogen peroxide
- **3 %** Detergents
- **3 %** Caprolactones[1]

Organic cluster 2 %



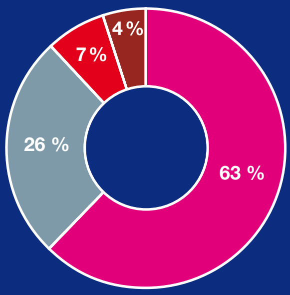
By geographic area

Europe 63 %
- **58 %** European Union (27)
- **5 %** Other European countries

The Americas 26 %
- **19 %** Nafta
- **7 %** Mercosur

Asia-Pacific 7 %

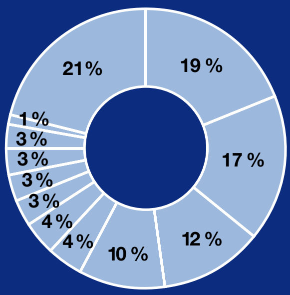
Rest of the world 4 %



Sales by customer segment 2007: EUR 3 031 million

By customer segment

Glass industry	19 %
Chemical industry	17 %
Paper	12 %
Detergents, cleaning and hygiene products	10 %
Construction and architecture	4 %
Human health	4 %
Human and animal food processing	3 %
Water and environment	3 %
Automobile industry	3 %
Electricity and electronics	3 %
Consumer goods	1 %
Other industries	21 %



1. Sold in 2007.

Driving our strategy

Energy
All our extension projects include energy saving improvements, better use of raw materials, lower dischange effluents.

In the "Minerals" cluster

- continuing our efforts to develop projects in growth economies;
- pursuing process optimization and developing new technologies to reduce our environmental footprint;
- developing new sodium bicarbonate applications through intensive R&D;
- reducing energy dependence.

In the "Electrochemistry and Derivatives (EDS) and Fluorinated Products" cluster

- pursuing our growth in Asia with the new EPICEROL® process, and developing our fluorinated inorganic specialties;
- developing markets for SOLKANE® 365 mfc in the insulating foams and solvents sector;
- continuing the gradual conversion of our (chlorine) electrolysis units to membrane technology and optimizing our energy supply sources;
- reducing the dependence of our fluorinated activities on the refrigerants market.

In the "Oxygen" cluster

- pursuing our geographic growth in the growing economies (South America, Asia, Eastern Europe);
- intensifying R&D efforts to optimize traditional processes and to develop new breakthrough technologies;
- continuing to develop the partnership concept in hydrogen peroxide / propylene oxide.

In the "Organic" cluster: Molecular Solutions

- diversifying the portfolio of oligonucleotide and peptide compounds;
- developing our scientific and technological competences in leading-edge Organic Chemistry;
- collaborating with New Business Development in developing our Organic Electronics activities.

Massimiliano Tonci
Technical supervisor, Electrolysis plant

Pierluigi Morganti
Shift operator Electrolysis plant

Ongoing search for reliable, competitive energy sources

- in electricity, participation in the Exeltium consortium of major electricity consumers in France. This should allow us to lock in long-term energy sources at competitive prices in that country;
- in steam, investing in high-efficiency technology like the ultramodern boiler which will come into operation in 2008 at Devnya (Bulgaria), or recovering heat from recycled fuels and biomass.

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

Sales up 2% from 2006.

In **Soda Ash**, the strong demand from growing markets continued throughout 2007, especially in China, India, the Middle East, the Community of Independent States (CIS), Latin America and, to a lesser extent, in Western Europe and the United States. This sustained demand, combined with limited availability from industrial units already operating at full capacity, produced tension in the global market. In China, rising domestic demand soaked up increases in local production and limited exports. As a result, sales prices increased in various parts of the world, and profitability increased compared with 2006, despite sharply rising energy costs, in particular at the end of the year.

The dynamism of high growth regions like China and Russia has led us to pursue our efforts to broaden our presence there, which remains a key thrust of our growth strategy.

Solvay Sodi, a joint venture with Sisecam (Turkey) to produce soda ash in Bulgaria, is contributing to this objective. We have decided to increase annual production at our Devnya (Bulgaria) plant from the current 1.2 million tonnes to 1.5 million tonnes, so as to be able to support growth projects on the dynamic Balkan, CIS and Middle East markets. Once this expansion is operational at the end of 2008, the Devnya site will be one of the largest soda ash production units in the world to apply the Solvay-developed production process. Capacity debottlenecking investments have also been approved for our Rheinberg (Germany) and Torrelavega (Spain) units. We are also investing regularly in strengthening our trona (natural soda ash) mining activities at Green River, Wyoming (USA).

Sales volumes and applications for our Soda Ash derivatives continue to increase.

The **Bicarbonate** activity is growing dynamically in existing applications, like the NEUTREC® process for treating incinerator glue gases and a similar process, SOLVAIR®, developed in the United States. New applications are also being developed with the help of recognized experts and specialists in the fields of nutrition, human health and agriculture.

Following on Bernburg (Germany) in 2006, new bicarbonate capacity

expansions were successfully brought on stream in 2007 at Torrelavega (Spain) and Póvoa (Portugal). These will enable us to respond to demand and to meet our clients' increasingly tough quality specifications.
A new unit is planned for 2009 at Rosignano (Italy).

A new unit producing **Calcium Chloride** pearls went into operation at Rosignano (Italy) at the end of 2007. Part of its production will be distributed on the Russian market by Zirax.

Capacity was also increased at the **Ultra-pure Soda Ash** unit at Dombasle (France). This unit, which produces soda ash for pharmaceutical applications, has received the CEP Pharmacopoeia Certificate for products used as excipients in the pharmaceuticals industry.

The Group is continuing to consolidate its **Advanced Functional Minerals** activities. Various new products are now under development for the electronics industry, integrating, among other things, the Group's expertise in nanotechnologies. The first product from this new effort is expected to reach the market in late 2008 or early 2009.

The "Electrochemistry and Fluorinated Products" cluster

Sales down 2% from 2006.

Demand for **Caustic Soda** remained high worldwide.
Prices in local currency remained stable in 2007, slightly above those of 2006, thanks to excellent global demand, in particular from the paper, aluminium and chemical sectors.

“ A new unit producing Calcium Chloride pearls went into operation at Rosignano (Italy) at the end of 2007.
Part of its production will be distributed on the Russian market by Zirax. ”

In October 2007 the Rosignano (Italy) plant began converting its electrolysis unit from the traditional mercury process to a process with the latest generation of membranes. Apart from the savings in electrical energy and water, two major innovations accompany this conversion. The first consists of improved purification of the brine upstream from the membranes. The second eliminates electrolysis by-products and allows the residual brine to be used directly in the soda ash plant. An electrical co-generation unit, built in partnership with Electrabel, also went into operation.

In **Allyls**, the production of epichlorohydrin by the **EPICEROL®** process is taking concrete shape. This original process, with 22 patent applications to its name, is now operational and is in the optimization phase at Tavaux (France) on a 10 kt/year pilot unit.
The decision has been taken to build a 100 kt/year industrial unit at our Map Ta Phut (Thailand) site.

This new world-scale production unit should be operational by the end of 2009 in response to growing demand in Asia for epichlorohydrin. Other expansion projects are currently being examined in different parts of the world.

EPICEROL® presents additional advantages over the traditional epichlorohydrin production process:

- significantly lower volumes of by-products and waste;
- use of natural glycerine as a raw material in place of propylene, which is derived from oil. Glycerine is a by-product of the production of biodiesel, obtained from processing vegetable or animal oil.

EPICEROL® expresses the Group's commitment to "Green Chemistry" by using a renewable raw material in place of a fossil resource.

In 2007 we redirected our **Fluorinated Products**, with a view to reducing our refrigerants activities and concentrating more on high-added-value fluorinated chemicals.

This reflects the fact is that the market for basic refrigerants is affected by several unfavourable factors, including an influx of low-priced competitive products from Asia, the strong euro and energy prices. Four European sites, Hannover, Bad Wimpfen, Frankfurt (Germany) and Porto Marghera (Italy) have set in train a major restructuring programme aimed at adjusting our product offering and cost structure to the market situation. A fifth plant at Tarragona (Spain) will be closed down.

At the same time, numerous high-added-value fluorinated chemicals specialties are developing, like for example the inorganic fluorides used for aluminium brazing (NOCOLOK®); sulphur hexafluoride for insulating medium- and high-voltage switching equipment; SOLKANE® 365 mfc blowing agent for polyurethane insulating materials; and iodine pentafluoride, used in particular for producing weatherproof garments. Continuing the expansion of its portfolio of sophisticated products, Solvay has just launched an innovative fluorinated specialty that can extend the lives of lithium-ion batteries. It has also developed personalized solutions for complex industrial cleaning applications.

The other strategic development thrust is geographic and consists of developing sales in the promising Asian and US markets.

Combining these two strategic thrusts, in 2007 we successfully launched our new fluorinated products unit at Onsan (South Korea), specifically dedicated to fluorinated specialty chemicals and strengthening our direct access to the Asian markets for these products.

The "Oxygen" cluster: Hydrogen Peroxide, Detergents and Caprolactones

Sales up by 7% from 2006.

The **Hydrogen Peroxide** market confirmed its continuing growth in 2007, as in the three earlier years, with strong demand in all regions, including Europe.

Construction of the first 230 kt/year (100% concentration) hydrogen peroxide unit at Antwerp (Belgium), in the framework of the partnership with BASF and Dow, using the high-yield process developed by Solvay, is progressing on schedule. Commercial production of propylene oxide by our partners, using a new hydrogen peroxide-based process, is scheduled to start in 2008. The very strong demand for propylene oxide will absorb the greater part of the hydrogen peroxide production from this plant, which as a result will be unable to serve the other traditional markets for this product.

Another major step in developing this new market is the newly concluded agreement between Dow and Solvay to create a joint venture to build a second 330 kt/year (100% concentration) megaplant in Thailand. The advent of these giant hydrogen peroxide plants marks a new stage in the production technology for this product, in which we are confirming our world leadership position, with reduced capital investment, operating economies of scale and optimized use of energy and raw materials.

The specialties area remains as dynamic as ever. In 2007, the new peracetic acid (PAA) production plant was started up at Suzhou (China). Fully operational now, this plant delivers advanced disinfectant solutions with no significant environmental impact. There is heavy demand in the Chinese market for Solvay's PAA range, marketed under the PROXITANE® brand name. This market has grown strongly in recent years, in particular for disinfectant applications in the food and drinks packaging industry and for on-site sterilization of food and pharmaceuticals production equipment. In the detergents market, **Persalts** continued to evolve in a very aggressively competitive environment. The conversion of soda perborate into soda percarbonate is continuing in response to customer demand.

The Group's entire **Caprolactones** activity, based at Warrington (UK), is being sold to Sweden's Perstorp group.

Chemicals Sector

Riccardo Gazzari
In charge of Chemical Plant General Services

New Calcium Chloride production plant: control operations for automatic valve opening.

Photograph taken on January 28, 2008 at the Solvay Chimica site, Rosignano, Italy.

“In 2007 we redirected our Fluorinated Products, with a view to reducing our refrigerants activities and concentrating more on high-added-value fluorinated chemicals.”

Walter Massei
Control operator for Soda Ash Plant

Checking extraction system of a thickener in the Soda Ash production plant.

Photograph taken on January 28, 2008 at the Solvay Chimica site, Rosignano, Italy.

The “Organic” cluster: Molecular Solutions

Sales down 7% from 2006.

In 2007, the organic chemistry competences of the Molecular Solutions Strategic Business Unit (SBU) were progressively oriented towards sustainable technologies, in particular in developing organic products for the electronics industry. Newly created in 2005, this entity is pursuing its strategic vocation beyond the field of life sciences in which it started.

In the domain of OLEDs (Organic Light Emitting Diodes), the resources acquired and brought together to create Molecular Systems have been enriched with R&D partnerships, in Asia and the United States, to develop and produce new organic compounds for these applications. A first product has been produced for one of our key customers in this field. To accelerate the development of this emerging industry, the production and marketing know-how of SBU Molecular Systems is to be combined with the research competences of the General Management for Research & Technology.

In its established field of life sciences, SBU Molecular Solutions is focusing increasingly on very high added-value niches such as the molecular-level assembly of peptides and oligonucleotides. Applications include the treatment of genetic disorders. In our peptide activity, the customer portfolio is being renewed and is diversifying satisfactorily. The oligonucleotide activity has expanded strongly in the United States, with new investments in the production plant to meet the increasing demand.

How do Solvay Chemicals’ activities respond to the challenges of sustainability? Some examples

Reducing our environmental impact is a constant concern.

- All our capacity expansion and debottlenecking projects include energy-saving improvements (e.g. the EUR 70 million investment in the latest generation steam generators at Devnya in Bulgaria, the gradual conversion of our electrolysis units to membrane technology), better use of raw materials and lowering gaseous, liquid or solid effluents (e.g. the high-yield hydrogen peroxide process);
- Developing new processes based on renewable raw materials, such as the EPICEROL® process;
- Developing an organic chemistry cluster of activities with the objective of future marketing of high-added-value compounds in the field of organic electronics and renewable materials and energies;
- the development of new environmental, health, hygiene, nutritional and other applications aimed primarily at improving human well-being;
- youth recruitment and training plans implemented in the employment zones of our various sites.

Enriching our product portfolio and fully exploiting our strengths

Controlling PVDC (barrier polymer) coating on PVC, PET and BOPP supports for oxygen and water impermeability.

Photograph taken on February 14, 2008 at Solvay Neder-over-Heembeek, Belgium.

Jean-Jacques Lootens
Coating operator

Our strategy

- Expanding the Specialties cluster:
  - product leadership;
  - R&D;
  - globalization.

- Expanding the Vinyls cluster:
  - regional leadership in Europe, South-East Asia and South America;
  - selective geographic diversification (Russia);
  - competitiveness.

Key figures [EUR million]

	2005	2006	**2007**
Sales	3 507	3 800	**3 950**
REBIT	389	409	**441**
REBITDA	565	595	**636**
Capital expenditure	293	367	**334**
R&D	79	88	**87**
Headcount*	8 474	8 889	**8 977**

* Full-time equivalents at January 1 of the following year.

Sontaya Jaraenporn
General Field Operator
(Map Ta Phut/Thailand)

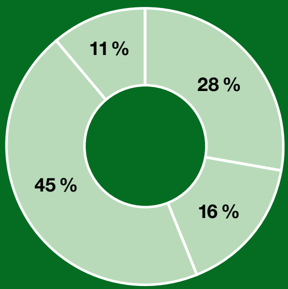
Piyapong Keawtongdee
Operator Trainee, Chloro Vinyls Department
(Map Ta Phut/Thailand)

Sales breakdown 2007: EUR 3 950 million

By cluster and SBU

Specialties 44 %
- **28 %** Specialty Polymers
- **16 %** Inergy Automotive Systems

Vinyls cluster 56 %
- **45 %** Vinyls
- **11 %** Pipelife (pipes and fittings)



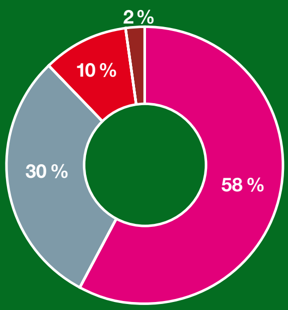
By geographic area

Europe 58 %
- **54 %** European Union (27)
- **4 %** Other European countries

The Americas 30 %
- **17 %** Nafta
- **13 %** Mercosur

Asia-Pacific 10 %

Rest of the world 2 %



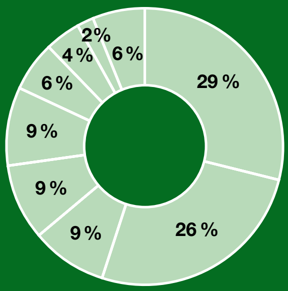
+4 %
in sales

+8 %
in operating results

Sales by customer segment 2007: EUR 3 950 million

By customer segment

Construction and architecture	29 %
Automobile industry	26 %
Chemical industry	9 %
Water and environment	9 %
Electricity and electronics	9 %
Packaging	6 %
Consumer goods	4 %
Human health	2 %
Other industries	6 %



Driving our strategy

PVC
In a context of high oil prices, PVC is proving increasingly competitive and ecoefficient with its low oil content and excellent recyclability.

In the "Specialties" cluster (Specialty Polymers)

- expanding and enriching our very-high-performance polymers range;
- differentiating the product range through competitiveness (quality/price), by research efforts and by intellectual property;
- continuing our globalization drive with production capacity expansions and acquisitions.

In the "Specialties" cluster (Inergy Automotive Systems)

- securing our technological leadership through R&D;
- extending product functionalities (e.g. denoxification of diesel emissions);
- globalization by following our car-building customers (China, Russia, India, etc.);
- ensuring excellence in quality, cost and services.

In the Vinyls cluster (vinyl chain)

- securing regional leadership in Europe (especially in Russia), South-East Asia and South America;
- ensuring competitiveness through manufacturing efficiency, raw-materials integration and technological innovation;
- targeted growth and diversification.

In the Vinyls cluster (Pipelife)

- securing our leadership in the Europe 27;
- developing the range of products, systems and services through innovation.

The "Specialties" cluster:

Specialty Polymers and Inergy Automotive Systems, a 50/50 joint venture with Plastic Omnium in fuel systems

Sales up 1% from 2006.

2007 was a very good year for **Specialty Polymers**, with volumes up on average 8%, and above 10% in high-performance polymers. Sales moved ahead in Asia where we boosted our activities (13% of our 2007 turnover), though the USD and JPY exchange rates meant that sales in dollars advanced less rapidly than volumes. Profits are continuing upwards from the very good level of 2006, despite the unfavourable exchange rate and sustained R&D expenditure (5% of sales). R&D efforts are devoted to creating new high-performance polymers and launching a number of new production units, which will contribute to tomorrow's expansion of these activities.

Structural analysis of plastic nano-composites.

2007 was also a year of important strategic decisions, aimed at extending existing capacities, penetrating the Asian market and enriching the product portfolio. Most of these units have reached world scale and are applying unique processes and technologies.

At Solvay Solexis, perfluoropolyether (PFPE) production capacity at the Spinetta Marengo plant (Italy) was doubled. The new units will become operational in 2008. The products in question, marketed under the

“In June 2007 SolVin signed a joint venture agreement with Sibur to set up the RusVinyl company and build an integrated 330 kt/year PVC plant (extendable to 500 kt/year) at Kstovo (Russia).”

Davide Paleari
Mechanical Testing Specialist

Photograph taken on February 7, 2007 at Solvay Solexis, Bollate, Italy.

SOLVERA® and FLUORLINK® brand names, are used principally as water-repellent and anti-grease agents in wrapping paper and textiles. Our H-GALDEN® high-performance, low environmental impact heat-transfer fluid will also benefit from this capacity extension.

Solvay Solexis and Thin Film Electronics ASA (a Norwegian company based in Oslo) have concluded an agreement to develop materials for printed electronic components.

The new micronized polytetrafluoroethylene (PTFE) powder plant currently under construction at Changshu in China will be operational in the first quarter of 2008. This micronized powder, marketed under the POLYMIST® brand name, is used in various complex applications like cosmetics, high gloss inks and high performance lubricants.

Finally, two world class production units for our HYFLON® et ALGOFLON® fluoropolymers have started up at Spinetta (Italy).

Solvay Advanced Polymers, based at Alpharetta (USA), has just brought on stream a production expansion for its RADEL® R polyphenylsulfones and launched a new range of SOLVIVA™ plastics that meet the very demanding specifications for medical implants. These applications have required all production chains to be brought into conformity with the international production standards that apply in the medical world.
The ultrapolymers segment has been significantly strengthened with the start-up of a pilot polyether-ether ketone (PEEK) unit at Alpharetta (USA) and the construction of an industrial scale PEEK platform at Panoli (India), to be rolled out in early 2008.

A new PVDC (polyvinylidine chloride) latex production unit is to be built at SolVin's Tavaux (France) site, which now houses the entire production of this polymer.
Under the trade name DIOFAN®, this latex is used as a barrier material for coating paper or plastic films for integrity-critical packaging situations, in particular in the food and pharmaceutical sectors.

In 2007, demand for specialty polymers was particularly strong in pharmaceutical packaging, semi-conductors, retail electronics, medical applications and water treatment. By contrast, auto markets in Europe and the USA were weaker. In most cases, our sales have grown faster than their respective market segments, including automotive, thanks to the width of our product ranges and our capacity for innovation. Today, more than 30% of sales are of products brought to market during the past five years.

Our strong R&D portfolio, our control of both fixed and variable costs (which improves our competitiveness, for example by improving the efficiency of our polymerization processes), our initiatives in HSE (Health, Safety and Environment) and the use of Best Available Technologies (BAT) in our plants, should together promote the growth and improve the performance of our specialty polymers in 2008 and 2009.

Globally speaking, specialty polymers are a major contributor to sustainable growth. Significant weight reductions in cars and airplanes contribute to fuel savings.

With their constantly improving mechanical strength and high temperature resistance, specialty polymers are steadily replacing other, more energy-consuming materials. Finally, they permit the development of new, highly sophisticated applications, for example in water treatment or the medical field, thereby contributing to the well-being of a growing number of individuals in the world.

Polyolefin compounds

fared variously in their different markets. Padanaplast (Italy), which manufactures and markets polyethylene-based compounds, saw its sales of compounds for both piping (replacing copper in domestic applications) and specialty cables increase by double-digit figures. 75% of sales are outside Italy, to 70 countries across the world.

Solvay Engineered Polymers (SEP) in the United States is active in polypropylene and elastomer compounds, mainly for the North American automobile market. Agreement was reached to sell the entire subsidiary to Basell, the leading world producer of polypropylene and advanced polyolefins. The principal reason is that this activity today fits less well with the strategy of the Sector, which is expanding in very high performance polymers with high added value markets, and selectively in vinyls. This transaction should be finalized in the first quarter of 2008.

Inergy Automotive Systems (50/50 joint venture with Plastic Omnium in fuel systems)

The world leader in fuel systems for the automotive industry, with around 13 million systems sold every year, Inergy Automotive Systems experienced a slight fall (1.2%) in its volumes and sales in 2007. Even so, thanks to cost-control initiatives, the operating margin was up significantly from 2006.

This resilience of profits is due to major efforts to boost competitiveness, with reductions in both manufacturing and general costs.

In certain regions, production capacities have had to be adapted to falling customer demand. The Oppama (Japan) plant is the sixth plant in high labor cost countries to be closed since the joint venture was founded, with production now concentrated at Kitakyushu. It was also decided to close the Blenheim (Canada) plant and transfer production to the Adrian and Anderson sites (USA).

Technological advances and competitive manufacturing facilities enabled Inergy to win new contracts during the year. 2007 saw record awarded business in new models/platforms for a total of four million fuel systems a year. Two new plants will start production in 2008, one in China, the other in Russia, where market growth is strongest. A production facility in India is planned for 2010.

Production of the fuel system for the new 7-series BMW will start in Germany in 2008, utilizing the innovative Twin-Sheet Blow-Molding (TSBM) technology. This manufacturing system, which combines the advantages of blow molding with those of thermoforming, is the brainchild of our own Research and Development (Inergy Research). One particular feature is the reduction of fuel emissions from evaporation to extremely low levels.

Inergy remains at the cutting edge in its field by integrating new environmental constraints. We can cite here its “flex-fuel” systems, used particularly in Brazil, which can accept between 0 and 100% bioethanol in the fuel, in a way that is totally transparent for the driver. Inergy has also received two orders from a German manufacturer for the diesel engine emission denoxification system developed by Inergy Research, which uses urea to achieve a selective catalytic reduction.

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

Sales up 6% from 2006.

The vinyls chain.
The strong worldwide growth observed in 2006 (+ 7%) continued in 2007, albeit slightly more moderately (+ 5%) owing, among other things, to the subprime crisis that has struck the US building sector. World demand for PVC should reach 34.9 million tonnes (+ 1.7 million). This sustained demand is explained by significantly growing needs in the building and infrastructures sector of emerging countries.

China, India, Mercosur, Russia and the Middle East again stood out with growth rates of over 10%. We should also mention the growth in Western Europe (+ 2%), from a building industry that remains strong in the renovation sector, with products like PVC window frames to limit heat diffusion and energy losses.

China remains the driving force for world consumption of PVC, representing 75% of total growth over the past five years.

Plastics Sector

Despite considerable capacity increases, mainly in China, global supply remains tight, in particular in Europe and Mercosur, across the entire vinyls chain, including raw materials (ethylene, dichloroethane EDC, VCM, etc.).

PVC prices have developed unevenly from one region to the next as a function of supply and demand, and of raw-material and utility prices.

In Asia, sales prices and margins recovered strongly in 2007 with weakening Chinese competition in export markets, linked to rising Chinese production costs. All regions with the exception of the USA have benefited from a favourable supply and demand situation that has enabled us to keep margins high.

The earnings of the vinyls chain reached a record in 2007, slightly above the excellent levels of the past three years. It owes this performance to its geographic diversification and its regional leadership in Europe+Russia, Mercosur and South-East Asia.

In Europe, **SolVin** (a 75/25 Solvay/BASF joint venture) enjoys an excellent competitive position that is strengthening every year. Costs were reduced in 2007 by the restructuring of the Tavaux (France) site, which involved decommissioning an old PVC unit and replacing it with a new unit incorporating the highest performing technology. It was also decided in 2007 to expand VCM and PVC capacity at Jemeppe (Belgium), bringing the site up to an integrated capacity of 500 kt/year of PVC from mid-2009. This investment will make us even more competitive and enable us to keep up with growing demand in Europe. SolVin's results have fully benefited from this increased competitiveness.

Demand from Eastern Europe has also been strong, indirectly sustaining demand in Western Europe through sharply rising imports of semi-finished products (profiles, floor covering, piping and fittings). Another factor buoying up demand has been the shortage of PVC resins in the rapidly growing Russian market.

In June 2007 SolVin signed a joint venture agreement with Sibur to set up the RusVinyl company and build an integrated 330 kt/year PVC plant (extendable to 500 kt/year) at Kstovo (Russia). This investment will consolidate SolVin's regional leadership in Europe with Russia, a country which is experiencing strong growth and which offers competitive advantages in terms of raw materials and utilities. This new unit is scheduled to start production in mid-2010.

In Mercosur, the Brazilian and Argentine markets served by **Solvay Indupa** (a listed Argentine company in which Solvay has a majority shareholding) also enjoyed very favourable market conditions. Improved competitiveness in Brazil with the new VCM expansion and smoothly operating plants have been key factors in new record results right along the vinyls chain.

After an initial expansion of our Brazilian chlorine, NaOH, VCM and PVC capacities at a cost of USD 150 million, approved in June 2006, a second expansion phase was approved in December 2007. Costing USD 135 million, this is intended to allow us to keep up with rapidly growing demand in the region and to further consolidate the competitiveness of our Brazilian site. Phases one and two are scheduled to come into production in mid-2008 and mid-2009. Phase two will bring the plant to an integrated PVC capacity of 360 kt/year and will include the production of ethylene from cane sugar. In this way, PVC will be produced from renewable raw materials. In collaboration with the Albanesi company, a feasibility study has been launched in Argentina for a 160 MW electricity generating station to consolidate the electricity supply to our Bahía Blanca site.

> *"In Europe, SolVin enjoys an excellent competitive position that is strengthening every year."*

In Asia-Pacific, large new units coming into production in China engendered heavy nominal overcapacity. However, the sharp rise in costs of the obsolete carbide/acetylene technology and the authorities' increased environmental concern has significantly weakened Chinese producers' competitiveness. Additionally, strongly rising demand in the region has absorbed the Chinese overcapacity faster than expected.

Despite this difficult environment and major price rises for raw materials and utilities, **Vinythai** (a Thai listed company in which

Solvay holds a significant stake) also staged a significant earnings recovery in the second half of 2007, thanks to its excellent competitiveness, reliable installations and ability to react rapidly in a volatile market.

The capacity expansions there – of VCM from 200 to 400 kt/year and of caustic soda from 130 to 260 kt/year – were carried out on schedule and within budget, with the new units successively brought into operation from December 2006 onwards. A 80 kt/year expansion of PVC capacity is under way and should start production in mid-2008.

It should be noted that the planned acquisition of Apex Petrochemicals has fallen through.

The complete integration of Vinythai at 400 kt of PVC a year is currently under examination.

The sixth report of Vinyl 2010, the Voluntary Accord of the PVC Industry, was published in May 2007, showing the industry to be on schedule towards achieving its objectives.

Production levels, technology and applications for recycled PVC at the VINYLOOP® unit at Ferrare continue to improve, despite a still-unattractive European economic environment for recycling projects. An additional EUR 8 million investment in improved technology, approved in 2006, will come onstream in early 2008. From then on it will be possible to recycle composite PVC waste to a quality close to that of the virgin product, making recycled PVC available for higher quality applications.

Despite constantly high PVC prices and a certain slowing of activity at the end of the year, the results of our **PVC compounds** activities in Europe have continued to recover in three of our four subsidiaries thanks to new progress in sales and productivity.
An ambitious growth plan, based on expanding sales in new countries and bringing new products to market, is currently being finalized. Earnings of Dacarto Benvic, our 50/50 partnership in Brazil with the Brazilian Carvalho family, remain good, with excellent market conditions enabling us to pass on most of the increases in PVC resin prices.
In Russia, earnings of Soligran, our 50/50 partnership with the Nikos group, also progressed well in 2007 in a climate of good cooperation.

More generally, in a context of high oil prices, PVC is proving increasingly competitive and eco-efficient with its low oil content and excellent recyclability.

Pipelife (50/50 joint venture with Wienerberger in pipes and fittings) took full advantage in 2007 of a favourable economic climate and of the many measures taken in recent years to strengthen its competitiveness and innovation capacities.

Pipelife remained very active in the building and infrastructure market (drains, irrigation, drainage, electrical protection, plumbing, etc.), in particular in Central Europe, Scandinavia and the Baltic states. Sales in Europe rose by 7% and the operating margin in 2007 was 15% higher than in 2006.

In terms of competitiveness, Pipeline is capitalizing on the many cost-reduction and restructuring measures undertaken since 2001 (site closures, automation, productivity gains, internal and external benchmarking, etc.). At the beginning of 2008, restructuring started at the Zaragoza (Spain) site, with a view to reducing costs and concentrating on the most profitable markets.

The growth in Pipelife's activities has been boosted by:

- the acquisition of Quality Plastics, not far from Cork (Ireland), strengthening its position on the hot & cold market (plumbing piping using specialty polymers) and rounding off its European coverage;
- the start-up of a new plant south of Moscow (Russia) producing pipes and fittings for domestic applications, water distribution and sewage networks;
- its investment at Debrecen (Hungary) in a production line for hot & cold piping for Central Europe.

Innovation is a permanent feature of Pipelife's activity, with at least 15% of sales each year coming from new products, new applications and new technologies.

Plastics Sector

How do the Plastics Sector's activities respond to the challenges of sustainability? Some examples

- stringent stability standards for high stability, long-life plastics, leading to economies of materials and hence resources;
- weight reductions in transportation;
- substitution of the most energy-consuming materials;
- development of sophisticated applications that would be inconceivable without these new materials;
- rainwater gathering and recycling;
- fuel systems offering recognized safety improvements, and which are more environmentally friendly (e.g. denoxification of diesel exhausts, super-impermeability against fugitive emissions, "flex-fuel" systems);
- compliance with charters governing PVC production emissions, replacing cadmium and lead stabilizers as committed to by Solvay in the Vinyl 2010 Voluntary Accord;
- the VINYLOOP® process for PVC recycling (200 kt by 2015);
- the VCM process using ethylene produced from cane sugar alcohol.

Handling nanoparticles in a controlled humidity environment. Development of transparent, UV-resistant polysulfones.

Photograph taken on February 14, 2008 at Solvay Neder-over-Heembeek, Belgium.

The contribution of technological solutions to the challenges of the 21st century

Developing new ways of isolating organic compounds.

Photograph taken on February 14, 2008 at Solvay Neder-over-Heembeek, Belgium.

Our mission

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

The objective is to contribute EUR 500 million of annual sales by 2015.

With a wealth of experience acquired in recent years, the NBD activity is organized into strategy platforms, each grouping programmes around a particular theme.

Two initial platforms, Organic Electronics and Renewable Energies, combined in the framework of the same "Future Businesses" entity, have continued to advance in 2007 with the help of both internal competences and supplementary outside partnerships.

To strengthen the Group's presence in high-value-added markets, in which innovation is stimulated by major scientific and technological advances, a new "Advanced Technologies" entity has been created, assigned the task of detecting and acquiring technological know-how that is of potential interest to Solvay, and with synthesizing, developing, disseminating and promoting corresponding expertise within the Group. Nanotechnologies are the first expert area to be examined.

The Organic Electronics platform

Work carried out in previous years has enabled us to clarify which fields offer particular potential for the Group.
Three key applications have been selected:
- OLEDs (Organic Light Emitting Diodes) for flat-screen displays and for lighting from flexible light sources;
- Third-generation (organic) photovoltaic cells, produced economically, in a continuous process, on flexible supports using printing technologies;
- printed electronics, for example for radio frequency identification (RFID) systems.

New agreements were signed in 2007 in addition to our earlier ones with the Center for Organic Photonics and Electronics (COPE) of the Georgia Institute of Technology in Atlanta, USA, and with the Pangaea Ventures Fund II in Vancouver (Canada):
- a USD 10 million investment in Plextronics Inc. of Pittsburgh, PA (USA). Plextronics specializes in developing and marketing polymer-based technologies for printed electronics applications like screens and lighting, solar cells or "intelligent" labels for radio frequency identification;
- an agreement with Thin Film Electronics ASA, a Norwegian company based in Oslo, for the joint development and production of printable electronic components like ferroelectric polymers for use in printed electronic memories.

The Renewable Energies platform: the energies of tomorrow

As well as organic photovoltaic compounds, programs are devoted to the development of hydrogen as a clean energy medium. Two applications are being targeted, both relating to fuel cells:
- materials and components for manufacturing fuel cells;
- hydrogen storage solutions.

Thanks to our expertise in specialty polymers, agreements have been concluded in previous years for the first part. In the membranes field, we are collaborating with CMR Fuel Cells Ltd at Cambridge (UK) to develop high-performance porous membranes for use in their own systems. MEA (Membrane Electrode Assembly) systems, which represent the heart of fuel cells, are in turn developed by SolviCore, a 50/50 joint enterprise between Solvay and Umicore, created in 2006 and based at Hanau (Germany).

SolviCore and Michelin in turn joined forces to develop the fuel cell system of the HyLight 2 concept vehicle designed by Michelin and presented at the Challenge Bibendum at Shanghai in November 2007.

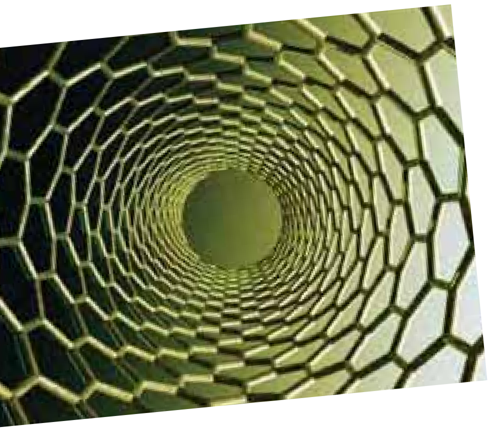
There are collaborations both in the auto industry and in other market segments (such as portable electronics and small power units). In August 2007, Solvay invested jointly with the Conduit Ventures fund (UK) in the Amminex A/S company at Lyngby (Denmark). Amminex A/S is developing compact, reliable technical solutions for storing hydrogen, the fuel for fuel cells.

For both platforms, the Group is pursuing its development by seeking agreements with or investing in specialist firms in order to gain a view of the most promising developments for scaling up to industrial production levels, and to better guide its own internal research and innovation efforts.

Nanotechnologies

These technologies for structuring the extremely small have already been the subject of extensive research in the Group, at times leading already to specific products. Examples include the development and marketing of nanostructured fluorinated polymers and the launch of NanoLipanthyl, a new formulation of an existing drug that facilitates absorption.

The five award-winning projects at the Solvay Science Days organized in November 2007 – each developed on a cross-entity basis and some involving external partnerships – also highlighted the wide range of possible applications. Grouping and synthesizing of this knowledge and expertise within one and the same entity, and then re-disseminating it throughout



the Group is without doubt the best way of generating even more synergies. It also promotes inter-disciplinary cooperation, which is a vital factor in the creation of innovative products.

The five award-winning projects:
- development of materials for the new generation of liquid crystal displays (LCDs) and very high resolution thin film transistors (TFT);
- better distribution of nano-composites in very high temperature polymers;
- analysis of the effects of nanoparticles on the properties of polyamides;
- incorporation of nanoparticles in certain polymers as early as possible in the manufacturing process;
- integrating nanostructures in fuel cell catalysts.

2007, a year full in high-level events, honored by the contributions of Nobel prize-winners

In September, Solvay NBD and the Center for Organic Photonics and Electronics (COPE) of the Georgia Institute of Technology, Atlanta (USA) organized at Metz (France) the 9th European conference on **Molecular Electronics**.

The 350 participants included three Nobel prize-winners in Chemistry as well as representatives from the most prestigious research institutes of Europe, the USA and Asia.

Professor **Jean-Marie Lehn**, from the Université Louis Pasteur at Strasbourg (France), holds the 1987 Nobel Prize for Chemistry, for his body of work on hollow molecules.

As far back as 1968 he synthesized three-dimensional hollow molecules able to englobe cations (cryptands), marking the start of what he himself named supramolecular chemistry.

Alan Heeger of the Department of Physics, University of California at Santa Barbara, Santa Barbara, CA (USA), was awarded the Nobel Prize for Chemistry in 2000 for “the discovery and development of conductive polymers”.

Robert R. Grubbs of the California Institute of Technology, Pasadena, CA (USA), was awarded the Nobel Prize for Chemistry in 2005 for his work on the “development of metathesis in organic synthesis”.

In November, the third edition of the “Solvay Science for Innovation” conference took as its subject **“Building up complex materials: from nanoscale to end-use properties”.** During these three working days, some 200 researchers and managers from within the Group were able to better identify and understand the differing relationships between the nanometric structures and final properties of Solvay materials and products, and to compare our current knowledge with the latest outside developments in this area. These Science Days were honoured with presentations by Professor Jean-Marie Lehn (see above) and by Professor **Robert Laughlin**, of Stanford University, Stanford, CA (USA), who took the Nobel Prize in Physics in 1988 for the discovery of an electronic effect now known as the “fractional quantum Hall effect”.

This conference ended with the award of prizes, including EUR 200 000 support grants to each of the five projects considered by a board of specialists to be the most innovative and to offer the highest potential value to the Group.

Also in May 2007, 25 young researchers from Brussels universities received prizes at the 15th **Solvay Awards** ceremony. The ensuing science afternoon focused around two eminent academics, Professor **Stephen Hawking**, Lucasian Professor of Mathematics, Cambridge (UK), mathematician, astrophysicist and philosopher, a specialist in the infinitely large, and Sir **Harold Kroto**, University of Sussex (UK), Nobel Prize in Chemistry 1996, who discovered fullerenes, which are new carbon nanostructures with unsuspected and highly promising properties.

A partnership marking Solvay’s commitment to Innovation and to Sustainable Development.

Active support of initiatives for harmonious development of science and knowledge has been a constant feature of Solvay’s history, dating back to Ernest Solvay himself. Its participation in the Solar Impulse project again bears witness to the Group’s commitment to innovation and its willingness to take carefully weighed risks to help create a more sustainable future.

Solvay was the first main partner and the first technological partner to sign up to the Solar Impulse project in 2004. The project has two objectives. The first is to build a manned airplane able to circumnavigate the earth, in stages, powered solely by solar energy.

The second is to use this challenge to convey to as many people as possible the urgent message that it is only by uniting our efforts that we will be able, through technology, to open new avenues for solving the major challenges facing humanity.

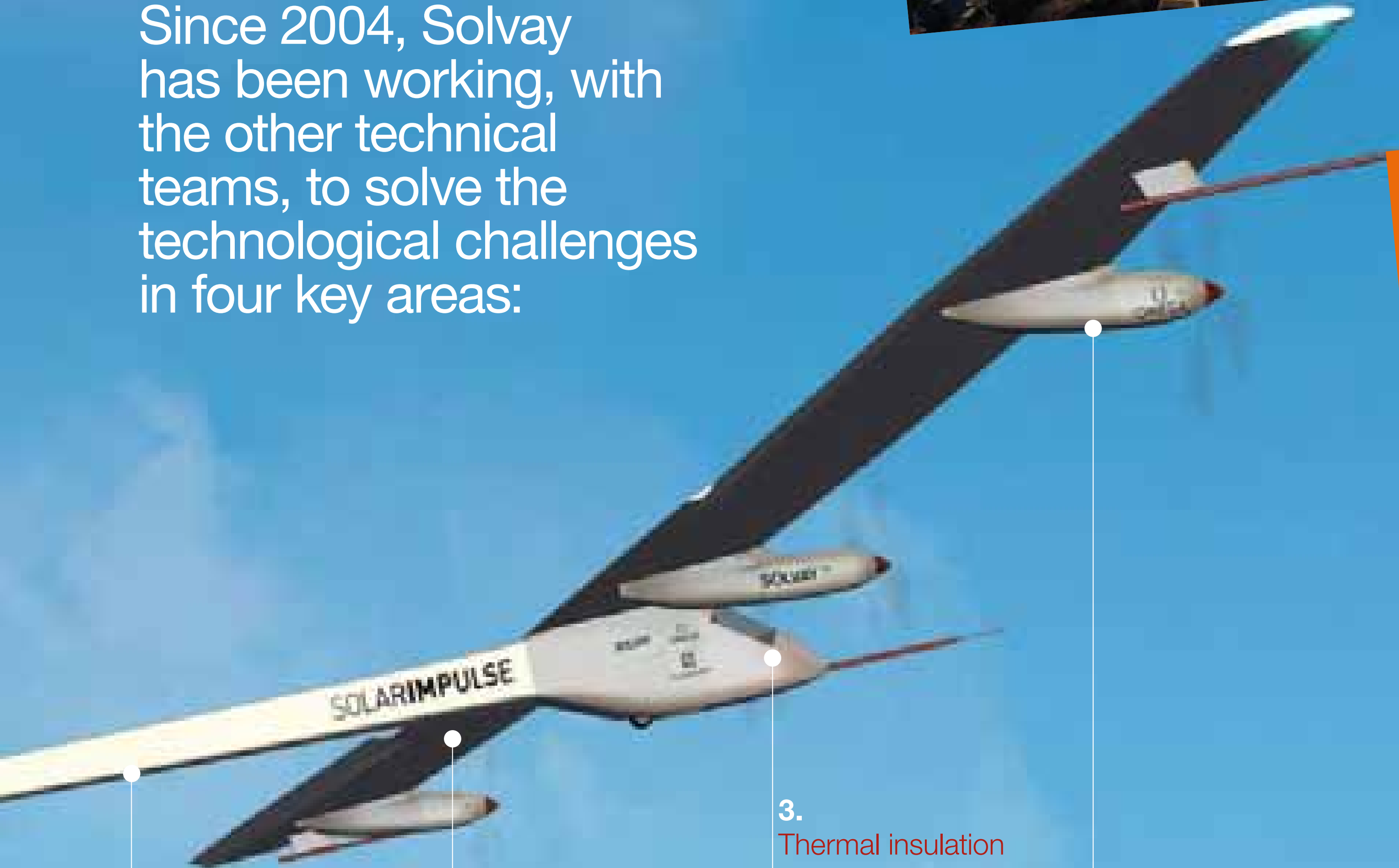
The adventure, which was initiated by Bertrand Piccard and André Borschberg and became a concrete reality thanks to Solvay’s commitment from day one, perfectly symbolizes the major efforts and the boundary-traversing technological and mental leaps needed to meet the challenges of Sustainable Development, in which excellence, entrepreneurial spirit, mastery of energy and innovative materials are the keys to success.

For Solvay, this project puts into action a number of defining strategic values:

- the value of openness to the world, favoring dialogue and partnerships and symbolizing our Group culture; and which the Solar Impulse project symbolizes;
- the value of sensitivity to ecological matters, an affirmative, concrete concern with the challenges of Sustainable Development and the search for alternatives to non-renewable resources, especially in the energy field, a particular challenge for every technological enterprise;
- economic values of sustainable and profitable growth through innovation.

These values sustain Solvay’s scientists in their constant efforts to produce products which can help Solar Impulse get airborne. In so doing they are contributing to generating change through innovation and sustainable growth, and promoting the image of a modern, entrepreneurial, dynamic and innovative Group oriented towards high technology.

2004 to mid-2007 was spent designing the aircraft and defining the technological options for the first prototype, registration HB-SIA. Construction began in mid-2007 at Dübendorf/Zürich (Switzerland), with the first test flights scheduled in 2009.



Since 2004, Solvay has been working, with the other technical teams, to solve the technological challenges in four key areas:

1.
Complex simulations, using sophisticated software, of the behaviour of different structural elements.

2.
Optimizing the system for producing and storing solar-generated electricity

– protecting the photovoltaic cells with special plastic films;
– increasing battery capacity by optimizing electrolyte composition.

3.
Thermal insulation

– achieving the best insulation/weight compromise for the cockpit and battery housings.

4.
Lightening the aircraft

– a structure of very lightweight, very high performance composites, using specialty polymers;
– wherever possible replacing metal parts with lighter plastic equivalents.

SOLARIMPULSE
AROUND THE WORLD IN A SOLAR AIRPLANE

SOLVAY
MAIN PARTNER

Marked advances in the area of sustainability in 2007

The most important development in this field in 2007 was the formalization of the Group's commitment to Sustainable Development, with the wording of the Group's Mission and its Vision being modified accordingly. Through this commitment, Solvay wishes to respond, with its stakeholders, to the expectations engendered by the issues facing the planet and its inhabitants.

Advances during 2007 were mainly in the areas of:

- continuing to improve safety;
- further reducing production-related emissions into the air or water and untreated waste;
- gaining control of greenhouse gas emissions;
- deployment of social initiatives.

Our employees: a priority social responsibility

Protecting our employees' health and safety has always been a major thrust of the Group's social commitment. Efforts continue to bring our accident prevention and reduction figures into line with the best in our industry, with a 2008 objective of a Group-wide accident frequency of 1.5 per million hours, including both Solvay employees and subcontractors working on our sites. We have still some way to go to get there.

More eco-efficient products, responding to new regulations

REACh: The European regulations on chemicals, adopted at the end of 2006, come into effect in 2007. The first objective is for products covered by the REACh Regulation in Europe to be pre-registered by the end of 2008.

The Food and Drug Administration (FDA) in the USA cited Solvay Pharmaceuticals "for its exceptional performance in implementing its **portal for the electronic submission of regulatory information to the FDA by internet.**" Back in 2004, Solvay was one of the first companies to shift to electronic reporting of pharmacovigilance data to the regulatory bodies in the United States and to the European Medicines Agency (EMEA).

The 2007 Innovation Trophies were the occasion for **SolVin** to honour five remarkable projects developed with customers to meet the challenges of Sustainable Development.

Solvay Pharmaceuticals at Olst (Netherlands) in 2007 received a Silver Medal for the new **packaging of the INFLUVAC® flu vaccine**. This smaller size packaging, entirely in recyclable cardboard, saves space and energy and reduces the CO_2 emissions associated with transportation and storage.

Solvay remains a driving force behiind the "Vinyl 2010" voluntary commitment of all players in the European PVC industry, aimed at integrated control of the complete product life cycle.

Responsible production based on more sustainable energy resources

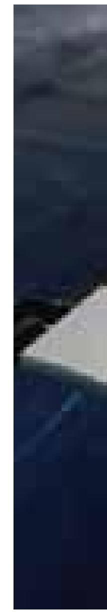
The commissioning of the **new boiler at Devnya (Bulgaria),** and **heat production from recycled fuels or biomass,** which is being introduced or is under consideration at various European sites, are contributing to this effort.

A major reduction in greenhouse gases from the Solvay Indupa (Mercosur) PVC plant at Santo Andre (Brazil) has been made possible by shifting from fuel oil to natural gas as an energy source.

Accident frequency rate*

	All personnel	Subcontractor personnel	Solvay personnel
2003	**4.4**	7.2	3.3
2004	**3.4**	6.5	2.3
2005	**3.2**	4.4	2.7
2006	**2.7**	4.7	2.1
2007	**2.4**	3.2	2.1

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



The new river port at the Rheinberg (Germany) plant for transporting caustic soda is an example of moving transportation off the roads.

A company present and active in Society

Solvay Indupa (Mercosur) is among the companies, NGOs and individuals supporting the **Instituto Trata Brasil,** which is seeking to coordinate a national mobilization around programs to improve the health of the population, preserve the environment and create jobs.

The **"Essentiality of Chemicals"** program continued in 2007 with seminars explaining the various Solvay professions.

Solvay in France awarded prizes to students in a competition on the environment and innovation. Prizes were awarded to three projects from among those presented by 45 students.

In 2007, in the United States, **Solvay Pharmaceuticals offered 100 two-year scholarships** to students suffering from cystic fibrosis. Solvay Pharmaceuticals is also continuing its support for the Patient Assistance Program (PAP) set up in the USA in 1993 to distribute medicines to low-income patients.

Solvay's commitment to Sustainable Development

"Sustainable Development poses a major challenge to society. The Solvay Group fully recognises and accepts this challenge.

We commit ourselves to take into account, in a way that is comprehensive and integrated in all our activities, the triple demand of economic, societal and environmental sustainability.

This commitment of widened responsibility as "good citizen":

- is applied to the entire lifecycle of our products. This encompasses their design, their manufacture, their applications and also the consumption of resources that they entail, including the societal impacts of their manufacture or use;
- resides in the desire to innovate and to make progress by conducting a permanent and in-depth dialogue on these challenges with all concerned stakeholders and all our specific partnerships."

Grow our people to grow our Group

Photograph taken on December 13, 2007, at Solvay RH, Belgium.

During the June 2006 strategic review, the Group affirmed its intention of managing its Human Resources on a global basis. The success of the Group's strategy of sustainable, profitable growth is based on the men and women working in it. The challenge is to have competent people across the world, where and when they are needed.
The Group wants to further develop the leadership and managerial competences in its midst and also maintain and indeed improve the good relations it has established with its social partners. The organization of Human Resources needs to adapt to match as closely as possible that of the Group, that is, global and with roles and responsibilities centered on the Sectors.
The Group's Human Resources Strategy has been formalized, in line with Group strategy as: "Grow our people to grow our Group."

The Group's HR policies

The strategy is expressed in HR Policies which reinforce the international dimension of the way the businesses, projects and processes are organized. Certain fundamental aspects of Human Resources need to be managed at Group level for everyone, and also more specifically for those called to work at the international level, even if, in practice, they are attached to a local entity and develop their careers within a local culture. These aspects are the subject of Group HR Policies, common to all parts of the Group and harmonized across the world

HUMAN RESOURCES SOLVAY

During 2007 and early 2008, **all HR Policies** were developed or reviewed and published in a coherent fashion:

- Group organizational principles;
- organizational performance of the Group;
- function families and scales;
- individual performance management;
- industrial relations within the Group;
- quantitative needs and skills planning;
- recruitment;
- career management;
- training and development;
- international mobility;
- compensation;
- pensions.

The "Renaissance" project: the resources for the Group's global HR management

Renaissance is the project that supports and gives concrete form, in its three aspects, to the transformation of the overall HR function within the Group, in a manner consistent with the new HR strategies and policies.

Reconfiguration of all HR processes

The full range of HR processes, organized in a global architecture (the Solvay HR process framework) as been rethought in the framework of unified global functioning:

Strategic processes:
- develop Solvay Culture;
- develop organizational performance.

Operating processes:
- manage workforce planning;
- hiring, career management;
- manage skills, expertise and competencies;
- manage employee performance;
- managing international mobility;
- reward.

Support and transactional processes:
- manage internal & external employee relationship;
- manage payroll & data.

Support from a unified IT system

All these processes can function harmoniously only if managed worldwide on a common system. This is provided by the "Connect" system for the strategic and operational HR processes, and for all the basic data. This SAP-based system is compatible with the ERPs (Enterprise Resource Planning) already operational throughout the Group for managing the businesses and in particular with the Shared Services Centre (3S) in Lisbon (Portugal).

The Group's new HR organization

The introduction of the new HR policies, with the processes reviewed and managed globally on a single system, has given rise to a new HR organization, aligned to the Group's global structure, respectful of its Values, and oriented towards its businesses. This organization takes account of local specificities and clarifies roles and responsibilities.

The major changes cover four items:

- the "Business HR," HR managers of the different Sectors and Functions, of the SBUs, legal entities and sites, become the center of gravity of the Group's HR organization. It is they who pilot the HR processes described above and are responsible for their smooth operation vis-à-vis their respective entities, for defining the objectives supporting the enterprises' strategies and for implementing them;

- the HR Competence Centres, which define the HR policies for which they are responsible. They also oversee the proper application of and changes and revisions to those policies.

They are also the “architects” of the HR processes, programmes and systems;

- the HR Business Support Centres (BSCs) provide operational, administrative and transactional services to their internal clients (the businesses), using shared services, supported by the integrated IT system. In general they have a regional dimension (e.g. Europe or NAFTA);
- the management of Industrial Relations was strengthened.

This global system is supervised at Group level by the “HR Leadership Team,” chaired by the General Manager for Human Resources.

The support and direct involvement of the Executive Committee

All these initiatives will continue in 2008, with the active support of the Executive Committee, which is also directly involved in the Group’s HR management by holding talent roundtables to optimize career development in a multicultural context.

Human Resources activities for young people

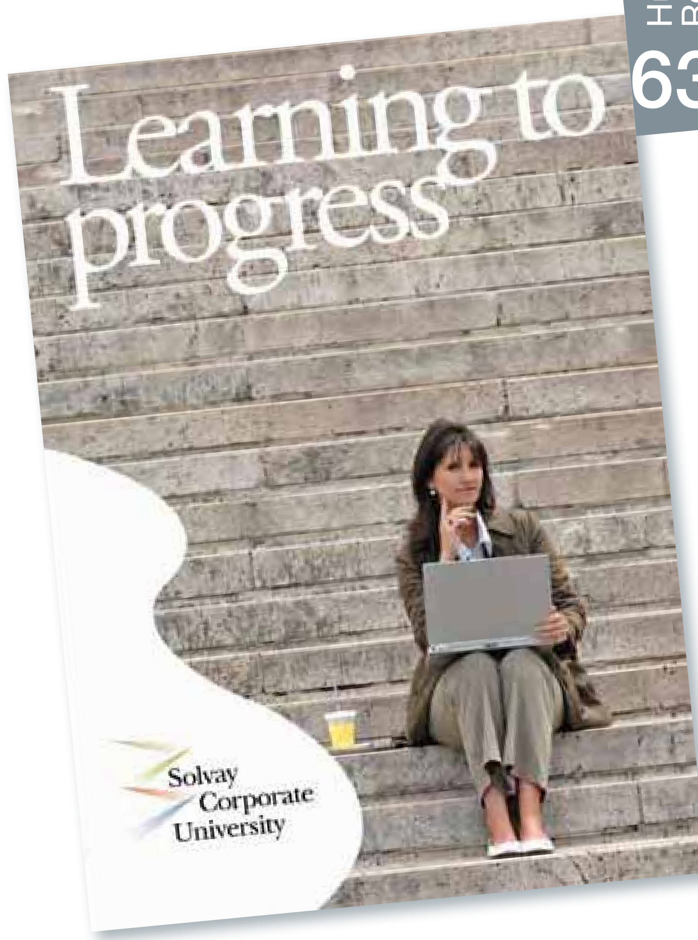
A **Youth Employment** program was launched in late 2007, following joint discussions with the European Works Council on how to improve young people’s access to the world of work. Priority is being given to young people in difficulty living within the employment zones of the Group’s sites, and to children and relatives of Solvay workers. This program is managed in collaboration with employee representatives. Solvay North America is also launching a “Scholarship and Trainee Program” inspired by the European model.

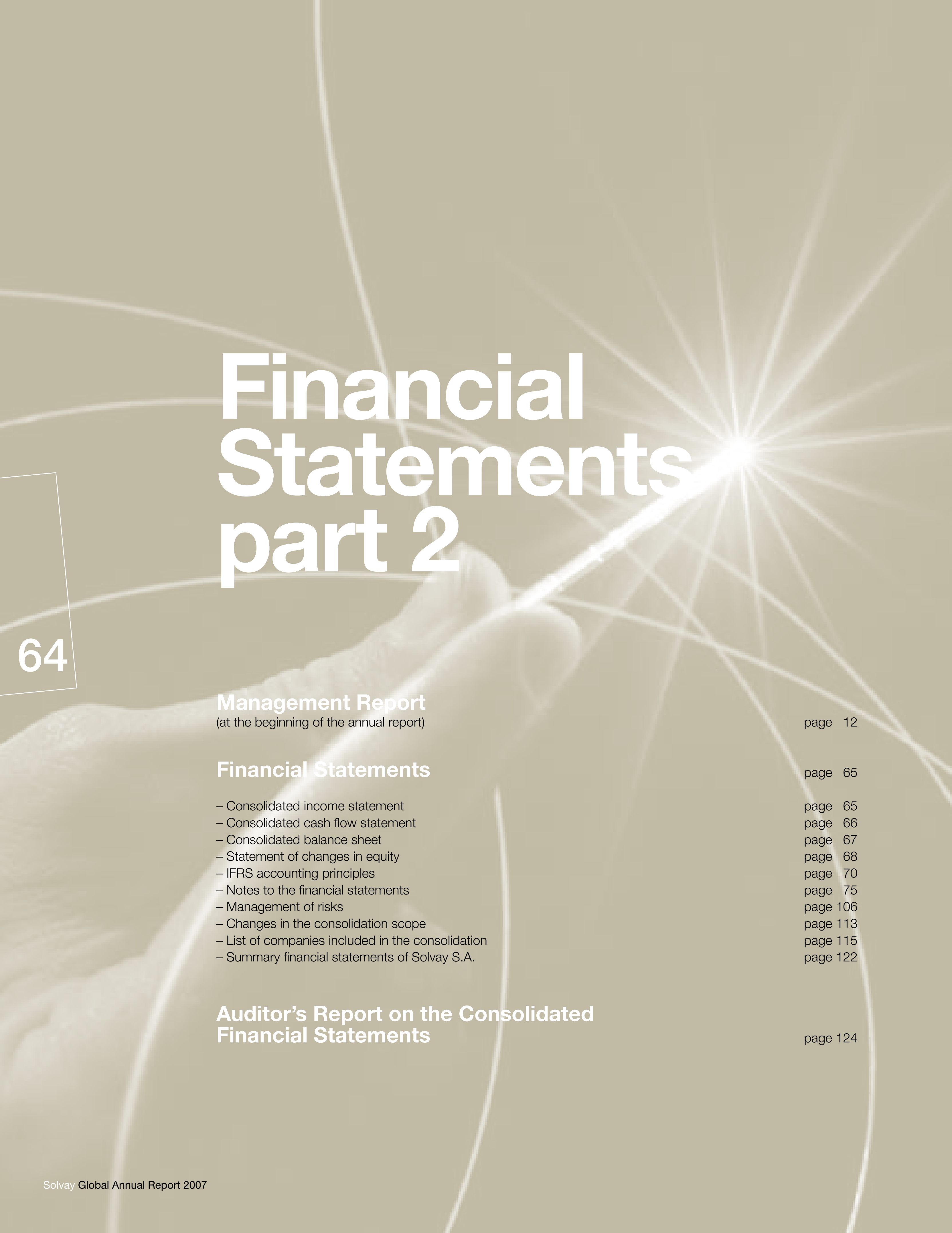
A new **“Yes”** (Youth Exchange @ Solvay) program enables the children of Solvay personnel to spend time abroad during their vacations in another family related to Solvay.

The “Youth Employment” and “Yes” programs express the Group’s desire to invest in society by promoting young people’s employability and their introduction to the world of work.

Communication: one of the keys to the success of these changes

All these changes and programmes were accompanied, during 2007, by the deployment of a special communication plan.





Financial Statements part 2

Financial Statements

The following financial statements were approved by the Board of Directors meeting on February 14, 2007.
They have been drawn up in accordance with the IFRS accounting principles which are set out in the coming pages.
Information on related parties required by IAS 24 can be found in the "Corporate Governance" chapter.

Consolidated income statement (Notes 1-2)

EUR Million	Notes	2006	2007
Net sales		9 399	9 572
Cost of goods sold		-6 126	-6 242
Gross margin	(3)	3 273	3 330
Commercial and administrative costs	(4)	-1 559	-1 523
Research and development costs	(5)	-563	-556
Other operating gains and losses	(6)	-31	-44
Other financial gains and losses	(7)	-21	-16
REBIT	(8)	1 099	1 192
Non-recurring items	(9)	-143	31
EBIT		956	1 223
Cost of borrowings	(10)	-111	-106
Interest on lending and short-term deposits	(10)	28	23
Other operating gains and losses on net indebtedness	(10)	1	2
Income from investments	(11)	19	24
Earnings before taxes		893	1 165
Income taxes	(12a)	-179	-337
Discontinued operations	(13)	103	0
Net income of the Group	(14)	817	828
Minority interests		-26	-47
Net income (Solvay share)		791	781
Earnings per share from continuing operations (EUR)		8.33	9.46
Earnings per share (EUR)		9.57	9.46
Diluted earnings per share (EUR)	(15)	9.52	9.40
RATIOS			
Gross margin as a % of sales		34.8	34.8
Times charges earned		13.4	14.6
Income taxes / Earnings before taxes (%)		20.0	28.9

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

Consolidated cash flow statement

EUR Million	Notes	2006	2007
EBIT		956	1 223
Depreciation, amortization and impairments	(16)	522	593
Changes in working capital		-5	-319
Changes in provisions	(17)	6	-140
Income taxes paid		-211	-238
Others	(18)	-130	-266
Cash flow from operating activities		1 138	852
Acquisition (-) / sale (+) of investments	(19)	172	5
Acquisition (-) / sale (+) of assets	(19)	-581	-433
Income from investments		19	24
Changes in financial receivables		29	-46
Effect of changes in method of consolidation		3	6
Cash flow from investing activities		-358	-445
Variation of capital (increase / decrease)	(20)	-5	-19
Acquisition (-) / sale (+) of own shares	(21)	-7	-95
Changes in borrowings		-458	188
Cost of borrowings		-111	-106
Interest on lending and short-term deposits		28	23
Other operating gains and losses on net indebtedness		1	2
Dividends		-227	-243
Cash flow from financing activities		-780	-250
Net change in cash and cash equivalents		0	157
Currency translation differences		-24	-15
Opening cash balance		457	433
Ending cash balance	(29)	433	575

Explanatory notes are found after the financial statements.

Goodwill

EUR Million	Notes	2006	2007
ASSETS			
Non-current assets		7 276	6 999
Intangible assets	(22)	721	662
Consolidation differences	(23)	1 214	1 210
Tangible assets	(24)	3 869	3 885
Other investments	(25)	790	466
Deferred tax assets	(12b)	506	524
Financial receivables and other non-current assets	(27)	176	252
Current assets		3 825	4 180
Inventories	(26)	1 221	1 255
Trade receivables	(27)	1 671	1 711
Income tax receivables		95	73
Other receivables	(27)	405	566
Cash and cash equivalents	(29)	433	575
Total assets		11 101	11 180
EQUITY & LIABILITIES			
Total equity		4 456	4 459
Share capital		1 271	1 271
Reserves		2 943	3 032
Minority interests		242	156
Non-current liabilities		3 966	3 963
Long-term provisions	(28)	2 271	2 085
Deferred tax liabilities	(12b)	137	245
Long-term financial debt	(29) (30)	1 503	1 565
Other non-current liabilities		55	68
Current liabilities		2 679	2 758
Short-term provisions	(28)	215	229
Short-term financial debt	(29) (30)	188	317
Trade liabilities		1 269	1 246
Income tax payable		99	86
Other current liabilities		908	880
Total equity & liabilities		11 101	11 180
RATIOS			
Return on equity (ROE)		19.4	18.4
Net debt to equity ratio		28.2	29.3

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

Statement of changes in equity

EUR Million	Equity attributable to equity holders of the parent: Share capital	Issue premiums	Retained earnings	Treasury shares	Currency translation differences	Fair value differences	Total	Minority interests	Total equity
Balance at 31/12/2005	1 270	18	2 721	-131	-283	179	3 774	146	3 920
Net profit for the period			791				791	26	817
Income and expenses directly allocated to equity					-137	21	-116	26	-90
Cost of stock options			4				4		4
Dividends			-234				-234	-6	-240
Acquisitions / sale of own shares				-7			-7		-7
Issue of share capital	1						1		1
Other			1				1	50	51
Balance at 31/12/2006	1 271	18	3 283	-138	-420	200	4 214	242	4 456
Net profit for the period			781				781	47	828
Income and expenses directly allocated to equity					-119	-248	-367	-39	-406
Cost of stock options			6				6		6
Dividends			-236				-236	-12	-248
Acquisitions / sale of own shares				-95			-95		-95
Other			-1				-1	-82	-83
Balance at 31/12/2007	1 271	18	3 834	-233	-539	-48	4 303	156	4 459

Own shares

The net variation in acquisitions/sale of own shares in 2007 amounts to EUR 95 million. In 2007, the company took advantage of falling stock market prices to cover most of the share option plans offered to senior executives for 2006 and 2007.

Currency translation differences

The closing balance sheet exchange rate for the US dollar fell from 1.3170 at the end of 2006 to 1.4721 at the end of 2007. The weaker dollar is the essential reason for the negative currency translation differences of EUR 119 million that were recognized directly in equity, taking the balance of this item from EUR 420 million at the end of 2006 to EUR 539 million at the end of 2007.

Fair value differences

These record the marking to market of listed securities and financial derivatives used for hedging purposes.
In 2007, the negative variation of EUR 248 million is due principally to the fall in the share price of our shareholding in Fortis (EUR 182 million) and the taking into income of part of the latent capital gain on Sofina (EUR 66 million) when selling our shares on the stock market.

The fair value differences include also the marking to market of financial instruments accounted for according to IAS 39 as cash flow hedges. Only the effective part of the hedge is recognized in equity, with the balance being taken directly into income. The variation in this effective part, recognized among fair value differences, amounted to EUR 7 million at the end of 2007 (End 2006: EUR 7 million).

When the financial instrument designated as a hedge matures, its value recognized in equity is transferred to the income statement. In 2007, EUR 7 million was transferred from equity to the income statement.

Minority interests

"Income and expenses directly allocated to equity" reduced by EUR 39 million, due to the transfer to the income statement of the latent capital gain on Sofina (EUR 37 million).

The "other" caption contains a EUR 71 million reduction, which represents the repayment of capital of Société Financière Keyenveld S.A. to the third party shareholder through the contribution of Sofina shares.

Number of shares (in thousands)[1]	
Shares issued and fully paid in at 1/1/2007	84 701
Capital increase	0
Shares issued and fully paid in at 31/12/2007	84 701
Own shares held at 31/12/2007	2 638
Shares authorized but not yet issued	0
Par value	15 EUR / share

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

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

IFRS accounting principles

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

1. Accounting system

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

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

– Standards and Interpretations applicable in 2007

In the current year, the Group has adopted the following standards and interpretations:

- IFRS 7
  Financial Instruments: Disclosures (applicable for annual reporting periods beginning on or after 1 January 2007);
- IAS 1
  Presentation of Financial Statements - Amendment – Capital disclosures (applicable for annual reporting periods beginning on or after 1 January 2007).

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see note 30).

- IFRIC 7
  Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (applicable for annual reporting periods beginning on or after 1 March 2006);
- IFRIC 8
  Scope of IFRS 2 (applicable for annual reporting periods beginning on or after 1 May 2006);
- IFRIC 9
  Reassessment of Embedded Derivatives (applicable for annual reporting periods beginning on or after 1 June 2006); and
- IFRIC 10
  Interim Financial Reporting and Impairment (applicable for annual reporting periods beginning on or after 1 November 2006).

The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

– Early adoption of Standards and Interpretations

The Group has elected not to adopt any standards or interpretations in advance of their effective application dates.

– Standards and Interpretations issued but not yet applicable

At the date of authorization of these financial statements, the following standards and interpretations were issued but not yet applicable:

- Amendment to IFRS 2
  Share-based payment transactions (applicable for annual reporting periods beginning on or after 1 January 2009);
- Amendment to IAS 32
  Financial Instruments: Presentation
  and IAS 1
  Presentation of Financial Statements – Puttable financial instruments and obligations arising on liquidation (applicable for annual reporting periods beginning on or after 1 January 2009);
- IFRS 3
  Business Combinations (revised in 2008) (applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009);
- IFRS 8
  Operating Segments ((applicable for accounting periods beginning on or after 1 January 2009);
- IAS 23
  Borrowing Costs (revised in 2007) (applicable for accounting periods beginning on or after 1 January 2009);
- IAS 27
  Consolidated and Separate Financial Statements (revised in 2008) (applicable for accounting periods beginning on or after 1 July 2009);
- IFRIC 11 IFRS 2
  Group and Treasury Share Transactions (applicable for accounting periods beginning on or after 1 March 2007);
- IFRIC 12
  Service Concession Arrangements (applicable for accounting periods beginning on or after 1 January 2008);
- IFRIC 13
  Customer Loyalty Programs (applicable for accounting periods beginning on or after 1 July 2008);

- IFRIC 14 IAS 19
  The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (applicable for accounting periods beginning on or after 1 January 2008).

Adoption of these new standards and interpretations in subsequent years should not significantly impact the consolidated financial accounts.

2. Consolidation

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

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

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

3. Goodwill

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

4. Foreign currencies

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

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

The main exchange rates used are:

		Year-end rate		Average rate	
		2006	2007	2006	2007
1 Euro =					
Pound sterling	GBP	0.6715	0.7334	0.6817	0.6843
US Dollar	USD	1.3170	1.4721	1.2554	1.3706
Argentinian Peso	ARS	4.0474	4.6348	3.8594	4.2696
Brazilian Real	BRL	2.8144	2.6220	2.7329	2.6638
Thai Baht	THB	46.7701	43.7999	47.5826	44.4257
Japanese Yen	JPY	156.9299	164.9300	146.0278	161.2498

5. Retirement benefit costs

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

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

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

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

6. Income taxes

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

Current taxes are taxes payable on the taxable profit for the period, calculated at the tax rates prevailing at the balance sheet closing date, as well as adjustments relating to previous periods.
Deferred tax assets and liabilities are required to be measured at the tax rates that are expected to apply to the financial year in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

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

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

7. Tangible and intangible assets

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

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

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

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

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

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

8. Research and Development costs

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

Development costs are capitalized if, and only if all the following conditions are fulfilled:
- the product or process is clearly defined and the related costs are measured reliably and can be separately identified;
- the technical feasibility of the product has been demonstrated;
- the product or process will be placed on the market or used internally;

• the assets will generate future economic benefits (a potential market exists for the product or, where it is to be used internally, its future utility is demonstrated);
• the technical, financial and other resources required to complete the project are available.

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

9. Impairment

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

The recoverable amount is the higher of the fair value less costs to sell the asset and its value in use. The value in use is the net present value of the estimated future cash flows from the use of an asset. The recoverable amount is calculated at the level of the cash-generating unit to which the asset belongs. Where the recoverable amount is below the carrying amount, the latter is reduced to the recoverable amount. This impairment is immediately charged to the income statement as a non-recurring item. Where a previously recorded impairment no longer exists, the carrying amount is partially or totally re-established through non-recurring items, except in the case of goodwill, where the write-down cannot be reversed.

10. Inventories

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

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

11. Financial instruments

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

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

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

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

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

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

12. Provisions

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

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

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

13. Segment information

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

14. Revenue recognition

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

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

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

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

15. Assets held for sale

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets are classified as "held for sale" where the sale is highly probable, with a formal commitment by senior management.

16. Share options

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

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

17. Accounting for CO_2 emission rights

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

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

To the extent that the rights granted to the Group for 2005-2007 exceed the expected actual emission, no obligation exists at balance sheet date, and no provision needs to be recorded.

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

Notes to the financial statements

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

Consolidated income statement

(1) Financial data by Business Sector

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

Information for 2006 is presented below:

2006 EUR Million

Income statement items	Pharmaceuticals	Chemicals	Plastics	Corporate & Business Support	Consolidated	Discontinued operations
Net sales	2 601	3 260	4 127	0	9 988	171
- Inter-segment sales[1]	0	-262	-327	0	-589	0
External sales	2 601	2 998	3 800	0	9 399	171
Gross margin	1 874	591	808	0	3 273	23
REBIT	451	315	409	-76	1 099	4
Non-recurring items	-149	-293	-9	308	-143	102
EBIT	302	22	400	232	956	106

Cash flow items	Pharmaceuticals	Chemicals	Plastics	Corporate & Business Support	Total from continuing operations	Discontinued operations
EBIT	302	22	400	232	956	106
Recurrent depreciation and amortization	103	169	186	11	469	5
Impairments	10	32	6	0	48	0
Changes in provisions and other non-cash items	26	177	-9	-307	-113	-117
Changes in working capital	43	4	-23	-7	17	-22
Cash flow from operating activities before taxes	484	404	560	-71	1 377	-28
Capital expenditures	201	270	367	12	850	8

Balance sheet and other items	Pharmaceuticals	Chemicals	Plastics	Corporate & Business Support	Consolidated	Discontinued operations
Investments[2]	2614	2 047	1 941	74	6 676	0
Working capital[3]	211	458	572	-49	1 192	0
Provisions	505	807	267	907	2 486	0
Headcount at Jan. 1 of following year	10 088	8 691	8 889	1590	29 258	0

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

In 2006 discontinued operations include the capital gain on the sale of the industrial foils activity, as well as the first quarter earnings of this activity.

It should be noted that in the income statement and balance sheet, discontinued operations appear on separate lines. In the cash flow statement, on the other hand, discontinued operations are included in all flows, with the exception of EBIT.

Information per primary segment for 2007 is presented below:

2007 EUR Million

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

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

Balance sheet and other items	Pharmaceuticals	Chemicals	Plastics	Corporate & Business Support	Consolidated	Discontinued operations
Investments[2]	2 385	1 940	1 915	109	6 349	0
Working capital[3]	297	627	619	-57	1 485	0
Provisions	368	818	265	863	2 315	0
Headcount at Jan. 1 of following year	9 178	8 395	8 977	1 790	28 340	0

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

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

(2) Financial data by region

Group sales by market location are as follows:

EUR Million	2006	%	2007	%
Europe	5 241	56 %	5 400	56 %
NAFTA	2 441	26 %	2 272	24 %
Mercosur	731	8 %	793	8 %
Asia-Pacific and other	986	10 %	1 106	12 %
Total	9 399	100 %	9 572	100 %

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

	Invested capital				Capital expenditure			
EUR Million	2006	%	2007	%	2006	%	2007	%
Europe	5 923	75 %	5 987	77 %	573	68 %	578	74 %
NAFTA	1 295	17 %	1 117	14 %	139	16 %	74	10 %
Mercosur	350	4 %	395	5 %	29	3 %	74	10 %
Asia-Pacific and other	300	4 %	335	4 %	109	13 %	50	6 %
Total	7 868	100 %	7 834	100 %	850	100 %	777	100 %

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

(3) Gross margin

Expressed as a percentage of sales, gross margin remained unchanged at 34.8 % from 2006 to 2007.

Gross margin includes the balance of the settlement of a dispute with Global Pharmaceuticals Impax Laboratories (EUR 8 million, EUR 10 million had already been received in 2006 in respect of the same dispute). In 2006 the gross margin includes EUR 50 million of major milestone payments received in the Pharmaceuticals Sector, which was not the case in 2007.

(4) Commercial and administrative costs

The Group's commercial and administrative costs decreased overall by 2.4 % between 2006 and 2007.

In the Pharmaceuticals Sector, they decreased by 5.4 % or EUR 55 million, due mainly to the positive effects of the "INSPIRE" project and the reversal of a EUR 11 million writedown on trade receivables from the Russian authorities. In the Chemicals and Plastics Sectors, they increased by 6.9 % and 1.8 % respectively. However, this increase is due essentially to the reclassification in 2007 of the administrative costs of plants from cost of sales to commercial and administrative costs.

(5) Research and development costs

These have decreased by 1.2 % on last year.

Research costs increased by 14.3 % in the Chemicals Sector and reduced by 1.7% in the Plastics Sector and by 2.2 % in the Pharmaceuticals Sector.
For the Pharmaceuticals Sector, which represents 75 % of the Group's R&D expense budgets, the 2.2 % reduction is explained by the payment in 2006 of EUR 30 million of milestones, in part to Abbott under a research agreement aimed at accelerating efforts in the cardiometabolics field and in part to Quintiles upon one of our compounds entering clinical research phase II.

Elsewhere, subsidies for the cost of clinical research for registering the MDCK flu vaccine in the US market amounted to EUR 6 million in 2007 as against EUR 3 million in 2006. These subsidies are deducted from research expenses as and when received.

(6) Other operating gains and losses

EUR Million	2006	2007
Start-up, formation and preliminary study costs	-6	-33
Cost of closures and demolitions	-15	-15
Costs of trials and tests	-6	-5
Balance of other gains and losses	-4	10
Other operating gains and losses	-31	-44

Start-up costs relate mainly to the Weesp site in the Netherlands, where the Pharmaceuticals Sector is building a facility to produce Influvac cell-cultured flu vaccine (EUR 18 million).

The miscellaneous gains and losses item includes in particular the earnings from the sale of underground cavities in Germany (EUR 52 million compared with EUR 19 million in 2006) and from the sale of licences to pharmaceutical products (EUR 15 million compared with EUR 30 million in 2006) and EUR 20 million of restructuring charges (EUR 24 million in 2006).

(7) Other financial gains and losses

EUR Million	2006	2007
Cost of discounting provisions	-46	-42
Income from investments and interest on external financial receivables	14	17
Net foreign exchange gains and losses	5	16
Balance of other gains and losses	6	-7
Other financial gains and losses	-21	-16

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

(8) REBIT

REBIT (recurring EBIT) is equal to current operating earnings, i.e. excluding non-recurring earnings.
This item increased by 8.5 % from EUR 1 099 million to EUR 1 192 million in 2007.

(9) Non-recurring items

Non-recurring items are reported prior to the tax impact. These consist mainly of gains and losses on the sale of real estate and financial investments, restructuring charges, provisions for risks and litigation associated with our activities, goodwill impairment charges and write-downs of other assets with no further economic use.

Non-recurring items break down as follows:

EUR Million	2006	2007
Impairments	-48	-123
Other expenses and income	-95	154
Non-recurring items	-143	31

The EUR 123 million of asset impairments relates to:
- in the Chemicals Sector, the reorganization of the Fluor activities in the face of competitive pressure on commodities (EUR 65 million corresponding to the residual value of tangible assets to be decommissioned) and of SBU Molecular Solutions (EUR 16 million impairment loss on the acquisition goodwill of Girindus given the lower profitability of this activity compared with expectations at the time of acquisition);
- in the Pharmaceuticals Sector, the pursual of the "INSPIRE" project (EUR 17 million to bring tangible assets into line with their expected sales value) and the abandoning of the Odiparcil project following the reallocation of R&D priorities (EUR 19 million of intangible fixed assets attributed to this project at the time of acquisition of Fournier).

The other non-recurring items produce a net income of EUR 154 million.

Income items include here the capital gains on the sale of the Caprolactones activities (EUR 151 million), of Sofina S.A. shares (EUR 73 million) and of subscription rights to the Fortis S.A. capital increase (EUR 37 million).

The expenses consist essentially of restructuring costs: EUR 42 million in relation to the "INSPIRE" project and EUR 34 million in the Fluor activities.

(10) Charges on net indebtedness

EUR Million	2006	2007
Cost of borrowings	-111	-106
Interest on lending and short-term deposits	28	23
Other operating gains and losses on net indebtedness	1	2
Charges on net indebtedness	-82	-82

Charges on net indebtedness are the same (EUR 82 million) in 2006 and 2007. The average net indebtedness for 2007 amounts to about EUR 1 450 million, slightly below the average level of EUR 1 500 million in 2006.

This means that the charge on average net indebtedness is up slightly at 5.6 % in 2007 compared with 5.4 % in 2006. The increase in the charge on average net indebtedness is explained by the increase in average interest charges on borrowings, which rose from 5.1 % in 2006 to 5.5 % in 2007. This negative effect is partly offset by improved returns on cash and cash equivalents. Both movements are due mainly to the rise in interest rates in the Euro zone. The borrowing costs incorporated into the cost of assets in 2007 amounted to EUR 2 million (EUR 8 million in 2006). The weighted average capitalization rate generally used is 4.3 % a year (5.2 % a year in 2006).

(11) Income from investments

Income from investments consists of the dividends from Fortis and Sofina. These are EUR 5 million higher than in 2006.

(12) Income taxes and deferred taxes

(12a) Income taxes

The tax charges on earnings do not include taxes on discontinued operations.

Components of the tax charge

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

- Current tax represents the tax paid or payable (recovered or recoverable) in respect of the taxable profit (tax loss) for the past year, as well as any adjustments to tax paid or payable (recovered or recoverable) in relation to previous years.

– Deferred tax represents the tax which will be owed (or recovered) during future years, but which has already been recognized during the past year, and which corresponds to the variation in the deferred tax items recorded in the balance sheet (see below).

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

The tax charge breaks down as follows:

EUR Million	2006	2007
Current taxes related to current year	-222	-287
Current taxes related to prior years	25	40
Deferred income tax before valuation allowance	59	0
Valuation allowance on deferred tax assets (-/+)	-50	-6
Tax effect of changes in the nominal tax rates on deferred taxes	9	-84
Total	-179	-337

EUR Million	2006	2007
Income tax on items allocated directly to equity	3	0
Total	3	0

Reconciliation of the tax charge

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

EUR Million	2006	2007
Earnings before taxes	893	1 165
Reconciliation of the tax charge		
Total tax charge of the Group entitites computed on the basis of the respective local nominal rates	-268	-350
Tax effect of non-deductible expenses	30 %	30 %
Tax effect of non-deductible expenses	-70	-128
Tax effect of tax-exempt revenues	172	243
Tax effect of changes in tax rates	9	-84
Tax effect of current and deferred tax adjustments related to prior years	28	-12
Valuation allowance on deferred tax assets	-50	-6
Effective tax charge	-179	-337

Analysis of the past year's tax charge

The Group's effective tax rate (29 %) is slightly lower than the weighted average nominal rate (30 %), owing mainly to the exemption of dividends (Fortis and Sofina), to capital gains on the sale of our shareholdings in unconsolidated entities (Sofina), and to tax credits generated by internal reorganizations. These positive effects were offset by the reduction in deferred tax assets following the lowering of nominal tax rates in Germany (EUR 45 million) and Italy (EUR 38 million).

(12b) Deferred taxes on the balance sheet

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

Deferred taxes are calculated based on the prevailing tax rates, or where they have been changed, at the enacted rates that are expected to apply at the time of recording the taxes payable (or recoverable) in the statutory accounts. This required deferred taxes to be revalued in 2007 (cf. 12a) to reflect the new nominal tax rates coming into effect from 1 January 2008 in Germany and in Italy.

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

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

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

	Deferred tax assets		Deferred tax liabilities	
EUR Million	2006	**2007**	2006	**2007**
Employee benefits obligations	220	190		
Provisions other than employee benefits	218	198		
Tax losses	384	305		
Tax credits	51	57		
Depreciation of tangible assets and amortization of intangible assets	278	241	-419	-366
Development costs			-3	-29
Other	240	264	-225	-200
Total	1 391	1 255	-647	-595
Valuation allowance on deferred tax assets	-375	-381		
Offset	-510	-350	510	350
Total	506	524	-137	-245

Other information

All the Group's tax loss carryforwards have generated deferred tax assets, on certain of which valuation allowances have been recorded. These tax loss carryforwards are given below by expiry date.

EUR Million	2006	**2007**
Within 1 year	24	1
Within 2 years	2	14
Within 3 years	13	38
Within 4 years	41	24
Within 5 or more years	121	113
No time limit	891	820

(13) Discontinued operations

In 2006 the net income from discontinued operations consisted of the first quarter net profit of the industrial foils activity (EUR 2 million before and after taxes) and the capital gain on the sale of the industrial foils activity (EUR 102 million before taxes and 101 million after taxes).
In 2007 the Group has no discontinued opertions as defined by IFRS 5.

(14) Group net income

Net income reached EUR 828 million, which is EUR 11 million (1.4 %) higher than net income in 2006 (EUR 817 million). This record result reflects excellent operating results and the positive balance of non-recurrent items, notwithstanding the higher tax charge and the absence of income from discontinued operations (EUR 103 million in 2006).

The minority interest in this net income figure is EUR 47 million compared with EUR 26 million in 2006. This increase is linked to the good results achieved by Group companies having minority shareholders, and in particular Financère Keyenveld thanks to the sale of the Sofina shares.

(15) Diluted earnings per share

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

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

Consolidated cash flow statement

(16) Depreciation, amortization and impairments

Total depreciation, amortization and impairments amount to EUR 593 million, up EUR 71 million on 2006 (EUR 522 million). Impairment losses in 2007 (EUR 123 million compared with EUR 48 million in 2006) are linked to the restructuring of the Fluor (EUR 65 million) and Molecular Solutions (EUR 16 million) activities and, for the Pharmaceuticals Sector, the writedown on an intangible asset (Odiparcil EUR 19 million) and the recognition of impairment losses in the context of the "INSPIRE" project (EUR 17 million).

(17) Variation in provisions

In 2007, the variation in provisions (including the variation in pension fund surpluses) in the cash flow statement is EUR 140 million. This variation represents the balance of new provisions and reversals and uses of existing provisions. The difference with the EUR 189 million variation in the balance sheet item is due to an exchange rate effect (EUR 54 million) and a change in consolidation scope (EUR 5 million). See note 28 on provisions.

In 2006 the variation in provisions in the cash flow statement is EUR 6 million, close to the balance of new provisions and uses from existing provisions.

(18) Other

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

(19) Acquisition / sale of assets and investments

2006 EUR Million	Acquisitions	Disposals	Total
Investments	-217	389	172
Tangible/intangible assets	-641	60	-581
Total	-858	449	-409

2007 EUR Million	Acquisitions	Disposals	Total
Investments	-132	137	5
Tangible/intangible assets	-644	211	-433
Total	-777	348	-429

In 2007, acquisitions of assets and investments amounted to EUR 777 million, down from EUR 858 million in 2006.

The acquisitions of investments in 2007 consist mainly of the recognition of earn-outs payable to the former Fournier shareholders (EUR 30 million) and the acquisition of Quality Plastics in Ireland (EUR 21 million). The Group also subscribed to the capital increase of Fortis (EUR 37 million) and participated in the constitution of Rusvinyl in Russia (EUR 15 million).
On the other hand, the Group increased its percentage held in Peroxythai (from 83.8 % to 100 %) and in Solvay Sisecam (from 71.3 % to 75 %).

The acquisition of tangible/intangible assets in 2007 relates to various projects, many of them extending over several years: the construction of a hydrogen peroxide unit in a joint venture with BASF and an oxychlorination unit at Zandvliet (Belgium), the conversion of mercury electrolysis units to membrane electrolysis and the extension of PVC manufacturing units at Santo Andre (Brazil), the capacity increase at the Devnya soda plant (Bulgaria), the construction of a fluorinated products manufacturing site at Onsan (Korea), the extension of the RADEL® installation at Marietta (USA), modernization of the soda plant and building of a new calcium chloride production line at Rosignano (Italy) and the building of a PEEK (very high performance polymer) production unit at Panoli (India).

Income from the disposal of investments amounts to EUR 137 million, coming mainly from the sale of the Sofina shares (EUR 99 million) and of subscription rights to the Fortis capital increase (EUR 37 million).

Disposals of assets consist essentially of the sale of the Caprolactones activity (EUR 189 million).

Acquisition of Quality Plastics (Holdings) Ltd

On April 1, 2007, the Solvay group finalized the purchase, through its Pipelife joint venture, of 50 % of the capital of Quality Plastics (Holdings) Ltd., a company based in Ireland that specializes in the production of pipes and special fittings, for EUR 21 million.
The net assets acquired in the transaction and the resulting goodwill are:

EUR Million	Valeur avant acquisition	Ajustements à juste valeur	Total
Intangible assets	0	9	9
Tangible assets	4	1	5
Other investments	0	0	0
Deferred tax assets	0	0	0
Financial receivables and other non-current assets	1	0	1
Non-current assets	5	10	15
Current assets other than cash and cash equivalents	11	0	11
Cash and cash equivalents	1	0	1
Current assets	12	0	12
Long-term provisions	0	1	1
Deferred tax liabilities	0	1	1
Long-term financial debt	1	0	1
Non-current liabilities	1	2	3
Current liabilities	6	0	6
Net assets	11	8	19
Goodwill			3
Price paid at 31/12/2007			21
Bank balances and cash acquired			0
Net cash outlay on acquisition			21

Between April 1 and December 31, Quality Plastics contributed EUR 16 million of sales and an EBIT of EUR 0.4 million.

(20) Capital increase / redemption

For 2007, capital increases and repayments represent a negative balance of EUR 19 million. The liquidation, in progress, of Financière Keyenveld (held 50 % by minority interests) produced a EUR 14 million capital repayment. And, as in 2006, the Solvay group reimbursed to minority shareholders a portion of the capital of our natural carbonate activities in the United States (EUR 5 million).

(21) Acquisition / sale of own shares

At the end of December 2006, Solvay S.A. held 1 849 006 of its own shares to cover the share options offered to Group executives. In the course of 2007, it purchased another 1 112 884 and sold 323 890 shares following the exercise of these options by the parties concerned. At the end of 2006, the company held 2 638 000 of its own shares, which have been deducted from consolidated shareholders' equity.

As it has in every year since 1999, the Board of Directors renewed the share option plan offered to executive staff (around 300 persons) with a view to involving them more closely in the long-term development of the Group. The majority of the managers in question subscribed the options offered them in 2007 with an exercise price of EUR 96.79, representing the average stock market price of the share for the 30 days prior to the offer.

The 3-year vesting period is followed by a 5-year exercise period, at the end of which any unexercised options expire.

Share options	2002	2003	2004	2005	2006	2007
Number of share options at 31/12/2006	218 800	465 300	446 900	512 100	499 100	0
Granted share options						508 800
Forfeitures of rights and expiries						
Share options exercised	-31 800	-198 100				0
Number of share options at 31/12/2007	187 000	267 200	446 900	512 100	499 100	508 800
Share options exercisable at 31/12/2007	187 000	267 200	0	0	0	0
Exercise price (EUR)	63.76	65.83	82.88	97.30	109.09	96.79
Fair value of options at measurement date (EUR)	9.60	9.50	7.25	10.12	21.20	18.68

	2006		2007	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
At 1/1	1 931 500	77.68	2 142 200	86.78
Granted during the year	499 100	109.09	508 800	96.79
Forfeitures of rights and expiries during the year	-11 600	81.97	0	-
Exercised during the year	-276 800	63.76	-229 900	65.54
At 31/12	2 142 200	86.78	2 421 100	90.90
Exercisable at 31/12	218 800		454 200	

The share options resulted in a charge in 2007 of EUR 6 million calculated by a third party according to the Black & Scholes model and recorded in the income statement under commercial and administrative costs.

The model places a value on European type options, i.e. exerciseable at option maturity.

The value of the option is based on:

– the price of the underlying asset (Solvay share): EUR 95.70 at 31 December 2007,
– the time outstanding until the option maturity: - exercisable from 15 February 2011,
– the option exercise price: EUR 96.79,
– lthe risk-free return: 4.61 %,
– the volatility of the underlying yield: 25 %.

Consolidated balance sheet

(22) Intangible assets

EUR Million	Development costs	Patents and trademarks	Other intangible assets	Total
Gross carrying amount				
At 31 December 2005	66	950	63	1 079
Capital expenditures	11	13	4	28
Disposals	-3	-13	-3	-19
Changes in consolidation scope	0	8	1	9
Currency translation differences	-3	-14	-4	-21
Other	-1	-13	50	36
At 31 December 2006	70	931	111	1 112
Capital expenditures	14	4	3	21
Disposals	-2	-2	-4	-8
Changes in consolidation scope	0	9	0	10
Currency translation differences	-3	-16	-8	-28
Other	0	-61	75	14
At 31 December 2007	79	864	178	1 121
Accumulated amortization				
At 31 December 2005	-34	-235	-40	-309
Amortization	-10	-49	-6	-65
Impairments	0	-14	0	-14
Reversal of impairments	0	0	0	0
Disposals and closures	2	8	3	13
Changes in consolidation scope	0	0	-1	-1
Currency translation differences	2	8	4	14
Other	1	4	-34	-29
At 31 December 2006	-39	-278	-74	-391
Amortization	-8	-46	-5	-59
Impairments	0	-22	-3	-25
Reversal of impairments	0	0	0	0
Disposals and closures	1	2	4	7
Changes in consolidation scope	0	0	0	0
Currency translation differences	2	6	6	13
Other	0	37	-41	-4
At 31 December 2007	-44	-301	-114	-459
Net carrying amount				
At 31 December 2005	32	715	23	770
At 31 December 2006	31	653	37	721
At 31 December 2007	35	563	64	662

(23) Goodwill

EUR Million	Total
Gross carrying amount	
At 31 December 2005	1 079
Arising on acquisitions	148
Impairments	0
Currency translation differences	-13
At 31 December 2006	1 214
Arising on acquisitions	32
Impairments	-26
Currency translation differences	-10
At 31 December 2007	1 210

In 2007, the increase in goodwill comes from the recognition of an earn-out payable to the former Fournier shareholders (EUR 30 million) and the acquisition of Quality Plastics (EUR 3 million).

The goodwill impairment tests led to EUR 26 million of impairment losses being recognized in 2007: EUR 16 million on Girindus (Molecular Solutions), EUR 7 million on Solvay Chemicals Inc. (fluor) and EUR 3 million on Solvay Speciality Chemicals Ltd (Advanced Functional Minerals). For these tests, the Group prepares cash-flow forecasts based on the most recent financial projections approved by executive management for the next five years. For the following years, the extrapolation of the cash flows is based on a growth rate which does not exceed the average long-term growth rate of the markets in question.

The forecasted cash flows for each of the cash-generating units concerned have been discounted to net present value at specific rates, based on external references and measuring the risks inherent to the specific sector and geographic location of the cash-generating units. These discount rates range between 7.3 % and 9.1 %.

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

(24) Tangible assets (including finance leases)

EUR Million	Land & Buildings	Fixtures & Equipment	Other tangible assets	Properties under construction	Total
Gross carrying amount					
At 31 December 2005	2 092	7 335	103	390	9 920
Capital expenditures	27	138	4	436	605
Disposals and closures	-16	-91	-5	0	-112
Changes in consolidation scope	25	68	0	1	94
Currency translation differences	-41	-161	-4	-11	-217
Other	30	166	-1	-271	-76
At 31 December 2006	2 117	7 455	97	545	10 214
Capital expenditures	43	259	3	317	623
Disposals and closures	-31	-250	-3	0	-284
Changes in consolidation scope	7	13	0	1	21
Currency translation differences	-34	-126	-4	-11	-174
Other	1	240	1	-285	-43
At 31 December 2007	2 104	7 592	95	567	10 358
Accumulated depreciation					
At 31 December 2005	-1 094	-4 973	-69	0	-6 136
Depreciation	-54	-343	-7	0	-404
Non-recurring depreciation	-8	-28	0	0	-36
Reversal of non-recurring depreciation	1	1	0	0	2
Disposals and closures	13	91	4	0	108
Changes in consolidation scope	-7	-43	0	0	-50
Currency translation differences	15	84	3	0	102
Other	12	57	0	0	69
At 31 December 2006	-1 122	-5 154	-69	0	-6 345
Depreciation	-57	-348	-6	0	-411
Non-recurring depreciation	-21	-57	0	0	-78
Reversal of non-recurring depreciation	1	5	0	0	6
Disposals and closures	27	214	3	0	244
Changes in consolidation scope	-2	-6	0	0	-8
Currency translation differences	13	67	3	0	83
Other	31	5	0	0	36
At 31 December 2007	-1 129	-5 274	-70	0	-6 472
Net carrying amount					
At 31 December 2005	998	2 362	34	390	3 784
At 31 December 2006	995	2 301	28	545	3 869
At 31 December 2007	975	2 318	25	567	3 885

Finance leases

EUR Million	Land and buildings	Fixtures and equipment	Total
Net carrying amount of finance leases included in the table above	6	3	9

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

Finance lease obligations

EUR Million	Minimum lease payments		Present value of minimum lease payments	
Amounts payable under finance leases	2006	2007	2006	2007
Within one year	5	2	4	1
In years two to five inclusive	8	8	7	7
Beyond five years	4	1	3	1
Less: future finance charges	-3	-2		
Present value of Lease Obligations	14	9	14	9
Less: Amount due for settlement within 12 months			4	1
Amount due for settlement after 12 months			10	8

Operating lease obligations

EUR Million	2006	2007
Total minimum lease payments under operating leases recognized in the income statement of the year	49	57

EUR Million	2006	2007
Within one year	46	48
In years two to five inclusive	139	129
Beyond five years	62	66
Total of future minimum lease payments under non-cancellable operating leases	247	243

(25) Other investments

EUR Million	2006	2007
Fair value at 1 January	706	790
Disposed of during the year	-1	-84
Acquired during the year	18	72
Increase (decrease) in fair value	103	-293
Other	-36	-19
Fair value at 31 December	790	466
Of which recognized directly in equity	244	-49

This heading contains the financial assets held for sale. It contains the shares held in Fortis, Sofina, Innogenetics and Arqule as well as companies of non-significant size which are neither consolidated nor accounted for by the equity method. Fortis and Sofina are not allocated to segments, whilst Innogenetics and Arqule are allocated to the Pharmaceuticals Sector.

In order to put a figure on the risks attached to the financial assets held for sale, we have taken the volatility of the shares of each of these companies (Fortis: 27 %, Sofina: 18 %, Arqule: 47 % and Innogenetics: 29 %) over the past 12 months. An increase (decrease) in the prices of these shares in accordance with their respective volatilities would impact the variation in fair value by ± EUR 205 million in equity (± EUR 229 million in 2006).

(26) Inventories

EUR million at December 31	2006	2007
Finished goods	680	689
Raw materials and supplies	458	532
Work in progress	121	61
Other inventories	3	4
Total brut	1 262	1 286
Write-downs	-41	-31
Net total	1 221	1 255

(27) Trade receivables, financial receivables and other non-current assets

In 2007, trade receivables represented 69 days' sales. The carrying value of the trade receivables is a good approximation of the fair value at balance sheet closing date.

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

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

2006 EUR Million	Total	With write-down	Of which receivables without write-down				
			Not past due	Less than 30 days past due	Between 30 & 60 days past due	Between 60 & 90 days past due	More than 90 days past due
Trade receivables	1 671	16	1 365	154	52	47	37
Other receivables	405	29	324	7	33	0	13
Financial receivables and other non-current assets	176	0	169	1	0	0	5
Total	2 252	45	1 858	162	85	47	55

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

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

The other current receivables consist essentially of other receivables, deferred charges and accrued income. Other receivables have increased with the sale of the Caprolactone activities (receivable of EUR 189 million).

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

EUR Million	2006	2007
At 1 January	-12	-20
Net change	-8	3
At 31 December	-20	-17

The management of credit risk is commented on in the “Risk Management” section (page 106).

(28) Provisions

EUR Million	Employee benefits	Health, safety and environment	Litigation	Other	Total
At 31 December 2006	1 286	422	491	287	2 486
Additions*	175	24	20	49	268
Reversals	-11	-2	-10	-10	-33
Uses	-252	-22	-4	-84	-362
Currency translation differences	-16	-5	-24	-8	-53
Acquisitions and changes in consolidation scope	1	0	0	3	4
Disposals	0	0	0	0	0
Other	4	0	0	0	4
At 31 December 2007	1 187	417	473	237	2 314
Of which short-term provisions	68	40	20	101	229
* Of which interest cost	36	6			

In total, provisions reduced by EUR 172 million (-7 %).

This evolution reflects principally 3 factors:
– reduction of EUR 139 million following the payment of termination benefits to persons leaving the Group, mainly under the restructuring plans for the Pharmaceuticals Sector (EUR 103 million), partly offset by new allocations;
– EUR 50 million reduction in the provision for payment of a supplementary price to the former Laboratoires Fournier shareholders linked to the absence of generics on the market in 2007;
– the weakness of the dollar against the euro at the end of 2007 produced negative currency translation differences of EUR 53 million.

Provisions for post-employment benefits

Personnel expenses amounted to EUR 2 234 million in 2007 (EUR 2 136 million in 2006 – restated figure). Provisions for employee benefits were EUR 1 187 million in 2007 (EUR 1 286 million in 2006).

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

Provisions for post-employment benefits amounted to EUR 956 million in 2007 (EUR 988 million in 2006) before deducting the EUR 73 million capitalized (2006: EUR 56 million) pension asset.

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

The balance consists of provisions for termination benefits (EUR 170 million, EUR 236 million in 2006), provisions for other long-term benefits (EUR 49 million, EUR 50 million in 2006) and provisions for benefits not valued in accordance with IAS 19 (EUR 12 million, the same as in 2006).

The sharp decrease in provisions for termination benefits is mainly linked to payments made to persons leaving the Group following the restructuring of the Pharmaceuticals Sector ("INSPIRE" project) (EUR 103 million). On the other hand, new provisions were set up for the Fluor and Pharmaceuticals activities (EUR 82 million).

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

Total Group post-employment benefit obligations by country

	in % at end 2006	in % at end 2007
Netherlands	26 %	26 %
Germany	24 %	23 %
Belgium	16 %	17 %
USA	16 %	16 %
UK	7 %	6 %
France	6 %	6 %
Other countries	5 %	6 %

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

– Defined contribution plans

Defined contribution plans are those for which the company pays fixed contributions into a separate entity or fund in accordance with the provisions of the plan. Once these contributions have been paid, the company has no further obligation. EUR 32 million of contributions to these plans were charged to income in 2007 (EUR 28 million in 2006). This increase is mainly due to the law change on TFR (Trattamento Fine Rapporto) in Italy.

– Defined benefit plans

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

EUR Million	2006	2007
Service cost: employer	53	48
Interest cost	116	115
Expected return on plan assets	-76	-79
Amortization of actuarial net losses / gains (-)	14	14
Impact of change in asset ceiling - current year	-3	0
Past service cost - recognized in current year	-2	0
Losses / gains (-) on curtailments / settlements	-5	-1
Net expense recognized - Defined benefit plans	97	97

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

Overall the charge has remained stable at EUR 97 million.

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

EUR Million	2006	2007
Defined benefit obligations - funded plans	1 663	1 580
Fair value of plan assets at end of period	-1 298	-1 342
Deficit for funded plans	365	238
Defined benefit obligations - unfunded plans	828	775
Funded status	1 193	1 013
Unrecognized actuarial gains / losses (-)	-282	-150
Unrecognized past service cost	6	5
Amounts not recognized as asset due to asset ceiling	15	15
Net liability (asset) in balance sheet	932	883
Liability recognized in the balance sheet	988	956
Asset recognized in the balance sheet	-56	-73

The financing deficit in our post-employment benefit plans for former employees (total obligations less the value of the assets) decreased by EUR 180 million.

Our obligations have decreased by EUR 136 million (more than 5 %). This reduction reflects essentially the rise in the discount rate used in the Eurozone, the United States and the United Kingdom. Employer contributions, which were up EUR 27 million on 2006, allowed for a further reduction in the financing deficit despite the weaker than expected returns on invested assets. The unrecognized actuarial loss reduced by EUR 132 million, owing essentially to a rise in the discount rate.

In 2006 defined benefit obligations evolved as follows:

EUR Million	2006	2007
Defined benefit obligation at beginning of period	2 471	2 491
Service cost: employer	53	48
Interest cost	116	115
Actual employee contributions	5	6
Plan amendments	0	2
Acquisitions / Disposals (-)	0	6
Curtailments	-2	-2
Settlements	-10	0
Actuarial loss / gain (-)	31	-129
Actual benefits paid	-134	-130
Other (foreign currency translation)	-39	-52
Defined benefit obligation at end of period	2 491	2 355
Defined benefit obligations - funded plans	1 663	1 580
Defined benefit obligations - unfunded plans	828	775

The fair value of plan assets evolved as follows:

EUR Million	2006	2007
Fair value of plan assets at beginning of period	1 232	1 298
Expected return on plan assets	76	79
Actuarial gain /loss (-)	36	-19
Actual employer contributions	107	134
Actual employee contributions	5	6
Acquisitions / Disposals (-)	0	5
Settlements	-6	0
Actual benefits paid	-134	-130
Other (currency translation differences)	-18	-31
Fair value of plan assets at end of period	1 298	1 342
Actual return on plan assets	112	60

Changes in net obligations during the period:

EUR Million	2006	2007
Net amount recognized at beginning of period	956	932
Net expense - Defined benefit plans	97	97
Actual employer contributions / direct actual benefits paid	-107	-134
Impact of acquisitions / disposals	1	0
Changes in consolidation scope	0	1
Currency translation differences	-15	-13
Other	0	0
Net amount recognized at end of period	932	883

Actuarial assumptions used in determining the pension obligation at December 31

	Eurozone		Europe Other		USA		Other	
	2006	2007	2006	2007	2006	2007	2006	2007
Discount rates	4.5 %	5 %	3.5 % - 6 %	3.5 % - 5.75 %	5.75 %	6 %	11.3 %	9.7 %
Expected rates of future salary increases	2.5 % - 4.75 %	2.5 % - 4.5 %	2 % - 5 %	2 % - 5 %	4 %	4 %	8 %	7 %
Expected rates of pension growth	0 % - 2 %	0 % - 2 %	0 % - 2.7 %	0 % - 3.1 %	not avail.	not avail.	not avail.	not avail.
Expected rates of medical care cost increases	0 % - 2 %	0 % - 2 %	not avail.	not avail.	5 % - 9 %	5 % - 8 %	6.6 %	5.6 %

Actuarial assumptions used in determining the annual cost

	Eurozone		Europe Other		USA		Other	
	2006	2007	2006	2007	2006	2007	2006	2007
Discount rates	4.5 %	4.5 %	3.5 % - 7 %	3.5 % - 6 %	5.75 %	5.8 %	11.3 %	11.3 %
Expected rates of future salary increases	2.5 % - 4.75 %	2.5 % - 4.5 %	2 % - 5 %	2 % - 5 %	4 %	4 %	8 %	8 %
Expected (long-term) rates of return on plan assets	4.5 % - 6 %	4.5 % - 6 %	3.5 % - 5.95 %	3.5 % - 5.95 %	8.5 %	8.5 %	11.3 %	11.3 %
Expected rates of pension growth	0 % - 2 %	0 % - 2 %	0 % - 2.7 %	0 % - 2.7 %	not avail.	not avail.	not avail.	not avail.
Expected rates of medical care cost increases	0 % - 2 %	0 % - 2 %	not avail.	not avail.	5 % - 9 %	5 % - 9 %	6.6 %	6.6 %

The main categories of plan assets are:

	2006	2007
Shares	50 %	48 %
Bonds	46 %	47 %
Property	1 %	2 %
Other assets	3 %	3 %

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

- they produced an actual return of EUR 60 million in 2007 (112 in 2005). This amount is slightly below the expected return of EUR 79 million (EUR 76 million in 2006), following the fall in stock market prices linked to the “subprime” crisis;
- these assets do not contain any direct investment in Solvay group shares or in property or other assets occupied or used by Solvay. This does not exclude Solvay shares being included in mutual investment fund type investments;
- the expected rate of return is defined at local level with the help of a local actuary. It is determined using the “building block approach” which factors in long-term inflation and the expected long-term return on each asset category.

The Group expects to recognize provisions for post-employment benefits in the amount of EUR 97 million for 2008.

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

EUR Million	1 % increase	1 % decrease
Effect on the aggregate of the service cost and the interest cost	3	-2
Effect on defined benefit obligation	23	-18

Historical development of defined benefit plans:

EUR Million	2005	2006	2007
Defined benefit obligation	2 471	2 491	2 355
Plan assets	-1 232	-1 298	-1 342
Deficit / surplus (-)	1 239	1 193	1 013
Experience adjustments on plan liabilities	not avail.	-14	-12
Experience adjustments on plan assets	not avail.	-36	6

Historical development of post-employment medical plans:

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

Health, safety and environment provisions

These provisions stand at EUR 417 million, compared with EUR 422 million at the end of 2006.

These are intended to cover the liabilities and charges of the following main problem areas:

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

The estimated amounts are discounted as a function of the probable date of disbursement. As well as being updated annually, provisions are adjusted every year to reflect the increasing proximity of such disbursement. In 2007 this financial cost amounted to EUR 6 million.

Provisions for litigation

Provisions for litigation stand at EUR 473 million at the end of 2007 compared with EUR 491 million at the end of 2006. The reduction of EUR 18 million between 2006 and 2007 is due mainly to the impact of currency translation differences linked to the weakness of the dollar against the euro (EUR 24 million) on provisions recognized in the US companies.

The main provisions at the end of 2007 serve to cover:

– the financial consequences of the EUR 193 million fine imposed by the European authorities for infringement of competition rules in the peroxides area, against which the Solvay group has appealed, and the financial consequences of litigation in process (class actions and individual suits) in the USA and Canada and of potential customer recourse in Europe in the same area. Based on the available information, it is estimated that this litigation should end and the ensuing amounts be paid in the course of 2008 and 2009;
– the risks attached to ongoing litigation in the USA in relation to our pharmaceutical products, in the field of female hormone treatments in the USA, following the publication of study reports on female hormone treatments by the “Women’s Health Initiative” in 2002.

The amount of the provisions reflects the current estimate of the number of plaintiffs treated with our products; the number of cases continues to evolve, even though it tended to stabilize in 2007. The status of this litigation did not change significantly in 2007. Proceedings can be expected to continue in 2008 and after.

The ligitation (class actions and individual suits) outstanding against Laboratoires Fournier relates, on the one hand, to the application of competition rules linked to changes in fenofibrate formulation in the USA and on the other to intellectual property rights in relation to different fenofibrate formulations in Canada (provisions have been set up only in respect of the latter item).
Our opponents here are generic product manufacturers, distributors and third party medical care reimbusement bodies. These risks are the subject of certain contractual guarantees furnished by the former Fournier shareholders at the time of the acquisition in 2005. Proceedings are expected to continue during 2008 and beyond.

In January 2008 the Group was informed that an application to register a generic equivalent of TRICOR® had been filed in the United States. Fournier Laboratories Ireland Ltd and Laboratories Fournier S.A. filed patent infringement actions against Teva in the USA. Fournier Laobratories asserts intellectual property of TRICOR® (fenofibrate) 145 mg NFE.

Other provisions

Other provisions stand at EUR 237 million, compared with EUR 287 million at the end of 2006.
These include mainly:
– the provision of EUR 50 million for the payment – deemed probable – of an additional price to the former Laboratoires Fournier shareholders linked to the absence of generics on the US market in 2008. This provision, initially set at EUR 100 million, reduced in 2007 to EUR 50 million with the payment of this amount following the absence of generics in 2007;
– the provision to cover the additional research expenses to speed up the development of the psychiatric compounds included in the agreement concluded with Wyeth;
– the provisions for any liabilities and charges linked to shut down or disposed-of activities.

Group policy on insurance

Solvay group policy is to use insurance to cover all catastrophe hazards, in all cases where insurance is mandatory and also whenever insurance represents the best economic solution for allocating risk.
The Group closely examines any new insurance coverage solution, so as to limit the financial consequences of incidents that could have a major impact on its assets, profits and its third party liability.

In 2007, international insurance programs were renewed with a lower level of premiums and ancillary costs. The civil liability insurance market remains difficult for companies selling pharmaceutical products.

(29) Net indebtedness

The Group's net indebtedness is the balance between its financial debts and cash and cash equivalents.
It increased by EUR 49 million from EUR 1 258 million at the end of 2005 to EUR 1 307 million at the end of 2007.

EUR Million	2006	2007
Financial debt	1 691	1 882
- Cash and cash equivalents	-433	-575
Net indebtedness	1 258	1 307

The Group's net debt to equity ratio increased by 1 % from 28 % at the end of 2006 to 29 % at the end of 2007.
The EUR 189 million proceeds from the sale of the Caprolactones activity were received at the beginning of February 2008.
Solvay's long-term rating has been confirmed by the two rating agencies and remains at A (stable outlook) at Standard and Poors and A2 (stable outlook) at Moody's.

Financial debt

Financial debt increased by EUR 191 million from EUR 1 691 million to EUR 1 882 million.
Other short-term borrowings rose, mainly due to the use of the Belgian Treasury Bills program in an amount of EUR 143 million (EUR 0 million at the end of 2006). The rise in long-term debts to financial institutions is explained by the long-term borrowing obtained by Solvay Indupa to finance the industrial projects in Brazil.

EUR Million	2006	2007
Subordinated loans	500	500
Bonds	804	800
Long-term finance lease obligations	11	8
Long-term debts to financial institutions	162	192
Other long-term debts	26	65
Amount due within 12 months (shown under current liabilities)	10	9
Other short-term borrowings (including overdrafts)	178	308
Total financial debt (short and long-term)	1 691	1 882

Borrowings and credit lines

The largest borrowings maturing after 2006 are:

- in Belgium: EMTN-note type bond issues by Solvay S.A. totalling EUR 800 million:
    - 4.99 % fixed rate EUR 500 million, maturing 2014;
    - 4.75 % fixed rate EUR 300 million, maturing 2018;
- in France: a EUR 500 million subordinated debt issue by Solvay Finance S.A. with support from Solvay S.A. This borrowing matures in 2104 and carries an annual coupon of 6.375 %. Rating agencies Moody's and Standard & Poors have treated this issue as part equity, part debt. In IFRS, however, it is treated 100 % as debt. This debt is subordinated to the other debts of the Group and is listed in Luxembourg. The coupon carries a fixed rate for the first ten years. In 2016 the coupon converts to a floating rate (3-month Euribor + 335 basis points) until maturing in 2104. Solvay has an option to redeem this issue at par from 2016 onwards. The issuer has a coupon non-payment option governed by the rules of the coupon carryforward mechanism;
- in Germany: our 75 % share in the financing of SolVin, amounting to EUR 130 million until EUR 2008 and EUR 120 million from 2008 to 2012 (including EUR 90 million at the fixed rate of 3.54 % until 2008);
- in Austria: our 50 % share of the EUR 165 million (revolving credit) borrowed to finance Pipelife (final maturity: 2012).

Fair value of financial debts

For floating rate financial debts and fixed-rate debts which have been the subject of a fixed/floating interest rate swap, the fair value is equal to the face value. The fair value of the Group's fixed rate debt at the end of 2007 is based on the quotations obtained:

- EMTN EUR 500 million 2014: EUR 494 million,
- EMTN EUR 300 million 2018: EUR 282 million,
- Hybrid EUR 500 million 2104: EUR 497 million,
- Group's share (75 % out of the total of EUR 90 million = EUR 67.5 million) in the fixed-rate financing of SolVin: EUR 68 million.

Cash and cash equivalents

Cash and cash equivalents amounted to EUR 575 million, up by EUR 142 million from end-2006.

EUR Million	2006	2007
Shares	0	3
Fixed-income securities	39	33
Term deposits	210	245
Cash	184	294
Cash and cash equivalents	433	575

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

Liquidity risk

The financial debt matures as follows:

EUR Millions	2006	2007
The financial debt is repayable:	1 691	1 882
on demand or within one year	188	317
in year two	48	43
in years three to five	54	104
beyond five years	1 401	1 418

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

In addition to the above-mentioned financing sources, the Group also has access to the following instruments:

- a Belgian treasury bill program in an amount of EUR 400 million, of which EUR 143 million was used at the end of 2007, or as an alternative a US commercial paper program in an amount of USD 500 million, unused at the end of 2007. The higher ceiling of the two programs is fully covered by back-up credit lines which were unused at the end of 2007;
- a EUR 850 million bank credit line (unused at end-2007), maturing in 2011;
- a EUR 400 million bank credit line (unused at end-2007), maturing in October 2013.

(30) Derivative financial instruments

The Solvay group uses derivatives to cover clearly identified foreign exchange and interest rate risks (hedging instruments). However, the required criteria to apply hedge accounting according to IFRS are not met in all cases. This means that this form of accounting is not always applicable when the Group covers its economic risks.

The Group's exchange risk hedging policy is based essentially on the principles of financing its activities in local currency, systematically covering transactional exchange risk at the time of invoicing (risks which are certain) and monitoring and hedging where appropriate exchange rate positions generated by the Group's activities, based on expected cash flows.

Currency translation differences

Exchange rate fluctuations, particularly of the US dollar, can affect earnings. In the course of 2006 the EUR / USD exchange rate moved from 1.3270 at the start of January to 1.4721 at the end of December. The average rate in 2007 (1.3706) was, however, close to that in 2006 (1.2554).

Managing the exchange risk on debt

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

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

In emerging countries it is not always possible to borrow in local currency, either because local financial markets are too narrow and funds are not available, or because the financial conditions are too onerous. In such a situation the Group has to borrow in a strong currency. Nonetheless the Group has taken advantage of any opportunities to refinance its borrowing in emerging countries with local currency debt.

In this way, at the end of 2007, the Group had no foreign exchange exposure on its residual currency borrowings.

Managing the translation exchange risk

The translation exchange risk is the risk affecting the portion of the Group's consolidated earnings generated by subsidiaries operating in a currency other than the EUR (the Group's functional currency).

Currency translation risk in the income statement

For the Solvay group, this risk relates mainly to the translation into EUR of earnings generated in the NAFTA region.

Based on the expected net earnings in the NAFTA region for the period in question and depending on market conditions, steps may be taken to hedge this translation risk.

During 2007, the Solvay group did not hedge the income statement currency translation risk.

Balance sheet risk

The Group's net assets (EUR 4.5 billion at end-2007) are distributed as follows, by reducing order of importance:
- Euro Zone: 48 %
- NAFTA: 25 %
- Brazil and Argentina: 9 %
- Asia-Pacific: 7 %
- Bulgaria: 4 %
- Great Britain: 3 %
- Other: 4 %

In all the Group is exposed to 29 currencies in the NAFTA region, Latin America, Asia and Eastern Europe.

A VaR (Value at Risk) analysis has been carried out to quantify the balance sheet risk. Based on market expectations for the volatility of the currency pairs, the VaR appears to be close to 7 % of the Group's current equity (EUR 298 million) within a 99 % confidence interval. This risk has remained stable compared with the end of 2006 (EUR 289 million) owing mainly to the lower volatility observed on foreign exchange markets.

Measures to hedge equity have not been considered.

Managing the transactional exchange risk

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

a) Hedging transactional exchange risk when certain

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

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

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

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

In its present structure, the Group's exposure is essentially linked to the EUR / USD risk: the Group is "long" in USD by around USD 740 million a year. The Group's overall activities generate a net positive USD flow.
Based on this mapping and depending on market conditions, foreign exchange hedging can be carried out on the basis of expected flows. The main financial instruments utilized are forward currency sales and the purchase of put options. The Group covered its 2007 exposure in an amount of USD 400 million. The Group is exposed to currency exchange risks for other currencies for which the risk is considered minimal, with the exception of the yen (JPY 15 499 million "long" exposure).

By using financial instruments to cover its medium-term currency exchange risk, Solvay is exposed to the risks attached to these foreign currency derivatives. From the accounting point of view, the covering operation is preferably documented in a way that enables it to be treated as a perfect hedge.
Changes in the exchange rates of the currencies on which these transactions are based impact the fair value differences in equity as well as the fair values of these hedging instruments. Upon maturity, the gains and losses on these financial instruments are recognized in the gross margin.

In 2006 the Group had hedged USD 310 million with forward foreign exchange contracts which were accounted for as a perfect hedge. These operations matured before the end of 2006, producing a profit of EUR 4 million in 2006. In 2007, USD 5 million were covered by forward foreign exchange contracts. These operations, accounted for as a perfect hedge, had no significant impact on the income statement at maturity.

Certain foreign currency derivatives, mainly "average rate options", are not documented in a way that allows them to be treated as perfect hedges. Exchange rate variations impact the value of these instruments and are accounted for in other financial gains and losses in the amount of EUR 16 million in 2007, corresponding to the hedging operations for 2007 and 2008. The foreign exchange risk exposure, which is centralized at Solvay CICC, was not significant at the end of 2007. For this reason, the Group's foreign exchange exposure on financial instruments is essentially related to derivatives used to cover short and medium term transactional exchange risks which were still outstanding at the end of 2007 The USD/EUR exchange risk stood at 1.4721 USD/EUR at the end of 2007.
All other variables being constant, a 5 % higher (lower) exchange rate at the end of the year would have occasioned a variation in "other financial gains and losses" of EUR 11 (-6) million [9 (-4) million in 2006].
The fair value differences in total equity would not have been affected.

1 Solvay Coordination Internationale des Crédits Commerciaux, S.A.

Managing interest rate risk

Interest rate risk is managed at Group level. At December 31, around EUR 1 400 million of the Group's debt was fixed-rate.

- The Group has fixed the interest rates of its bond loans (EUR 300 million maturing 2018, EUR 500 million maturing 2014);
- the hybrid subordinated issue placed on the market in 2006 (EUR 500 million maturing 2104) carries a fixed coupon until 2016 and floating thereafter;
- the financing of SolVin, which amounts to EUR 130 million until 2008 and 120 million from 2008 to 2012, carries a fixed rate in respect of EUR 90 million until 2008 (Group share 75 %).

Interest rate exposure by currency is summarized below:

EUR Million	At 31 December 2006			At 31 December 2007		
Currency	Fixed rate	Floating rate	**Total**	Fixed rate	Floating rate	**Total**
Financial debt						
EUR	-1 402	-172	-1 574	-1 368	-303	-1 671
USD	-5	-15	-20	-3	-6	-9
GBP	0	-2	-2	0	-3	-3
BRL	0	-4	-4	0	-47	-47
Other	0	-91	-91	0	-152	-152
Total	-1 407	-284	-1 691	-1 371	-511	-1 882
Cash and cash equivalents						
EUR	0	77	77	0	166	166
USD	0	178	178	0	184	184
Other	0	178	178	0	225	225
Total	0	433	433	0	575	575

For the sensitivity analysis, an increase (decrease) of the average interest rate for the reporting period is applied to the floating rate debt. All other variables being constant, a 1 % higher (lower) interest rate would translate into EUR 6 million higher (lower) borrowing charges in 2007 (EUR 7 million in 2006).

This impact would have been partially offset by a higher (lower) interest rate on cash and cash equivalents of EUR 5 million (EUR 6 million in 2006).

Financial instruments

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

EUR Million	2006 Net carrying amount	2006 Fair value	2007 Net carrying amount	2007 Fair value
Financial assets at fair value through profit or loss - upon initial recognition	0	0	0	0
Financial assets at fair value through profit or loss - held for trading	8	8	17	17
Held-to-maturity investments	0	0	0	0
Loans and receivables (including cash and cash equivalents)	2 225	2 225	2 466	2 466
Available-for-sale financial assets	657	657	318	318
Financial liabilities at fair value through profit or loss - upon initial recognition	0	0	0	0
Financial liabilities at fair value through profit or loss - held for trading	0	0	0	0
Financial liabilities measured at amortized cost (includes trade liabilities)	-3 105	-3 159	-3 291	-3 275

Fair values are based on the quotations obtained..

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

The category “financial assets at fair value through profit or loss – held for trading” contains mainly financial instruments, and in particular “average rate options”, that are used for the Group’s currency risk management, but which are not documented in a way which allows them to be treated as hedging instruments.

These operations are detailed in the table below:

EUR Million	2006 Notional amount	2006 Fair value	2007 Notional amount	2007 Fair value
Foreign currency derivatives				
Foreign exchange contracts and swaps	352	1	414	2
Options	212	6	306	14
Interest rate derivatives				
Swaps	68	1	68	1
Other	0	0	0	0
Other derivatives	0	0	0	0
Total derivative financial instruments	632	8	788	17

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

EUR Million	2006	2007
Recognized in the income statement		
Interest on cash and cash equivalents	28	23
Interest on loans and receivables	3	6
Income on available-for-sale financial assets	19	61
Net gain on disposal of available-for-sale financial assets transferred from equity	75	73
Changes in the fair value of financial assets held for trading	-1	17
Changes in the fair value of cash flow hedges transferred from equity	4	0
Ineffective portion of the changes in fair value of cash flow hedges	0	0
Interest expense on financial liabilities measured at amortized cost	-111	-106
Total	18	74
Recognized directly in equity		
Net change in the fair value of available-for-sale financial assets	103	-293
Net change in available-for-sale financial assets transferred to the income statement	-75	-73
Effective portion of changes in fair value of cash flow hedge	-1	7
Changes in the fair value of cash flow hedges transferred to the income statement	-4	0
Total	24	-359

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

Income from available-for-sale financial assets is EUR 42 million higher in 2007 than in 2006. This reflects mainly the earnings generated by the sale of subscription rights received in the capital increase of Fortis S.A. (EUR 37 million).

In 2007 the net gain on the disposal of available-for-sale assets is linked to the sale of Sofina shares. For 2006, this amount represents the capital gain of EUR 75 million on the sale of 49.6 % of the shares of Financière Keyenveld S.A.

(31) Commitments to acquire tangible and intangible assets

EUR Million	2006	2007
Commitments for the acquisition of tangible and intangible assets	8	94
of which: Joint ventures	1	19

The increase reflects the completion of major new investment projects.

(32) Contingent liabilities

EUR Million	2006	2007
Liabilities and commitments of third parties guaranteed by the company	276	271
Additional milestones for Fournier	190	190
Litigation and other major commitments	22	17

The "Liabilities and commitments of third parties guaranteed by the company" relates mainly to guarantees given to guarantee the payment of the VAT.

In 2007, the amount of milestones to be paid to former Fournier shareholders (EUR 190 million) is unchanged from 2006 and depends on market conditions and future product performances.

EUR 14 million under the litigation and other major commitments heading consists of a contingent liability linked to the supply of ethylene (2006: EUR 19 million).

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

EUR Million	2006	2007
Liabilities and commitments of third parties guaranteed by the company	8	2
Litigation and other major commitments	0	0

(33) Joint ventures

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

EUR Million	2006	2007
Non-current assets	867	1 004
Current assets	578	665
Non-current liabilities	337	350
Current liabilities	458	527
Net sales	2 081	2 209
Cost of sales	- 1 703	-1 791

Management of Risks

Acting responsibly as a corporate citizen and caring for the health, safety and environment of its employees and the community at large are key components of Solvay's vision that are embedded through the Group's Responsible Care® policy. Since its foundation in 1863, Solvay has successfully demonstrated its ability to anticipate and respond appropriately to an ever-changing world and to achieve sustainable and profitable growth with a profound respect and concern for the environmental and social contexts in which it operates.

In its 145-year history, Solvay has built up a solid track record of good practices in the management of the risks inherent to its chemical and pharmaceutical activities. The diverse businesses within the Group generate a variety of risks, some of which could possibly affect the Company as a whole. But diversity contributes to the reduction of the overall risk, as the Company's different businesses, processes, policies and structures offset some risks against each other, merely through a balanced portfolio of products.

During its strategic review in June 2006, the Executive Committee highlighted risk management as a priority, and decided to further enhance the related processes and measures implemented throughout the Group.

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

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

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

A special Competence Center within Financial Management develops tools, provides advice and proposes strategies to help entities manage their risks more systematically. In the course of 2006 and 2007, each Business Unit was analyzed to identify the significant risks, in the above ten categories, and initiatives have been undertaken to mitigate the main ones among them. Risk management is now widely integrated into enterprise strategies, enabling the Group to move ahead in major investment strategies cognizant of the attached risks and taking the necessary steps to mitigate them.

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

The purpose of this report is to describe the risk associated with each category and to outline the actions undertaken by the Group to reduce that risk.
The order in which these risk categories are listed is not an indication of their severity or probability.
The mitigation efforts described are no guarantee that risks will not materialize but demonstrate the Group's efforts in an entrepreneurial way to reduce risk exposures.

1. Market & Growth – Strategic Risk

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

Mitigation efforts

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

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

2. Supply Chain Risk and Risks Attached to Production Units

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

Mitigation efforts

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

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

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

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

In reference to Raw Materials, further to its ownership of several mines and quarries, Solvay reduces the risk of disruption (availability, reliability and price) by:

• the use of medium and long-term contracts,
• the diversity and the flexibility of the sources of raw materials to the extent possible,
• the development of partnerships with preferred suppliers.

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

The risk exposure to availability and reliability of energy supply has to be managed well. A number of strategic initiatives can reduce the effect of the volatility of energy markets : Solvay's technological leadership in processes, its flexible, high-performance industrial facilities, the construction of cogeneration units (which generate both electricity and steam) in major plants and a strategy of supply coverage with medium to long-term contracts.

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

Solvay is monitoring the effect of the Kyoto protocol and the cost of CO_2 emissions. The Kyoto protocol is endorsed by Solvay and is integrated in its strategy as it at least indirectly affects every company including upstream operators (through energy cost and raw materials) and downstream businesses (with an impact on transport, contractors and customers).

3. Regulatory, Political and Legal Risk

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

Legal Risk is the exposure to adverse consequences of non-compliance with regulations or contractual undertakings, or the loss of rights or benefits expected from protection by regulation or contract. This includes various areas like product liability, administrative or criminal sanctions, contractual or intellectual property disputes, as well as the potentially adverse outcome of ongoing litigation.

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

Solvay must obtain and retain regulatory approval for operating most of its production facilities. Regulatory approval is also required for the marketing and sale of pharmaceutical products and specialty products for specific uses like healthcare. In particular, with the coming into effect of the REACh directive, a significant number of substances used in Solvay chemicals and plastics will require similar approval.

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

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

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

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

In pharmaceuticals, processes have been set up for contacts with regulators and to promote the accurate and appropriate flow of product information among all stakeholders, such as prescribers, patients, and regulators supervising and controlling product use.

To manage legal risk Solvay maintains in-house legal and intellectual property resources, and relies on additional external professional resources as appropriate. By doing business, Solvay is naturally exposed to disputes and litigations. Adverse outcome of such disputes or litigations is always possible. The Group is managing this risk by relying on the internal and external resources and by making appropriate financial provisions.

In the chemicals and plastics industries, technological know-how can remain protected by way of trade secret, which is often a good substitute for patent protection and Solvay is, in many cases, a leader in the technological know-how for its production processes. However, Solvay systematically considers patenting new products and processes and maintains continuous efforts to preserve its proprietary information.

In respect of political risks, Solvay's actions include risk-sharing with local or institutional partners as well as insurance solutions.

4. Corporate Governance and Risk attached to Internal Procedures

The risk attached to Internal Procedures is Solvay's exposure to failure to comply with its own Code of Conduct, policies and processes. Examples of risks are failed Human Resource strategy, failure to integrate an acquired company, failure to comply with internationally recognized Corporate Governance rules and good practices, etc.

Mitigation efforts
In the field of Corporate Governance, Solvay has a comprehensive corporate governance charter, publicly available on www.solvay.com, and publishes its yearly report on the application of Solvay's Corporate Governance rules.

With respect to behavioral risks, training programs are being widely deployed in order to make managers aware of the importance of legal and antitrust risks. Training will also be organized to enhance ethical compliance with Solvay's Code of Conduct. Any violation of the Code will be acted upon.

In 2007 a compliance organization under the leadership of the Group General Counsel was set up to promote and monitor compliance with the Code of Conduct across the Group. Compliance Officers have been appointed in all regions. A training course entitled "One Group, One Code, One Path" is being deployed to familiarize all employees with the Code of Conduct and promote respect of it. Any violation of this code will lead to sanctions in accordance with prevailing legislation.

Solvay reduces the risks linked to Corporate Governance and internal procedures by implementing strict policies regarding the hiring and training of employees and by making sure the Code of Conduct is enforced rigorously throughout the organization, in large part by genuinely embedding it in the values of the company.

5. Financial Risk

Financial Risk is Solvay's exposure to foreign-exchange risk, liquidity risk, interest-rate risk, counterparty risk (credit risk), or failure to fund pension obligations.

- Liquidity Risk relates to Solvay's ability to service and refinance its debt including notes issued and to fund its operations. This depends on its ability to generate cash from operations.

  Mitigation efforts
  The Group is recognized as historically having a prudent financial profile, as illustrated by its "mid single A" rating. In particular credit spreads for "mid single A" issuers suffer less from deteriorating credit conditions than those of issuers with weaker ratings. On the one hand, Solvay maintains as its objective a net debt to equity ratio not durably exceeding 45 %. On the other hand, Solvay's liquidity profile is very strong, mainly supported by significant cash balances and committed bank facilities, including two syndicated loans of EUR 400 and 850 million respectively. The first maturities of Solvay's long-term debt are not until 2011.

- As for Foreign Exchange Risk, Solvay is naturally exposed to it as a consequence of its international activities. In its present structure, the Group's exposure is mainly associated with the EUR/USD risk, as the Group's overall activities generate a net positive USD flow. Consequently, a depreciation of the USD will generally result in lower revenues for Solvay.

Mitigation efforts
The geographical diversification of production and sales provides a natural currency hedge because of the resulting combination of an income stream and an expense base in local currency. Furthermore, Solvay closely monitors the foreign-exchange market and enters into hedging measures for terms of between 6 and 24 months whenever deemed appropriate. In practice, Solvay enters into forward and option contracts securing the EUR value of cash flows in foreign currency during the following months.

- Interest-rate Risk is Solvay's exposure to fluctuating interest rates. In its present structure, the Group has locked in the largest part of its net indebtedness with fixed interest rates.

Mitigation efforts
Solvay closely monitors the interest-rate market and enters into interest-rate swaps whenever deemed appropriate.

- Solvay is exposed to Counterparty Risk in cash management and foreign-exchange and interest-rate risk management as well as in its commercial relations with customers. A default by one of Solvay's banking counterparties could cause a loss in value of one of its bank deposits or the loss of an interest-rate or foreign-exchange hedge. The failure to pay by one of Solvay's customers could lead to a write-down on the trade receivables.

Mitigation efforts
Solvay manages its financial counterparty risk by working with banking institutions of the highest caliber (with selection based on major rating systems) and minimizes the concentration of risk by limiting its exposure to each of these banks to a certain threshold, set in relation to the institution's credit rating. Furthermore, customer credit risk is managed by a risk committee and by an in-house network of credit managers who fix credit limits for customers and follow-up on cash collections. Additionally Solvay may also use credit insurance policies to manage customer credit risk.

- Concerning the Risk of Funding Pension Obligations, Solvay is exposed whenever it operates defined-benefit plans. Fluctuations in discount rates, salaries and social security, longevity and asset/liability matching can have an important impact on the liabilities of such pension plans.

Mitigation efforts
The Group has reduced its exposure to defined-benefit plans by converting existing plans into pension plans with a lower risk profile for future services or by closing them to new entrants. Examples of plans with a lower risk profile are hybrid plans, cash balance plans and defined-contribution plans. Solvay developed guidelines and processes to better manage the pension funding risk. Over the past years the major defined benefit-pension plans (Germany, Netherlands, UK, USA, Spain and Belgium) representing more than 80 % of the Group's pension obligations (under IFRS) have been reviewed in line with the above principles. The previously announced global asset/liability management study was completed in 2007. This shows the level of risk to be within the pre-defined threshold. Even so, we shall in 2008 be examining the possibility of further reducing the risk of our main pension plans (Germany, Belgium, France, Netherlands, USA and UK).

6. Product Risk

- Product Liability Risk is Solvay's exposure stemming from injury or damage to third parties or their property arising from the use of a Solvay product, as well as the resulting litigation. Product liability may arise from out-of-specification products, inappropriate use or previously unidentified effects. Risks in Chemicals and Plastics also include the possibility of manufacturing errors resulting in defective products, product contamination or altered product quality and potential recalls.

Mitigation efforts
Product liability exposure is reduced by quality assurance and control, adequate information and technical assistance to customers and health and safety programs. The Group supplies information relating to the safe use and handling of its products. For products with significant hazards, which in general are only sold directly to industrial users, the SBUs involved have product stewardship programs including material safety data sheets. In Pharmaceuticals, stringent processes govern product labeling. Implementation of the REACh directive is expected to result in a reduction of Product Liability Risk exposure in Europe.

- Product Development Risk is Solvay's exposure to failure to develop new products and technologies or scale up a process. Solvay's operating results depend, among other factors, on the innovation and development of commercially viable new products and production technologies. Because of the lengthy development process, technological challenges and intense competition, Solvay cannot ensure that the products it develops will become market-ready or achieve commercial success. If Solvay is unsuccessful in developing new products and production processes in the future, its competitive position and operating results will be harmed.

  Mitigation efforts
  Solvay Solvay devotes substantial resources to Research and Development. Solvay continuously improves the competitiveness of its essential products over the long term, through technological improvements and innovation. Innovation is the cornerstone of the Group's strategy, and Solvay considers that managing the challenges related to product development is more about opportunity than risk for the company.

  Management of R&D by programs and projects fully in line with Solvay's strategy enhances R&D performance and reduces the risk of failure.

  Management by projects, with a conceptual and operational roadmap for moving a new product project from idea to launch, also ensures that resources are used in an optimal way.

  Participation in venture capital funds allows Solvay to remain engaged at the forefront of emerging businesses such as alternative renewable energies and organic electronics.

  Solvay launched a dynamic innovation program at corporate level nine years ago, covering its main fields of activity, including R&D.

7. Risk to People

Risk to People is the exposure of employees, contractors and the public to adverse effects from Solvay's activities and products, for example from plant processes or from transportation of hazardous chemicals. A major accident can injure people or lead to the temporary closing of a plant and ultimately expose Solvay to significant liabilities.

Mitigation efforts
Solvay considers the safety and health of people key aspects in the management of its activities. The Group has consistently developed and implemented stringent safety programs. Related policies and risk control programs apply to all production units and other facilities, including to contractors and newly acquired plants.

The risk of hazardous chemicals transportation is reduced by mapping and minimizing transport routes and by the operation of integrated production units, which do not require the transportation of intermediate goods.

Solvay follows recommendations of associations like Eurochlor and programs like Responsible Care®.

8. Environmental Risk

Environmental Risk is Solvay's exposure stemming from the accidental release of a chemical substance following a plant equipment failure, a transport accident or production problems resulting in exceeding permitted emission levels.

Solvay operates manufacturing plants in many regions. Like most industrial equipment, this may create environmental risks through the accidental release of chemicals into the environment. Around 30 sites are covered by regulations dealing with major risks. Like most other industrial companies, Solvay has to manage and remediate historical soil contamination at some of its sites.

Mitigation efforts
Solvay considers environmental protection as a key aspect in the management of its activities. Well-defined pollution and accident prevention measures have been in place at Solvay for a long time. Policies and risk control programs are applied in all production units and other facilities, including newly acquired plants. The Group has, in particular, taken the necessary steps to comply with regulations concerning major risks, which include detailed accident-prevention measures. The Group has developed internal expertise in soil management. Hydrogeological studies and soil characterizations are conducted systematically to diagnose potential problems, evaluate risks to aquifers and discuss with the relevant authorities remediation or confinement actions. A number of such actions have been completed or are underway.

9. Information and IT Risk

IT is integrated in the business to process and exchange information and to optimize business processes such as, for example, industrial production unit controls and management, inventory management, supply chain management and productivity enhancement. Therefore, IT choices and strategy strongly impact the business. The losses from outages, service-level degradation or IT systems failure can raise business-continuity issues and can result in the loss of revenue.

Business information is a real asset within the corporation that must be valued and protected by structured processes like access management or controlled duplication. The two challenges regarding information assets are to reduce the risks of accidental unavailability or loss and the risks of deliberate misuse, abuse and theft.

Mitigation efforts
Every employee is responsible for the appropriate management of information in compliance with the laws and policies related to information and use of IT systems.

Internal IT specialists manage and safeguard systems and their integrity, and support and train employees in IT security, making regular back-up copies and safer use of the systems.

Some important IT systems are hosted and technically managed by external IT suppliers. The choice of these suppliers, the contractual conditions and the level of services they can provide are crucial to reduce the risks linked to IT.

10. Reputational Risk

Reputation is a key asset. Loss of reputation can result in competitive disadvantage. The reputational risk deals with the subjective, composite perception of a company by its different stakeholders. Trust is a fundamental ingredient to reputation.

Mitigation efforts
Besides overall good management, control practices and systems, efficient communication (transparent, consistent and timely) and long-term solid relationships, both inside and outside the organization, contribute in the long run to establishing trust. Among those relationships, Solvay participates in specific programs in the US (through the American Chemistry Council) and Europe (through CEFIC) to improve the reputation of the chemical industry.

Furthermore, communication processes, systems, plans and programs are established in order to create, develop and maintain a regular flow of two-way communication with the main stakeholders: shareholders and the financial community, employees, customers, authorities, local communities and opinion leaders directly or through press and other media. Examples are the quarterly release of the Group's results, internal magazines, websites, open doors, meetings and events.

Clear values supported by the Code of Conduct, combined with a high level of Corporate Governance are instrumental in reducing the reputational risk.

Specific management and communication systems exist to give early warning of developing crises and to ensure an adequate response in the case of unexpected and sudden adverse events that can potentially harm the Group's reputation. Dedicated people are trained to face such situations while crisis simulations are organized on a regular basis.

2007 Consolidation Scope

The Group consists of Solvay S.A. and a total of 401 subsidiaries and associated companies in 50 countries.

Of these, 169 are fully consolidated and 88 are proportionately consolidated, whilst the other 144 do not meet the criteria of significance.

In accordance with the principle of materiality, certain companies which are not of significant size have not been included in the consolidation scope. Companies are deemed not to be significant when they do not exceed any of the three following thresholds in terms of their contribution to the Group's accounts:

• sales of EUR 20 million,
• balance sheet total of EUR 10 million,
• headcount of 150 persons.

Companies that do not meet these criteria are, nevertheless, consolidated where the Group believes that they have a potential for rapid development, or where they hold shares in other companies that are consolidated under the above criteria.

Globally, the non-consolidated companies have no material impact on the consolidated data of the Group, their overall impact on the Group net profit being of the order of 0.1 %.

The full list of companies is filed with the National Bank of Belgium as an attachment to the annual report, and can be obtained from the company head office.

List of companies entering or leaving the Group

Ch = Chemicals Ph = Pharmaceuticals Pl = Plastics - = not allocated

Companies entering the Group

Country	Company	Sector	Comments
NETHERLANDS	Solvin Holding Nederland B.V.	Pl	new company
FRANCE	Solvay Energie France S.A.S.	-	meets the consolidation criteria
GREAT BRITAIN	Qual-Plumb (UK) Ltd	Pl	purchase
IRELAND	Dromalour Plastics Ltd	Pl	purchase
	Kenfern Investments Ltd	Pl	purchase
	Quality Plastics (Holding) Ltd	Pl	purchase
	Quality Plastics Ltd	Pl	purchase
	Qualplast Sales Ltd	Pl	purchase
GREECE	Solvay Pharma M.E.P.E.	Ph	meets the consolidation criteria
TURKEY	Solvay Ilac Ve Ecza Ticaret Limited Sirketi	Ph	meets the consolidation criteria
UNITED STATES	Peptisyntha, Inc.	Ch	meets the consolidation criteria
	Solvay North America Investments, LLC	-	new company
CHINA	Inergy Automotive Systems (Wuhan) Co.	Pl	new company

Companies leaving the Group

Country	Company	Sector	Comments
GERMANY	Solvay Infra GmbH	Ch	absorbed by Solvay Chemicals GmbH
PORTUGAL	Fournier Farmaceutica Portugal S.A.	Ph	absorbed by Solvay Pharma Lda
UNITED STATES	Girindus Sales Corporation	Ch	absorbed by Girindus America, Inc.
	Girindus Corporation	Ch	absorbed by Girindus America, Inc.
CAYMAN ISLANDS	Solvay Finance (Cayman) Ltd	-	liquidated
CHINA	Pipelife (Guangzhou) Plastic Pipe Mfg Ltd	Pl	sold

List of fully consolidated Group companies

Indicating the percentage holding, followed by the Sector.
It should be noted that the percentage of voting rights is very close to the percentage holding.
Ch = Chemicals Ph = Pharmaceuticals Pl = Plastics - = not allocated

BELGIUM		
Financière Keyenveld S.A., Bruxelles (liquidation in progress)	50.4	-
Fournier Pharma S.A., Bruxelles	100	Ph
Mutuelle Solvay S.C.S., Bruxelles	99.9	-
Peptisyntha S.A., Neder-Over-Heembeek	100	Ch
Solvay Benvic & Cie Belgium S.N.C., Bruxelles	100	Pl
Solvay Chemicals International S.A., Bruxelles	100	Ch
Solvay Chemie S.A., Bruxelles	100	Ch
Solvay Coordination Internationale des Crédits Commerciaux (CICC) S.A., Bruxelles	100	-
Solvay Participations Belgique S.A., Bruxelles	100	-
Solvay Pharma S.A., Bruxelles	100	Ph
Solvay Pharmaceuticals S.A. - Management Services, Bruxelles	100	Ph
Solvay Specialities Compounding S.A., Bruxelles	100	-
Solvay Stock Option Management S.P.R.L., Bruxelles	100	-
LUXEMBOURG		
Solvay Finance (Luxembourg) S.A., Luxembourg	100	-
Solvay Pharmaceuticals S.a.r.l., Luxembourg	100	Ph
NETHERLANDS		
Physica B.V., Weesp	100	Ph
Sodufa B.V., Weesp	100	Ph
Sodufa Pharmaceuticals B.V., Weesp	100	Ph
Solvay Chemicals and Plastics Holding B.V., Weesp	100	-
Solvay Chemie B.V., Linne-Herten	100	Ch
Solvay Finance B.V., Weesp	100	-
Solvay Holding Nederland B.V., Weesp	100	-
Solvay Pharma B.V., Weesp	100	Ph
Solvay Pharmaceuticals B.V., Weesp	100	Ph
FRANCE		
Fournier Industrie et Santé S.A., Dijon	100	Ph
Laboratoires Fournier S.A., Dijon	100	Ph
Synkem S.A.S., Chenove	100	Ph
Solvay Benvic France S.A.S., Paris	100	Pl
Solvay - Carbonate - France S.A.S., Paris	100	Ch
Solvay - Electrolyse - France S.A.S., Paris	100	Ch
Solvay Energie France S.A.S., Paris	100	-
Solvay Finance France S.A., Paris	100	-
Solvay Finance S.A., Paris	100	-
Solvay - Fluorés - France S.A.S., Paris	100	Ch
Solvay - Organics - France S.A.S., Paris	100	Ch
Solvay - Olefines - France S.A.S., Paris	100	Pl
Solvay Participations France S.A., Paris	100	-
Solvay Pharma S.A.S., Suresnes	99.9	Ph
Solvay Pharmaceuticals S.A.S., Suresnes	100	Ph
Solvay Solexis S.A.S., Paris	100	Pl
Solvay - Spécialités - France S.A.S., Paris	100	Ch
Vivalsol S.N.C., Paris	100	Ph
ITALY		
SIS Italia S.p.A., Rosignano	100	-
Società Elettrochimica Solfuri e Cloroderivati (ELESO) S.p.A., Milano	100	Ch
Società Generale per l'Industria della Magnesia (SGIM) S.p.A., Angera	100	Ch
Solvay Bario e Derivati S.p.A., Massa	100	Ch

Solvay Benvic - Italia S.p.A., Rosignano	100	Pl
Solvay Chimica Italia S.p.A., Milano	100	Ch
Solvay Chimica Bussi S.p.A., Rosignano	100	Ch
Solvay Fluor Italia S.p.A., Rosignano	100	Ch
Solvay Finanziaria S.p.A., Milano	100	-
Solvay Padanaplast S.p.A., Roccabianca	100	Pl
Solvay Pharma S.p.A., Grugliasco	100	Ph
Solvay Solexis S.p.A., Milano	100	Pl
GERMANY		
Cavity GmbH & Co KG, Hannover	100	Ch
Fournier Pharma GmbH, Thansau	100	Ph
Girindus AG, Bensberg	75	Ch
Hispavic GmbH, Hannover	100	Pl
Kali-Chemie AG, Hannover	100	-
Salzgewinnungsgesellschaft Westfalen mbH & Co KG, Epe	65	Ch
Solvay GmbH, Hannover	100	-
Solvay Advanced Polymers GmbH, Hannover	100	Pl
Solvay Arzneimittel GmbH, Hannover	100	Ph
Solvay Chemicals GmbH, Hannover	100	Ch
Solvay Engineered Polymers GmbH, Heidelberg	100	Pl
Solvay Fluor GmbH, Hannover	100	Ch
Solvay Infra Bad Hoenningen GmbH, Hannover	100	Ch
Solvay Interox Bitterfeld GmbH, Bitterfeld	100	Ch
Solvay Kali-Chemie Holding GmbH	100	-
Solvay Management Support GmbH, Hannover	100	-
Solvay Organics GmbH, Hannover	100	Ch
Solvay Pharmaceuticals GmbH, Hannover	100	Ph
Solvay Salz Holding GmbH, Hannover	100	Ch
Sovlay Salz Beteiligungs GmbH & Co KG, Hannover	100	Ch
Solvay Verwaltungs-und Vermittlungs GmbH, Hannover	100	-
SPAIN		
Electrolisis de Torrelavega A.E.I., Torrelavega	100	Ch
Laboratorios Fournier S.A., Tres Cantos	100	Ph
Solvay Benvic Iberica S.A., Barcelona	100	Pl
Solvay Ibérica S.L., Barcelona	100	-
Solvay Fluor Iberica S.A., Tarragona	100	Ch
Solvay Participaciones S.A., Barcelona	100	-
Solvay Pharma S.A., Barcelona	100	Ph
Solvay Quimica S.L., Barcelona	100	Ch
SWITZERLAND		
Girindus S.A., Fribourg	75	Ch
Solvay (Schweiz) AG, Zurzach	100	Ch
Solvay Pharmaceuticals Marketing & Licensing AG, Allschwil	100	Ph
Solvay Pharma AG, Bern	100	Ph
PORTUGAL		
3S Solvay Shared Services-Sociedade de Serviços Partilhados Unipessoal Lda, Carnaxide	100	-
Thylmer Farmaceutica Lda, Lisboa	100	Ph
Solvay Farma Lda, Porto Salvo	100	Ph
Solvay Interox - Produtos Peroxidados S.A., Povoa	100	Ch
Solvay Portugal - Produtos Quimicos S.A., Povoa	100	Ch
Voxfarma, Produtos Farmaceuticos, Unipessoal, Lda, Porto Salvo	100	Ph
AUSTRIA		
Solvay Österreich GmbH, Wien	100	Ch
Solvay Pharma GmbH, Klosterneuburg	100	Ph
GREAT BRITAIN		
Fournier Pharmaceuticals Ltd, Slough	100	Ph
Solvay Chemicals Ltd, Warrington	100	Ch

Solvay Healthcare Ltd, Southampton	100	Ph
Solvay Interox Ltd, Warrington	100	Ch
Solvay UK Holding Company Ltd, Warrington	100	-
Solvay Speciality Chemicals Ltd, Warrington	100	Ch
IRELAND		
Fournier Laboratories Ireland Ltd, Cork	100	Ph
Solvay Healthcare Ltd , Dubin	100	Ph
Solvay Finance Ireland Ltd , Dublin	100	-
FINLAND		
Solvay Chemicals Finland Oy, Voikkaa	100	Ch
SWEDEN		
Neopharma AB, Västra Frölunda	100	Ph
POLAND		
Fournier Polska Sp. z o.o., Warszawa	100	Ph
Solvay Pharma Sp. z o.o., Piaseczno	100	Ph
Solvay Pharma Polska Sp. z o.o., Warszawa	100	Ph
BULGARIA		
Solvay Bulgaria AD, Devnya	100	Ch
GREECE		
Solvay Pharma M.E.P.E., Alimos	100	Ph
TURKEY		
Solvay Ilac Ve Ecza Ticaret Limited Sirketi, Istanbul	100	Ph
RUSSIA		
Solvay Pharma OOO, Moscow	100	Ph
UNITED STATES		
American Soda LLP, Parachute, CO	100	Ch
Ausimont Industries, Inc., Wilmington, DE	100	Pl
Fournier Pharma Corp, Inc., Parsippany NJ	100	Ph
Girindus America, Inc., Cincinnati OH	75	Ch
Montecatini USA, Wilmington, DE	100	Pl
Peptisyntha, Inc., Torrance, CA	100	Ch
Solvay Advanced Polymers, LLC, Alpharetta, GA	100	Pl
Solvay Alkalis, Inc., Houston, TX	100	Ch
Solvay America, Inc., Houston, TX	100	-
Solvay America Holdings, Inc., Houston, TX	100	-
Solvay Automotive Plastics & Systems, Inc., Troy, MI	100	Pl
Solvay Chemicals, Inc., Houston, TX	100	Ch
Solvay Engineered Polymers, Inc., Houston, TX	100	Pl
Solvay Finance (America) Inc., Houston, TX	100	-
Solvay Fluorides, LLC, Greenwich, CT	100	Ch
Solvay Information Services NAFTA, LLC, Houston, TX	100	-
Solvay North America LLC, Houston, TX	100	-
Solvay North America Investments, LLC, Houston, TX	100	-
Solvay Pharma US Holdings, Inc., Houston, TX	100	Ph
Solvay Pharmaceuticals, Inc., Marietta, GA	100	Ph
Solvay Soda Ash Joint Venture, Houston, TX	80	Ch
Solvay Soda Ash Expansion JV, Houston, TX	80	Ch
Solvay Solexis, Inc., Wilmington, DE	100	Pl
Unimed Pharmaceuticals Inc., Deerfield, IL	100	Ph
CANADA		
Fournier Pharma, Inc., Montreal	100	Ph
Solvay Engineered Polymers (Canada), Inc., Concord	100	Pl
Solvay Pharma, Inc., Scarborough	100	Ph
Solvay Pharma Canada, Inc., Scarborough	100	Ph
MEXICO		
Italmex S.A., Mexico	100	Ph
Solvay Engineered Polymers Mexico S.A. de C.V., Monterrey	100	Pl

Solvay Fluor Mexico S.A. de C.V., Ciudad Juarez	100	Ch
Solvay Mexicana S. de R.L. de C.V., Monterrey	100	Ch
Solvay Quimica Y Minera Servicios S.A. de C.V., Monterrey	100	Ch
Solvay Quimica Y Minera Ventas S.A. de C.V., Monterrey	100	Ch
BRAZIL		
Solvay Farma Ltda, Sao Paulo	100	Ph
Solvay do Brasil Ltda, Sao Paulo	100	-
Solvay Indupa do Brasil S.A., Sao Paulo	69.9	Pl
Solvay Quimica Ltda, Sao Paulo	100	Ch
ARGENTINA		
Solvay Indupa S.A.I.C., Bahia Blanca	69.9	Pl
Solvay Argentina S.A., Buenos Aires	100	-
Solvay Quimica S.A., Buenos Aires	100	Ch
AUSTRALIA		
Fournier Pharma Australia Pty Ltd, Pymble	100	Ph
Solvay Interox Pty Ltd, Banksmeadow	100	Ch
Solvay Pharmaceuticals Pty Ltd, Pymble	100	Ph
JAPAN		
Nippon Solvay KK, Tokyo	100	Ch
Solvay Advanced Polymers KK, Tokyo	100	Pl
Solvay Seiyaku KK, Tokyo	100	Ph
Solvay Solexis KK, Minato Ku-Tokyo	100	Pl
CHINA		
Solvay (Shanghai) Ltd, Shanghai	100	Pl
THAILAND		
Peroxythai Ltd, Bangkok	100	Ch
SINGAPORE		
Solvay Singapour Pte Ltd, Singapore	100	-
INDIA		
Solvay Pharma India Ltd, Mumbai	68.9	Ph
Solvay Specialities India Private Limited, Mumbai	100	Pl
CAYMAN ISLANDS		
Blair International Insurance (Cayman) Ltd, Georgetown	100	-
SOUTH KOREA		
Daehan Specialty Chemicals Co., Ltd, Seoul	100	Ch
Solvay Fluor Korea Co. Ltd, Seoul	100	Ch

List of proportionately consolidated Group companies

BELGIUM		
BASF Interox H2O2 Production N.V., Bruxelles	50	Ch
Inergy Automotive Systems (Belgium) N.V., Herentals	50	Pl
Pipelife Belgium S.A., Kalmthout	50	Pl
Inergy Automotive Systems Research S.A., Bruxelles	50	Pl
Solvic S.A., Bruxelles	75	Pl
SolVin S.A., Bruxelles	75	Pl
NETHERLANDS		
Inergy Automotive Systems Netherlands Holding B.V., Weesp	50	Pl
Pipelife Finance B.V., Enkhuizen	50	Pl
Pipelife Nederland B.V., Enkhuizen	50	Pl
SolVin Holding Nederland B.V., Weesp	75	Pl
FRANCE		
Inergy Automotive Systems S.A., Paris	50	Pl
Inergy Automotive Systems France S.A.S., Compiègne	50	Pl
Inergy Automotive Systems Management S.A., Paris	50	Pl
Pipelife France S.N.C., Gaillon	50	Pl
SolVin France S.A., Paris	75	Pl
ITALY		
SolVin Italia S.p.A., Ferrara	75	Pl
GERMANY		
Inergy Automotive Systems (Germany), Karben	50	Pl
Pipelife Deutschland Verwaltungs-GmbH Bad Zwischenahn, Bad Zwischenahn	50	Pl
Pipelife Deutschland GmbH & Co KG Bad Zwischenahn, Bad Zwischenahn	50	Pl
Pipelife Deutschland Asset Management GmbH, Bad Zwischenahn	50	Pl
Solvay & CPC Barium Strontium GmbH & Co KG, Hannover	75	Ch
Solvay & CPC Barium Strontium International GmbH, Hannover	75	Ch
SolVin GmbH & Co KG, Hannover	75	Pl
SolVin Holding GmbH, Hannover	75	Pl
SPAIN		
Hispavic Iberica S.L., Martorell	75	Pl
Inergy Automotive Systems (Spain) S.L., Vigo	50	Pl
Inergy Automotive Systems Valladolid, S.L., Gava	50	Pl
Pipelife Hispania S.A., Zaragoza	50	Pl
Vinilis S.A., Martorell	48.8	Pl
PORTUGAL		
Pipelife Portugal-Sistemas de Tubagens Plasticas Lda, Nogueira Da Maia	50	Pl
AUSTRIA		
Pipelife International GmbH, Wiener Neudorf	50	Pl
Pipelife Austria GmbH & Co KG, Wiener Neudorf	50	Pl
Solvay Sisecam Holding AG, Wien	75	Ch
GREAT BRITAIN		
Inergy Automotive Systems (UK) Ltd, Warrington	50	Pl
Qual-Plumb (UK) Ltd, Corby	50	Pl
IRELAND		
Dromalour Plastics Ltd, Cork	50	Pl
Inergy Reinsurance Ltd , Dublin	50	Pl
Kenfern Investments Ltd, Cork	42.5	Pl
Quality Plastics (Holding) Ltd, Cork	50	Pl
Quality Plastics Ltd, Cork	50	Pl
Qualplast Sales Ltd, Cork	50	Pl

SWEDEN		
Pipelife Sverige A.B., Oelsremma	50	Pl
Pipelife Hafab A.B., Haparanda	50	Pl
Pipelife Nordic A.B., Göteborg	50	Pl
NORWAY		
Pipelife Norge AS, Surnadal	50	Pl
FINLAND		
Pipelife Finland OY, Oulu	50	Pl
Propipe OY, Oulu	50	Pl
POLAND		
Pipelife Polska S.A., Karlikowo	50	Pl
Inergy Automotive Systems Poland Sp. z o.o., Warszawa	50	Pl
ROMANIA		
Inergy Automotive Systems Romania S.R.L., Pitesti	50	Pl
Pipelife Romania S.R.L., Cluj-Napoca	50	Pl
SLOVENIA		
Pipelife Slovenija, d.o.o., Trzin	50	Pl
ESTONIA		
Pipelife Eesti AS, Tallinn	50	Pl
LITHUANIA		
Pipelife Lietuva UAB, Vilnius	50	Pl
LATVIA		
Pipelife Latvia SIA, Riga	50	Pl
BULGARIA		
Deven AD, Devnya	75	Ch
Pipelife Bulgaria EOOD, Plovdiv	50	Pl
Solvay Sodi AD, Devnya	75	Ch
CROATIA		
Pipelife Hrvatska Republika d.o.o., Karlovac	50	Pl
HUNGARY		
Pipelife Hungaria Kft, Debrecen	50	Pl
CZECH REPUBLIC		
Pipelife Czech s.r.o., Otrokovice	50	Pl
SLOVAKIA		
Inergy Automotive Systems Slovakia s.r.o., Bratislava	50	Pl
Pipelife Slovakia s.r.o., Piestany	50	Pl
GREECE		
Pipelife Hellas S.A., Moschato Attica	50	Pl
TURKEY		
Arili Plastik Sanayii AS, Pendik	50	Pl
RUSSIA		
Pipelife Russia OOO, Moscou	50	Pl
Soligran ZAO, Moscou	50	Pl
UNITED STATES		
Inergy Automotive Systems Holding (USA), Troy, MI	50	Pl
Inergy Automotive Systems (USA) LLC, Troy, MI	50	Pl
Pipelife Jet Stream, Inc. Siloam Springs, AR	50	Pl
CANADA		
Inergy Automotive Systems (Canada), Inc., Blenheim	50	Pl
MEXICO		
Inergy Automotive Systems Mexico S.A. de C.V., Ramos	50	Pl
Solvay & CPC Barium Strontium Reynosa S. de R.L. de C.V., Reynosa	75	Ch
Solvay & CPC Barium Strontium Monterrey S. de R.L. de C.V., Monterrey	75	Ch
BRAZIL		
Dacarto Benvic S.A., Santo André	50	Pl
Peroxidos do Brasil Ltda, Sao Paulo	69.4	Ch
Inergy Automotive Systems Brazil Ltda, Sao Paulo	50	Pl

ARGENTINA		
Inergy Automotive Systems Argentina S.A., Buenos Aires	50	Pl
CHINA		
Changzhou Pipelife Reinforced Plastic Co. Ltd, Changzhou	32.5	Pl
Inergy Automotive Systems (Wuhan) Co., Ltd, Wuhan	50	Pl
Sichuan Chuanxi Plastic Co. Ltd, Xipu Pixian County	25.5	Pl
THAILAND		
Inergy Automotive Systems Thailand Ltd, Bangkok	50	Pl
Vinythai Public Company Ltd, Bangkok	49.9	Pl
SOUTH KOREA		
Inergy Automotive Systems Co. Ltd, Kyungju	50	Pl
Solvay & CPC Barium Strontium Korea Co. Ltd, Onsan	75	Ch
JAPAN		
Inergy Automotive Systems KK, Tokyo	50	Pl
SOUTH AFRICA		
Inergy Automotive Systems South Africa (Pty) Ltd, Brits	50	Pl
VIRGIN ISLANDS		
Pipelife Holding (HK) Ltd, Tortola	50	Pl

Summary financial statements of Solvay S.A.

The annual financial statements of Solvay S.A. are presented in summary format below. In accordance with the Companies Code, the annual financial statements of Solvay S.A., the management report and the statutory auditor's report will be deposited with the National Bank of Belgium.

These documents are also available free of charge on the internet or upon request from:

Solvay S.A.
rue du Prince Albert 33
B - 1050 Brussels

The Statutory Auditor has expressed a reservation with regard to the decision of 2006 to maintain the value of Solvay Finance (Luxembourg) at the historical value of the investments contributed to it. The reserve relates solely to the accounts of Solvay S.A. and does not in any way concern the Group's consolidated accounts.

Balance sheet of Solvay S.A. (summary)

EUR Million	2006	2007
ASSETS		
Fixed assets	3 406	3 579
Start-up expenses and intangible assets	68	73
Tangible assets	61	59
Financial assets	3 277	3 447
Current assets	2 538	2 668
Inventories	22	34
Trade receivables	135	119
Other receivables	2 373	2 515
Short-term investments and cash equivalents	8	0
Total assets	5 944	6 247
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	3 787	4 017
Capital	1 271	1 271
Issue premiums	18	18
Reserves	1 948	1 948
Net income carried forward	550	780
Investment grants	0	0
Provisions and deferred taxes	269	248
Financial debt	1 425	1 537
- due in more than one year	814	814
- due within one year	611	723
Trade liabilities	108	96
Other liabilities	355	349
Total shareholders' equity and liabilities	5 944	6 247

Income statement of Solvay S.A. (summary)

EUR Million	2006	2007
Operating income	755	770
Sales	305	309
Other operating income	450	461
Operating expenses	-781	-792
Operating profit / loss	-26	-22
Financial gains / losses	183	127
Current profit before taxes	157	105
Extraordinary gains / losses	94	330
Profit before taxes	251	435
Income taxes	7	44
Profit for the year	258	479
Transfer to (-) / from (+) untaxed reserves	-	-
Profit available for distribution	258	479

STATUTORY AUDITOR'S REPORT

To the shareholders' meeting of Solvay S.A. on the consolidated financial statements for the year ended 31 December 2007.

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of SOLVAY S.A. ("the Company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.
The consolidated balance sheet shows total assets of 11 180 million EUR and a consolidated profit (Solvay share) for the year then ended of 781 million EUR.

The financial statements of several significant entities included in the scope of consolidation which represent total assets of 221 million EUR and a total profit of 49 million EUR have been audited by other auditors. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts contributed by those entities, is based upon the reports of those other auditors.

The Board of Directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the Board of Directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.

In our opinion, and based upon the reports of other auditors, the consolidated financial statements give a true and fair view of the Group's financial position as of 31 December 2007, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Additional comment

The preparation and the assessment of the information that should be included in the report on the consolidated financial statements are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the Group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Diegem, 10 March 2008

The statutory auditor

DELOITTE Reviseurs d'Entreprises
SC s.f.d. SCRL
Represented by Michel Denayer

Notes

Report on the application of the Corporate Governance rules

Table of contents

Introduction

This report presents the application in 2007 of the Solvay group's "Corporate Governance" rules. It presents the application of the recommendations of Belgian Corporate Governance Code in accordance with the "comply or explain" principle.

1. Legal and shareholding structure of Solvay S.A.

1.1. Solvay S.A. is a société anonyme (public limited liability company) created under Belgian law, having its registered office at 33, rue du Prince Albert, Brussels, Belgium. The company's by-laws can be found on the Solvay internet site: www.solvay-investors.com. Its company purpose consists of pharmaceutical, chemical and plastic activities.

1.2. Its shares are either registered, dematerialized or bearer shares (in denominations of 1, 10, 100 or 1,000 shares). From 1 January 2008 onwards it will no longer be possible to receive paper (bearer) shares. Bearer shares already in a securities file have automatically been converted into dematerialized shares. Additionally, the General Shareholders' Meeting of May 8, 2007 resolved that, no later than June 30, 2011, all bearer shares issued by the company and which have not been recorded on securities accounts, will be converted as of right into dematerialized shares. Shares may be converted into nominal shares through a simple request to the company, accompanied by the share-ownership certificate. (Service des Actionnaires, rue du Prince Albert 33, B-1050 Brussels (Belgium), Tel.: +32-2-509.63.09).

At December 31, 2007, the capital of Solvay S.A. was represented by 84 701 133 shares, including 2 638 000 shares held by Solvay S.A. via its Solvay Stock Option Management (SSOM) sub-subsidiary to cover the stock option program (further details under 2.1. "Company capital"). Each share entitles its holder to one vote whenever voting takes place (except for the shares held by SSOM, the voting rights for which are suspended). All shares are equal and common.

The share is listed on the NYSE and Euronext Brussels.

Solvay's share price is included in several indexes:

- Euronext 100, consisting of the leading 100 European companies listed on EURONEXT, where Solvay ranks in 65th place (0.4% of the index) (at January 1, 2008).
- The Bel 20 index, based on the 20 most significant shares listed on Euronext Brussels. At January 1, 2008, Solvay represented around 4.6% (7th position by value in this index). Solvay shares are included in the 'Chemicals - Specialties' category of the Euronext Brussels sectoral index.
- Various European indexes: Stoxx, Euro Stoxx, FTSE 300, …

Since February 15, 2007, and for a one year period, tacitly renewable, Solvay has mandated the bank Rothschild & Cie., under a liquidity contract, to improve the liquidity of the share on Euronext Brussels.

In the USA shareholders can acquire Solvay shares in the form of ADRs (American Depositary Receipts) under a program (no. 834437-10-5) sponsored by Solvay S.A. and managed by J.P. Morgan Chase & Co (New York). These ADRs are not listed in the USA. One ADR represents one share and entitles its holder to vote on the basis of the underlying share.

1.3. Solvay S.A.'s main shareholder is Solvac S.A., a registered company which at January 1, 2008 held a little over 30% of capital and voting rights in Solvay. Solvac S.A., together with its subsidiary Fivac S.A., has filed the transparency declarations that are required for shareholdings exceeding the thresholds of 3 and 5% (and multiples thereof).
Solvac S.A. is a société anonyme established under Belgian law and listed on Euronext Brussels. Its shares, all of which are registered, may be held by physical persons only. The very large majority (around 80%) of its capital is held by members of the Solvay S.A. founder families. Fivac S.A. is a subsidiary held entirely by Solvac S.A.

In addition, just over 3% of the shares are held by Solvay Stock Option Management SPRL to cover the Solvay stock options program.

The latest declaration (December 19, 2007) is available on the internet site www.solvay-investors.com.

The remaining shares (around 67%) are held by:

- individual shareholders who hold shares directly in Solvay S.A. None of these persons, either individually or in concert with others, reaches the 3% transparency declaration threshold;
- european and international institutional shareholders, whose number and growing interest can be measured by the intensity of contacts at the many roadshows, by the regular publication of analysts' reports and by the significant increase in trading volumes over recent years (an average daily trading volume of 226 000 shares in 2007 and 181 000 in 2006).

The company has been informed that certain individual shareholders have decided to arrange to consult together when questions of particular strategic importance are submitted by the Board of Directors to the Shareholders' Meeting. Each of these shareholders remains, however, free to vote as he chooses.

1.4. At the May 2006 and May 2007 Shareholders' Meetings, shares were deposited and votes cast in respect of an average 42% of Solvay S.A.'s capital.

2. Capital and dividend policy

2.1. Policy in respect of capital

2.1.1. Since being converted into a société anonyme and listed on the Stock Exchange in 1969, the company has not made public calls for capital from its shareholders, instead self-financing out of its profits, only a portion of which are distributed (see “Dividend policy” below).

2.1.2. In December 1999 the company introduced a new annual stock option program for Group executives worldwide. This program is covered by own shares purchased by Solvay S.A. on the stock exchange. Since 2007, the covering program has been taken care of by Solvay Stock Option Management SPRL, a sub-subsidiary of Solvay S.A. Authorizations of this covering program have been granted several times by extraordinary Shareholders’ Meetings for 18-month periods each time for purchases by Solvay S.A. itself. A proposal to renew this authorization will be proposed to the extraordinary Shareholders’ Meeting of May 2008.

At December 31, 2007 the holding of its own shares by Solvay S.A. via SSOM represented 3.1% (2 638 000 shares) of the company capital.

The most recent annual program of stock options (exercisable from January 1, 2011 to December 12, 2015) was offered at the end of 2007 to around 300 Group executives, at an exercise price of EUR 96.79 per share. This price represents the average closing price of the Solvay share on Euronext during the 30 days preceding the offering of options. 97.6% of these stock options were accepted by these executives.

In 2007, stock options representing a total of 323 890 shares were exercised (it should be noted that options are in principle exercisable over a period of 5 years after being frozen for 3 years). The total number of stock options exercised break down as follows:

- 1999 stock option plan: 432 790 shares
- 2000 stock option plan: 460 800 shares
- 2001 stock option plan: 370 200 shares
- 2002 stock option plan: 308 600 shares
- 2003 stock option plan: 198 100 shares

Voting and dividend rights attached to these shares are suspended as long as they are held by the company.

2.1.3. Article 523 of the Companies' Code
At its December 13, 2007 meeting, the Board of Directors implemented its annual stock option plan in favour of around 300 Group executives. These include Mr Christian Jourquin and Mr Bernard de Laguiche, who are also directors. The latter persons therefore declared their situation and abstained, for ethical reasons, from the deliberations of the Board of Directors that concerned them with respect to stock options.

The Board of Directors noted their declaration of abstention, granting them 30 000 and 17 000 options respectively under the 2007 stock option plan. Given that this allocation was in conformity with the application grid which has existed for several years, the Board deemed that it fell under Article 523 §3.2 of the Companies Code covering habitual operations undertaken at normal market conditions and under normal market guarantees for operations of the same type.

2.1.4. In 2003 the company decided not to renew the “poison pill” defensive warrants that allowed it to oppose any hostile takeover bid through a capital increase of 24 million new shares reserved for four allied companies, including Solvac S.A. It has, however, retained the ability to buy back up to 10% of its own shares on the stock market in the event of a threat of serious and imminent damage, such as, for example, a hostile public takeover bid. This system was renewed in

Stock option Programs

Issue date	Exercise price (in EUR)	Exercise dates	Acceptance rate
1999	76.14	02/2003-12/2007	99.2 %
2000	58.21	02/2004-12/2008	98.9 %
2001	62.25	02/2005-12/2009	98.6 %
2002	63.76	02/2006-12/2010	98.4 %
2003	65.83	02/2007-12/2011	97.3 %
2004	82.88	02/2008-12/2012	96.4 %
2005	97.30	02/2009-12/2013	98.8 %
2006	109.09	02/2010-12/2014	97.2 %
2007	96.79	01/2011-12/2015	97.6 %

* Increased to 8 years in the case of the 1999 to 2002 Stock Options Plans, for beneficiaries in Belgium.

June 2005 for a three-year period by an extraordinary Shareholders' Meeting of the company. A proposal to renew it will be made to the May 2008 Shareholders' Meeting.

2.1.5. The company's by-laws contain so-called "authorized capital" provisions empowering the Board of Directors to increase the capital of the company by up to EUR 25 million. During the past five years this right has been used only to cover the former stock option scheme and to absorb Solvay Sports S.A.

2.2. Dividend policy

2.2.1. Board policy is to propose a dividend increase to the Shareholders' Meeting whenever possible, and as far as possible, never to reduce it.
This policy has been followed for very many years. The graph on page 131 illustrates the application of this policy over the past 20 years.

2.2.2. The annual dividend is paid in two installments, in the form of an advance payment (interim dividend) and a payment of the balance.
In October 2006 the Board of Directors decided to change the way the advance payment is set. From 2006 onwards this method includes a guidance of 40% (rounded) of the total previous year's dividend, and takes into account the results for the first nine months of the current year.

In this way, for 2007, an interim dividend of EUR 0.85 per share (EUR 1.13 gross before Belgian withholding tax at 25% in full discharge) was approved by the Board of Directors on October 25, 2007.
This interim dividend (coupon no. 81), which was paid on January 17, 2008, is to be offset against the total dividend for 2007, which was proposed by the Board of Directors on February 14, 2008.

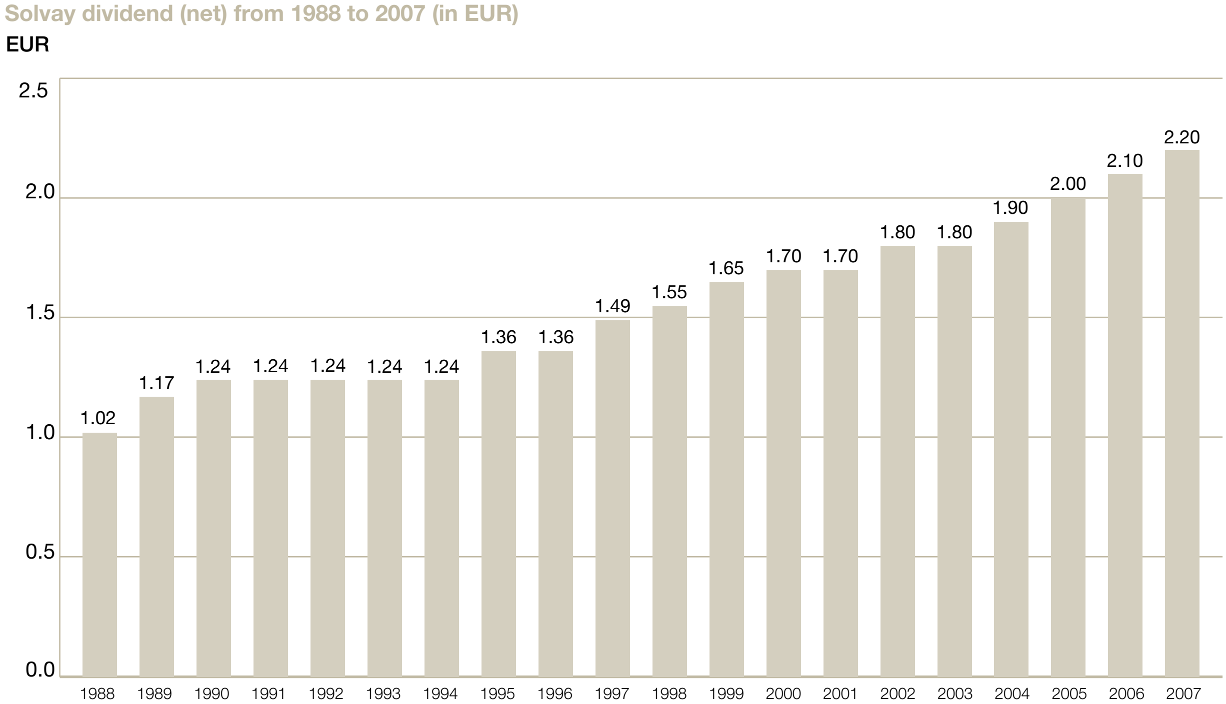
As to the balance, once the annual financial statements have been completed, the Board of Directors proposes a dividend, in accordance with the policy described above, which it submits to the ordinary Shareholders' Meeting for approval. The second dividend installment, i.e. the balance after deducting the advance payment, is payable in May.

The net dividend for 2007 proposed to the General Shareholders' Meeting of May 13, 2008 is EUR 2.20 per share (EUR 2.9333 gross per share), up 4.8% from that for 2006. Given the advance dividend payment made on January 17, 2008 (EUR 0.85 net per share – coupon no. 81), the balance of EUR 1.35 net per share will be payable from May 20, 2008 (coupon no. 82).

2.2.3. Shareholders who have opted to hold registered shares receive the advance dividend and the balance of the dividend automatically and free of charge by transfer to the bank account they have indicated, on the dividend payment date.

Shareholders who have opted to hold bearer or dematerialized shares, receive their dividends via their banks or as they elect and arrange.

Solvay dividend (net) from 1988 to 2007 (in EUR)



Coupons representing the advance dividend and dividend balance are payable at the banking institutions below, with which the company has established payment procedures:

Centralizing paying agent
- Fortis Bank S.A., Montagne du Parc 3 1000 Brussels (Belgium)

Other paying agents
- ING Belgium South West Europe, Cours Saint Michel 60 1040 Brussels (Belgium)
- KBC Bank S.A., Havenlaan 2 1080 Brussels (Belgium).

Dividends in respect of ADRs are payable by Morgan ADR Service Center, P.O. Box 8205 – USA-Boston, MA 02266-8205.

2.2.4. The company does not have any reduced-tax VVPR shares, given that almost its entire capital was issued before the introduction of this pro-dividend tax regime. The company has not, up to this point, proposed optional dividends to its shareholders, i.e. stock instead of cash dividends, as this option does not offer in Belgium any tax or financial benefit to make it attractive to investors.

3. Shareholders' meetings

3.1. Place and date

The company's annual ordinary Shareholders' Meeting is held on the second Tuesday of May at 14.30 in the Auditorium, 44 rue du Prince Albert, Ixelles.

The Board tries to organize any necessary extraordinary Shareholders' Meeting immediately before or after the annual Shareholders' Meeting. The next ordinary and extraordinary Shareholders' Meetings will therefore be held on May 13, 2008 starting at 14.30.

3.2. Agenda of the Shareholders' Meeting

The Shareholders' Meeting is convened by the Board of Directors, which also sets its agenda. Shareholders may, however, request the calling of a Shareholders' Meeting and/or the addition of an item to the agenda where those shareholders together represent 20% of the capital, as required by Belgian law. In this case, their request is mandatorily granted.

If these shareholders represent less than 20% of the capital, their request must be sent in good time to the Board of Directors which will be the sole judge of whether or not to accede to it. Where the request is submitted in good time by shareholders together representing more than 5% of the capital and consists of adding an item to the agenda of an already-planned shareholders' meeting, this request will be taken into consideration unless it is harmful to the interests of the company.

The agenda of the ordinary annual Shareholders' Meeting as a rule includes the following items:

- the Board of Directors' and the auditor's reports on the financial year;
- the Corporate Governance report for the financial year;
- approval of the annual financial statements;
- setting the dividend for the year;
- discharge of the directors and the statutory auditor in respect of the financial year;
- setting the number of directors and of independent directors, the length of their terms of office and the rotation of renewals;
- election of directors and of the external auditor (renewals or new appointments);
- setting of directors' fixed compensation and attendance fees for their work in the Board of Directors or on the Committees (only in the case of changes);
- setting the auditor's annual fee for the external audit for the duration of the auditor's appointment; and
- approval of change of control clauses in significant contracts (e.g. joint ventures).

Extraordinary Shareholders' Meetings are required in particular for all matters affecting the content of the company's by-laws.

Every time the Board of Directors prepares a special report in advance of an extraordinary Shareholders' Meeting, this special report is enclosed with the notice of the meeting and is published on the company's internet site.

3.3. Procedure for calling meetings

The notices convening Shareholders' Meetings contain the place, date and time of the meeting, the agenda, the reports, proposed resolutions on each item to be voted on, and the procedure for taking part in the meeting or for appointing proxies. Holders of registered shares receive notice of the meeting by mail at the address they have given, including notification of participation and proxy forms. Holders of bearer or dematerialized shares are notified of meetings by announcements in the Belgian press. These notices of meetings are published in the official Belgian gazette (Moniteur Belge/ Belgisch Staatsblad) and in Belgium's French and Dutch-language financial newspapers (L'Echo and De Tijd). The major banks established in Belgium also receive the necessary documentation to pass on to Solvay shareholders among their clients.

3.4. Blocking of shares and appointment of proxies

Belgian legislation provides for the temporary blocking of shares to enable the company to identify with certainty the shareholders authorized to vote at the Shareholders' Meeting. The company has not opted for the optional registration date system.

3.4.1. For holders of registered shares, shares are blocked automatically to the extent that their rights are represented by an entry in the shareholders' register held by the company itself. All that is required is for them to send either their notification of participation or proxy form to the company's General Secretariat. In both cases, documents must reach the company five working days before the Shareholders' Meeting for the shareholder to be permitted to vote.

3.4.2. For holders of bearer or dematerialized shares, the procedure is not automatic and the shareholder must block his shares until the Shareholders' Meeting, either with his bank, which will advise the General Secretariat, or at the company's registered office. Notice of blocking must be in the hands of the General Secretariat five working days before the Meeting for the shareholder to be entitled to vote. Similarly, a shareholder wishing to be represented by another party must also send a proxy form that reaches the General Secretariat at least five working days before the Meeting.

3.4.3. The exercise of voting rights attached to shares that are jointly owned or the usufruct and bare property rights of which have been separated, or shares belonging to a minor or a legal incapacitated person, follows special legal and statutory rules, a common feature of which is the appointment of a single representative to exercise the voting right. Failing this, the voting right is suspended until such appointment.

3.4.4. When a proxy is appointed, this proxy must be a shareholder himself for the appointment to be valid (with certain exceptions i.e. a spouse or legal person).
The company will count proxy votes in accordance with the mandating party's instructions.
Where the proxy wishes to modify the instruction in a mandate during the course of the Shareholders' Meeting, the shareholder must state this expressly, on his or her responsibility, at the time of the vote.
Blank proxy forms are treated as positive votes unless otherwise stated by the proxy at the time of the vote. Invalid proxy forms are excluded from the count. "Abstentions" formally expressed as such during a vote or on proxy forms are counted as such.

3.5. Procedure

3.5.1. The annual Shareholders' Meeting is chaired by the Chairman of the Board or, in his absence, by the Vice-Chairman.

The Chairman will preside over the discussions following Belgian practice for deliberative meetings. He will take care to ensure that questions from the Meeting are answered, whilst respecting the agenda and confidentiality commitments. He will appoint the tellers as well as the secretary of the meeting, who as a rule is the Corporate Secretary.

3.5.2. Resolutions in ordinary Shareholders' Meetings are passed by a simple majority of votes of shareholders present and represented on a "one share, one vote" basis.

3.5.3. In the case of extraordinary Shareholders' Meetings, the law requires a quorum (including proxies) of 50% of the capital, failing which a new Shareholders' Meeting must be convened, which may deliberate even if a quorum has still not been achieved.

Additionally, resolutions need to be passed by qualified majorities, in most cases of at least 75% of votes cast.

3.5.4. Voting is, as a general rule, public, by show of hands. Votes are counted and the results announced immediately. Provision is made for secret balloting in exceptional cases when a particular person is involved.

This procedure has never been requested until now. This by-law was amended at the extraordinary Shareholders' Meeting in 2006 of May 9, 2006 so as to set a threshold of 1% of capital to be reached by one or more shareholders acting in concert, and only when there is more than one candidate for a given office.

The minutes of the Shareholders' Meeting are drawn up and adopted by shareholders at the end of the meeting. They are signed by the Chairman, secretary, tellers and those shareholders who wish to do so. Minutes of extraordinary Shareholders' Meetings are notarized.

3.5.5. Minutes of the most recent Shareholders' Meetings are published on the company's internet site (www.solvay.investors.com).
Copies or official extracts may be obtained on request by shareholders under the signature of the Chairman of the Board.

3.6. Documentation

Documentation relating to Shareholders' Meetings (notice of meeting, agenda, proxy and notification of participation forms, special report of the Board of Directors, etc.) is available every year on the Internet site www.solvay-investors.com. This documentation is available in French and Dutch (official versions) and in English (unofficial translation).

4. The Board of Directors

4.1. Role and mission

The Board of Directors is the highest management body of the company. The law accords to it all powers which are not attributed, by law or by the by-laws, to the Shareholders' Meeting.
In the case of Solvay S.A., the Board of Directors has reserved certain key areas for itself and has delegated the remainder of its powers to an Executive Committee (see below). It has not opted to set up a Management Committee (Comité de Direction/ Directiecomité) as defined by Belgian law.

The main key areas which the Board of Directors has reserved for itself are:

1. Matters for which it has exclusive responsibility, either by law or under the by-laws, for example:
- the preparation and approval of the consolidated periodical financial statements and those of Solvay S.A. (quarterly - consolidated only, half-yearly and annual) and the related communications.
- adoption of accounting standards (in this case the IFRS standards for the consolidated accounts and Belgian standards for the Solvay S.A. unconsolidated accounts).
- convening Shareholders' Meetings and drawing up the agenda and proposals for resolutions to be submitted to them (concerning, for example, company financial statements, dividends, amendments to the by-laws, etc.).

2. Setting the main policies and general strategic directions of the Group.

3. Adopting the budget and long-term plan, including investments, R&D and financial objectives.

4. Appointing the Chairman and members of the Executive Committee and the Corporate Secretary, and setting their missions and the extent of the delegation of powers to the Executive Committee.

5. Supervision of the Executive Committee and ratification of its decisions, where required by law.

6. Appointing from among its members a Chairman and a Vice-Chairman, and creating from among its members an Audit Committee, a Compensation and Appointments Committee and a Finance Committee, defining each Committee's mission and determining its composition and its duration.

7. Major decisions concerning acquisitions, divestitures, the creation of joint ventures and investments. Major decisions are considered to be those involving amounts of EUR 50 million or more.

8. Setting the compensation of the Chairman of the Executive Committee, of Executive Committee members and of General Managers belonging to the "Office of the Executive Committee".

9. Establishing internal "Corporate Governance" and "Compliance" rules.

In all matters for which it has exclusive responsibility, the Board of Directors works in close cooperation with the Executive Committee, which in particular is responsible for preparing most of the proposals for decisions by the Board of Directors.

4.2. Modus operandi and representation

4.2.1. Board Members have available to them the information needed to carry out their functions in the form of dossiers drawn up under instructions from the Chairman and sent out to them by the Corporate Secretary several days before each session. They may also receive additional information of any kind that may be of use to them from, depending on the nature of the question, the Chairman of the Board, the Chairman of the Executive Committee or the Corporate Secretary.
Decisions to obtain outside expertise, when necessary, are taken by the Board of Directors, for those subjects falling within its authority.

4.2.2. The company is validly represented with regard to third parties by the joint signature of persons with the following capacities: the Chairman of the Board of Directors and/or directors belonging to the Executive Committee.
For documents relating to the day-to-day management of the company, the signature of a single director on the Executive Committee is sufficient. Powers may also be delegated on a case-by-case basis as needs arise.

4.3. Composition of the Board of Directors

4.3.1. Size & Composition
At January 1, 2008, the Board of Directors consisted of 16 members, as listed on p. 135. This number is justified by the nature of the Group's activities and its international character.

4.3.2. During 2007, the Board of Directors was chaired by Mr. Aloïs Michielsen, with Mr Denis Solvay as Vice-Chairman.

At the ordinary Shareholders' Meeting of May 8, 2007, the directorship of Mr. Jacques Saverys, who retired at age 70 as required, was allotted to Mr. Charles Casimir-Lambert.
At the same date Mr. Charles Casimir-Lambert relinquished his post of Director of Solvac S.A.
During the same ordinary Shareholders' Meeting, Mr. Whitson Sadler's independent directorship was renewed for a four-year term.

	Year of birth	Year of 1st appointment	Solvay SA mandates, and expiry date of directorship	Diplomas and activities outside Solvay	Presence at meetings as a function of date of appointment
Mr. Aloïs Michielsen (B)	1942	1990	2009 Chairman of the Board of Directors and of the Finance and Compensation/ Appointments Committees	Civil engineering degree in chemistry and MA in Applied Economics (Catholic University of Louvain), Business Administration (University of Chicago), Director of Miko, Director of Fortis.	5/5
Mr. Denis Solvay (B)	1957	1997	2010 Independent Director, Vice-Chairman of the Board of Directors and of the Compensation/Appointments Committee	Commercial engineering degree (Free University of Brussels), Director (and Member of the Audit Committee) of Eurogentec, Director and Chairman of Abelag Group and CEO d'Abelag Aviation.	5/5
Mr. Christian Jourquin (B) (*)	1948	2005	2009 Chairman of the Executive Committee, Director member of the Finance Committee and guest of the Compensation/Appointments Committee	Chemical Engineering degree (Free University of Brussels), ISMP Harvard.	5/5
Mr. Bernard de Laguiche (F) (*)	1959	2006	2009 Member of the Executive Committee, Director and member of the Finance Committee	Commercial Engineering degree, Lic. oec. HSG (University of St. Gallen, Switzerland).	5/5
Baron Hubert de Wangen (F)	1938	1981	2009 Independent Director	Chemical engineering degree (Ecole Polytechnique Fédérale de Lausanne), Former Executive Director of Kowasa and non-executive Director of Jotace (Spain).	4/5
Mr. Jean-Marie Solvay (B)	1956	1991	2008 Independent Director and member of the New Business Board	CEO of Albrecht RE Immobilien GmbH&Co. KG.	5/5
Chevalier Guy de Selliers de Moranville (B)	1952	1993	2009 Independent Director Member of the Finance Committee and the Audit Committee	Civil engineering degree in mechanical engineering, and MA in Economics (Catholic University of Louvain), Chairman of Hatch Corporate Finance (UK), Director and Chairman of the Audit Committee of Norilsk Nickel, Wimm-Bill-Dann Foods OJSC (Russia) and of the Advanced Metals Group (Netherlands).	4/5
Mr. Nicolas Boël (B)	1962	1998	2009 Independent Director Member of the Compensation/ Appointments Committee	MA in Economics (Catholic University of Louvain), Master of Business Administration (College of William and Mary – USA), Director of Sofina.	5/5
Mr. Whitson Sadler (US)	1940	2002	2011 Independent Director Chairman of the Audit Committee	Bachelor of Arts in Economics (University of the South, Sewanee – USA), Master of Business Administration Finance (Harvard), Retired General Manager of the Solvay S.A. for the NAFTA region.	5/5
Mr. Jean van Zeebroeck (B)	1943	2002	2010 Independent Director Member of the Compensation and Appointments Committee	Doctorate of Law and diploma in Business Administration (Catholic University of Louvain), MA in Economic Law (Free University of Brussels), Master of Comparative Law (University of Michigan – USA), General Counsel of 3B Fibreglass Company.	5/5
Mr. Jean-Martin Folz (F)	1947	2002	2010 Independent Director Member of the Compensation/ Appointments Committee	Ecole Polytechnique and Mining Engineer (France), Chairman of PSA Peugeot Citroën until February 6, 2007 and Director of Saint-Gobain, of Société Générale and Alstom, Member of the Supervisory Boards of Axa and Carrefour.	4/5
Mr. Jacques Saverys (B)	1937	2003	Until May 8, 2007 Independent Director	MA in Economics (University of Ghent), Director of Siemens Belgium, former Managing Director of Compagnie Maritime Belge, former Chairman of the Union des Armateurs de Belgique and the European Community Shipowners' Association, former Director of the Office National du Ducroire.	2/2
Mr. Karel van Miert (B)	1942	2003	2009 Independent Director Member of the Finance Committee	MA in Diplomacy (University of Ghent), Former Competition Commissioner for the European Commission, Board member of Agfa Gevaert, the Persgroep group and Sibelco SA, member of the Supervisory Boards of Royal Philips Electronics, RWE AG, Munich re and Anglo American Vivendi Universal, Member of the Advisory Boards of Eli Lilly Holdings Ltd, Fitch and and Goldman Sachs International, former Chairman of the Executive Board of the University of Nijenrode (Netherlands).	5/5
Dr. Uwe-Ernst Bufe (D)	1944	2003	2009 Independent Director Member of the Finance Committee	Doctorate in Chemistry (Technical University of Munich), Member of the Supervisory Board of UBS AG, Germany, member of the Supervisory Board of Altana AG and Akzo Nobel, Director of Umicore.	5/5
Prof. Dr. Bernhard Scheuble (D)	1953	2006	2010 Independent Director Member of the Audit Committee	MSc,Nuclear Physics & PhD, Solar Energy (Freiburg University).	4/5
Mr. Anton van Rossum (Nl)	1945	2006	2010 Independent Director Member of the Audit Committee	Economics and Business Administration (Erasmus University), Board Member of the Crédit Suisse Group, Chairman of the Supervisory Board of Erasmus University. Trustee of the Conference Board. President of the European League for Economic Cooperation. Member of the Supervisory Board of Rodamco Europe.	4/5
Mr. Charles Casimir-Lambert (B/CH)	1967	2007	2011 Independent Director (since May 8, 2007) Member of the Audit Committee (since July 26, 2007)	MBA Columbia Business School (New York)/London Business School (London), Master's degree (lic.oec.HSG) in economics, management and finance (University of St.Gallen - Switzerland), International private investment management (Geneva).	3/3

* Full-time activity in the Solvay group.

Terms of office and age limit
Directors are appointed by the Shareholders' Meeting for 4 years, they may be reappointed.

To avoid all directorships terminating at once, a rotation was established by lot when the company was converted into a societé anonyme over 40 years ago.

The age limit for membership of the Board is the ordinary Shareholders' Meeting following the member's 70th birthday. In this case, the director in question resigns, and is replaced, for his remaining term of office, by a successor appointed by the Shareholders' Meeting.

Following the recommendations of the Belgian Corporate Governance Code on the terms of directorships, the Shareholders' Meeting decided in 2005 to shorten directors' terms of office from 6 to 4 years.

4.3.3. Criteria for appointment
The Board of Directors applies the following primary criteria when proposing candidates for election to directorships by the ordinary Shareholders' Meeting:

- ensuring that a substantial majority of directors on the Board are "non-executive". At January 1, 2008, 14 out of 16 directors were non-executive, and two belonged to the Executive Committee (Mr. Christian Jourquin and Mr. Bernard de Laguiche);
- Belgian law and the by-laws of the company permit spontaneous candidacies for the post of director. These must be addressed to the company in writing at least 30 days before the ordinary Shareholders' Meeting. Exercise of this right is not encouraged;
- ensuring that a large majority of non-executive directors are independent according to the independence, defined by law and further tightened by the Board of Directors (see "criteria of independence" below). In this respect, the independent status of 12 out of 14 non-executive directors has been recognized by the ordinary Shareholders' Meeting;
- ensuring that the members of the Board of Directors together reflect the shareholder structure and possess the wide range of competences and experience required by the Group's activities;
- ensuring that the Board of Directors' international composition appropriately reflects the geographic extent of its activities. At January 1, 2008 the Board included members of six different nationalities;
- ensuring that the candidates it presents commit to devoting sufficient time to the task entrusted to them. In this respect, attendance at Board Meetings was very high in 2007;
- ensuring, finally, that it does not select any candidate holding an executive position in a competing company or who is involved in the external audit of the Group.

The Chairman of the Board gathers the information allowing the Board of Directors to verify that the selected criteria have been met at the time of appointment, renewal and during the term of office.

4.3.4. Criteria for independence
Based on Belgian law, the Board of Directors sets the criteria for determining directors' independence. Each director fulfilling these criteria is presented to the ordinary Shareholders' Meeting for confirmation.

The Board has chosen to apply in particular the following criteria:

- to be viewed as independent, a director may not have exercised a significant executive function within the Solvay group or have been an executive or non-executive director of Solvac S.A. for at least three years. In this respect the Board of Directors is stricter than the law, which sets a limit of only two years. According to this criterion, Mr. Christian Jourquin and Mr. Bernard de Laguiche, as members of the Executive Committee, are not independent. Mr. Aloïs Michielsen, having been Chairman of the Executive Committee of Solvay until May 9, 2006, is not recognized as independent. The case of Mr. Charles-Casimir Lambert is set out below. He is not considered as independent. On the other hand, the executive position of Mr. Denis Solvay at the Mutuelle Solvay, the almost exclusive role of which consists of holding the Fortis and Sofina shareholdings, has not been considered sufficiently significant to jeopardize his independence in matters relevant to the Board of Directors of Solvay S.A.;
- being a non-executive director of a local Group holding or administrative company has not been considered as an obstacle to independence. This is the case of Mr. Whitson Sadler, who remains a non-executive director of Solvay America, Inc., the principal role of which is to house functional services shared by subsidiaries in the US. These local services are not matters falling within the remit of the Board of Directors. They do not therefore affect Mr. Whitson Sadler's independence in matters falling within the remit of the Board of Directors, nor his role on the Audit Committee;
- a director who is a major shareholder is not considered as being independent. The law considers a shareholding to be significant when it reaches or exceeds 10%.
  This is the case of Solvac S.A., of which Mr Charles Casimir-Lambert was a Director until May 2007.
  No director holds more than 1% of Solvay shares;
- finally, to be viewed as independent, a director may not have business or other relations with the Solvay group, for example as a customer or supplier, the nature or size of

which could potentially affect the independence of his judgment. In this respect, the fact that PSA is a customer of the Inergy joint venture in the fuel systems field has not been considered as potentially affecting the independence of judgment of Mr. Jean-Martin Folz (Chairman of the Board of PSA until February 2007).

- The same applies to Mr. Uwe-Ernst Bufe as a Director of Umicore, a company with which Solvay has formed a joint venture in the field of research, the size of which is not significant.

At January 1, 2008, 12 out of 16 directors fulfilled the criteria of independence, as confirmed by a vote of the ordinary Shareholders' Meeting of 8 May 2007.

4.3.5. Appointment, renewal, resignation and dismissal of directors

The Board of Directors submits directors' appointments, renewals, resignations or dismissals to the ordinary Shareholders' Meeting for approval, after first seeking the opinion of the Compensation and Appointments Committee, which is tasked with defining and assessing the profil of any new candidate in respect of the criteria of appointment and of scientific competence set by itself. The ordinary Shareholders' Meeting decides on proposals made by the Board of Directors in this area by a simple majority.

When a directorship becomes vacant during a term of office, the Board of Director may appoint a new member, subject to ratification by the next following ordinary Shareholders' Meeting.

4.3.6. Frequency, preparation and holding of Board meetings

The Board of Directors met five times in 2007. Five meetings are also planned in 2008.

The dates of ordinary meetings are set by the Board of Directors itself, right now about more than one year before the start of the financial year. Additional meetings can, if needed, be called by the Chairman of the Board, after consulting with the Chairman of the Executive Committee.

The agenda for each meeting is set by the Chairman of the Board of Directors after consulting with the Chairman of the Executive Committee. The Corporate Secretary is charged, under the supervision of the Chairman of the Board of Directors, with organizing meetings, and sending notices of meetings, agendas and the dossier containing the item-by-item information required for decision-making. To the extent possible, he ensures that directors receive notices of meetings and complete files at least five days before the meeting.

The Corporate Secretary prepares the minutes of the Board Meetings, presenting the draft to the Chairman and then to all members. Finalized minutes that have been approved at the following Board meeting are signed by all directors having taken part in the deliberations.

The Board of Directors takes its decisions in a collegial fashion by a simple majority of votes. Certain decisions that are considered particularly important by the company's by-laws require a three-quarters majority. The Board may not validly transact its business unless half of its members are present or represented. Given the very high level of attendance, the Board of Directors has never been being unable to transact its business.

4.4. Evaluation and Training

4.4.1. Evaluation

Between the end of 2006 and the 1st quarter of 2007 the Board of Directors reviewed its own composition, modus operandi and the composition and modus operandi of the committees created by it.

Board members were invited to express their views on these various points based on a questionnaire drawn up with the help of the Belgian Governance Institute, now under the name of GU**BE**RNA. The Chairman of the Board of Directors has taken note of the results of this review.

4.4.2. Training

An "induction program" of training is provided for new Directors, aimed at acquainting them with the Solvay group as fast as possible. The program includes a review of the Group's strategy and its three sectors of activity and of the main challenges in terms of growth, competitiveness and Innovation, as well as finance, Research & Development directions, human resources management, the legal context and the general organization of operations.

This program is open to every Director who wishes. It also includes a visit to an industrial or research site. In 2007, nine Directors took part in this program.

4.5. Committees

4.5.1. Rules common to the various Committees

- The Board of Directors has set up three specialized Committees: the Audit Committee, the Finance Committee and the Compensation and Appointments Committee.
- These Committees do not have decision-making powers. They are advisory in nature and report to the Board of Directors, which takes the decisions. They are also called on to give opinions at the request of the Board of Directors or Executive Committee. After presentation to the Board of Directors, the Committees' reports are attached to the minutes of the next following Board meeting.
- All terms of office on the three Committees are for two years.
- Committee members (except for Executive Committee members) receive separate compensation for this task.

4.5.2. The Audit Committee
At January 1, 2008, the Audit Committee was composed of Mr. Whitson Sadler, Mr. Denis Solvay (until 26 July 2007), Chevalier Guy de Selliers de Moranville, Mr. Bernhard Scheuble, Mr. Anton van Rossum and Mr. Charles-Casimir Lambert (since 26 July 2007).
All are independent non-executive directors, with the exception of Mr. Charles-Casimir Lambert (non-executive, non-independent). The Secretariat is provided by a member of the Group's internal legal staff.

This Committee met four times in 2007, with one meeting before each Board meeting scheduled to consider the publication of periodical results (quarterly, half-yearly, annual). Participation in Audit Committee meetings was a very high 100%.

The Audit Committee oversees the internal control of Group and Solvay S.A. accounting, checking in particular its reliability and compliance with legal and internal accounting procedures. Its mission has been set out in an internal "Terms of Reference" document (see Annexe 1).

At each meeting, the Audit Committee hears reports from the General Manager for Finance (Mr. B. de Laguiche), the Head of the Internal Audit Department (Mr. Alain Chif, succeeded by Mr. Thierry Duquenne from 1 January 2008) and of the Auditor in charge of the External Audit (Deloitte, represented by Mr. Michel Denayer).
It also examines the quarterly report of the Group's Legal Competence Centre on significant ongoing legal disputes (including tax and intellectual property disputes).
It meets alone with the auditor in charge of the external audit whenever it deems such meetings useful.
The Chairman of the Executive Committee (Mr. Christian Jourquin) is invited, once a year, to discuss the major risks to which the Group is exposed.

4.5.3. The Finance Committee
At January 1, 2008 the Finance Committee consisted of Mr. Aloïs Michielsen (Chairman), Mr. Christian Jourquin (Chairman of the Executive Committee) and Mr. Bernard de Laguiche (Member of the Executive Committee and General Manager for Finance) and three non-executive, independent directors, Messrs. Karel Van Miert, Uwe-Ernst Bufe and Chevalier Guy de Selliers de Moranville.
The Corporate Secretary, Mr. Jacques Lévy-Morelle, acts as secretary to the Committee. This Committee met four times in 2007, giving its opinion on financial matters such as the amounts of the interim and final dividends, the levels and currencies of indebtedness in the light of interest rate developments, the hedging of foreign exchange and energy risks, the content of financial communication, etc. It prepares the press releases announcing the quarterly results. It may also be called on to give opinions on Board policies on these matters. Participation of members of the Finance Committee was a very high 96%.

4.5.4. The Compensation and Appointments Committee
At January 1, 2008, this Committee consisted of Mr. Aloïs Michielsen (Chairman) and four independent, non-executive directors, Messrs. Jean van Zeebroeck, Nicolas Boël, Denis Solvay and Jean-Martin Folz.
Mr. Christian Jourquin is invited as Chairman of the Executive Committee.
Mr. Daniel Broens, the Group's General Manager Human Resources, reports to the Committee and acts as secretary. The Committee met twice in 2007. Participation of the members of the Compensation and Appointments Committee was very high (close to 100%). The Committee gives its opinion on appointments to the Board of Directors (Chairman, Vice-Chairman, new members, renewals and Committees), to Executive Committee positions (Chairman and members) and to General Manager positions.
In the area of compensation, it advises the Board of Directors on compensation policy and compensation levels for members of the Board of Directors, the Executive Committee and General Management.
It also gives its opinion to the Board of Directors and/or Executive Committee on the Group's main compensation policies (including stock options).

4.6. Compensation

4.6.1. General principles
Directors of Solvay S.A. are compensated with fixed emoluments, the common basis of which is set by the ordinary Shareholders' Meeting, and any supplement thereto by the Board of Directors on the basis of article 27 of the by-laws.
Directors do not receive any variable compensation linked to results or other performance criteria. They are not entitled to stock options, nor to any supplemental pension scheme.

4.6.2. Fixed basic compensation
- The ordinary Shareholders' Meeting of June 2005 decided to set director's compensation as follows, starting in the 2005 financial year: a gross fixed annual emolument of EUR 35 000 per Director, and an individual attendance fee of EUR 2 500 gross per meeting for Directors attending Board meetings.
- To confirm the attendance fees of the Audit Committee; EUR 4 000 gross for members and EUR 6 000 gross for the Chairman.
- Finally, to grant attendance fees to members of the Compensation and Appointments Committee and of the Finance Committee: EUR 2 500 gross per member and EUR 4 000 gross for the Chairmen of these Committees.
- The Chairman of the Board of Directors, the Chairman of the Executive Committee and Executive Directors do not, however, receive

attendance fees for participating in these Committees.

4.6.3. Additional compensation

In 2006 the Board of Directors used the authorization given to it by article 27 of the by-laws to grant additional fixed compensation to the Chairman of the Board of Directors in the light of his workload and the additional responsibility attached to his task. It did not grant other supplements in 2007.

4.6.4. Total compensation

In 2007 directors together received gross compensation totalling EUR 1 491 999 in respect of their Board and Committee work. In 2006, this total gross compensation amounted to EUR 1 471 815.

4.6.5. Expenses

The company reimburses directors' travel and subsistence expenses for meetings and while exercising their Board and Board Committee functions. The Chairman of the Board of Directors is the sole non-executive director having permanent logistics support (office, secretariat, car). The other non-executive directors receive logistics support from the General Secretariat as and when needed. The company also carries customary insurance policies covering the activities of Board Members in carrying out their duties.

5. The Executive Committee

5.1. Role and Mission

5.1.1. The Board of Directors defines the role and mission of the Executive Committee. The main discussion and decisions on this subject date back to December 14, 1998. There have been no significant changes since then.

5.1.2. The Executive Committee, as a group, has been assigned the following main tasks by the Board of Directors:

- day-to-day management of the company is delegated to it;
- it ensures that the company, its subsidiaries and its affiliates are properly organized, through the choice of members of their governing bodies (boards of directors, etc.);
- it appoints senior managers (except to those functions where the decision lies with the Board of Directors);
- it supervises subsidiaries;
- it has delegated authority from the Board of Directors for investment and divestiture decisions (including acquisitions and sales of know-how) up to a ceiling of EUR 50 million.
- At each meeting, the Board of Directors is informed of and ratifies the Executive Committee's decisions and recommendations in respect of investments of between 3 and 50 million for the immediately previous period;
- it sets Group policies, except for the most important ones, which it proposes to the Board of Directors;
- it sets executives' compensation (except where the decision lies with the Board of Directors);
- it prepares and proposes to the Board of Directors, for its decision:
  - General strategies (including the effect of strategies on the budget and 5-year plan and the allocation of resources);
  - General internal organization;
  - Major financial steps that have the effect of modifying the company's financial structure;
  - The creation and termination of major activities, including the corresponding entities (branches, subsidiaries, joint ventures); and
  - The company's financial statements.
- it submits to the Board of Directors all questions lying within the latter's competence, and reports to the Board on the exercise of its mission;
- it executes the decisions of the Board of Directors.

5.2. Delegation of powers

The Executive Committee operates on a collegial basis, whilst consisting of members exercising General Management functions.

The execution of Executive Committee decisions and the following up of its recommendations is delegated to the Executive Committee member (or another General Manager) in charge of the activity or of the function corresponding to the decision or recommendation.

5.3. Composition of the Executive Committee

5.3.1. Size of the Executive Committee

At January 1, 2008, the Executive Committee had seven members.

On September 1, 2007, Mr. Luigi Belli, a Member of the Executive Committee and General Manager Research & Technology, left, at age 65, his current position in order to undertake special missions for the Executive Committee. Based on a proposal from the Compensation and Appointments Committee, the Board of Directors has decided unanimously to appoint Mr. Jean-Michel Mesland to the position of General Manager for Research & Technology and a Member of the Executive Committee as of the same date.

Additionally, Mr. René Degrève will leave the Executive Committee on May 13, 2008 at the age of 65. He remains General Manager NAFTA. Based on a proposal from the Compensation and Appointments Committee, the Board of Directors has decided unanimously to appoint Mr. Roger Kearns to the positions of General Manager for the Asia-Pacific Region and Member of the Executive Committee from July 1, 2008, upon the retirement of Mr. Christian De Sloover.

5.3.2. Terms of office and age limits

Executive Committee members are appointed by the Board of Directors for two-year renewable terms. The Board of Directors has set an age limit of 65 for Executive Committee membership.

5.3.3. Criteria for appointment

The Executive Committee is a collegial body made up of specialist members, generally from the Group's General Managements. Members must work full-time for the Group. With the exception of the Chairman, its members were in 2007 the General Manager for Finance, the General Managers of the three Sectors (Chemicals, Plastics and Pharmaceuticals) and the General Manager for Research and Technology.

All Executive Committee members have employment contracts with the Group companies, except for the Chairman, who has self-employed status. The post of Chairman of the Executive Committee may not be held concurrently with that of Chairman of the Board of Directors.

5.3.4. Appointment and renewal procedure

The Chairman of the Executive Committee is appointed by the Board of Directors based on a proposal by the Chairman of the Board of Directors and with recommendations by the Compensation and Appointments Committee and the outgoing Chairman of the Executive Committee.

The other Executive Committee members are also appointed by the Board of Directors, but on the proposal of the Chairman of the Executive Committee in agreement with the Chairman of the Board of Directors and with the concurrence of the Compensation and Appointments Committee.

Executive Committee members' performance is assessed annually by the Chairman of the Executive Committee. This assessment is undertaken together with the Chairman of the Board and with the Compensation and Appointments Committee whenever proposals are made for setting variable compensation.

5.4. Frequency, preparation and procedure of Executive Committee meetings

5.4.1. The Executive Committee met 20 times in 2007. Meetings are generally held at the Company's registered office, but can also be held elsewhere at the decision of the Executive Committee Chairman. The Executive Committee sets the dates of its meetings more than a year before the start of the financial year. Additional meetings can be convened by the Chairman of the Executive Committee, who sets the agenda based, inter alia, on proposals from the General Managements.

5.4.2. The Corporate Secretary, who acts as secretary to both the Board of Directors and the Executive Committee, is responsible, under the supervision of the Chairman of the Board of Directors, for organizing meetings and sending out notices of meetings, agendas and the dossiers containing the item-by-item information required for decision-making. He makes sure that members receive notices and dossiers – complete whenever possible – at least five days before meetings.

The Corporate Secretary draws up the minutes of Executive Committee meetings and has them approved by the Chairman of the Executive Committee and subsequently by all members. Minutes are formally approved at the following meeting.

	Year of birth	Year of 1st appointment	Term of office ends	Diplomas and main Solvay activities	Presence at meetings (as a function of date of appointment)
Mr. Christian Jourquin (B)	1948	1996	2008	Commercial Engineering degree (Université Libre de Bruxelles) ISMP Harvard, Chairman of the Executive Committee.	20/20
Mr. Bernard de Laguiche (F)	1959	1998	2008	Commercial engineering degree – MA in economics HSG (University of St Gallen – Switzerland) Executive Committee Member in charge of Finance/IT.	20/20
Mr. René Degrève (B)	1943	1994	2008	Commercial engineering degree (Université Libre de Bruxelles), Master of Business Administration (INSEAD). Executive Committee member in charge of NAFTA Regional Management.	20/20
Mr. Luigi Belli (I) until September 2007	1942	1998	September 2007	Civil Engineering degree in Mechanics (University of Pisa), ISMP Harvard, Executive Committee Member in charge of Research & Technology.	11/12
Mr. Jacques van Rijckevorsel (B)	1950	2000	2009	Civil Engineering degree in Mechanics (Catholic University of Louvain) Advanced studies in Chemical Engineering (Université Libre de Bruxelles), AMP Harvard, Executive Committee Member in charge of the Plastics Sector.	20/20
Mr. Werner Cautreels (B)	1952	2005	2009	Bachelor and Master of Science in Chemistry and Doctorate in Chemistry (University of Antwerp), AMP Harvard, Executive Committee Member in charge of Pharmaceuticals Sector.	20/20
Mr. Vincent De Cuyper (B)	1961	2006	2008	Chemical engineering degree (Catholic University of Louvain Master in Industrial Management (Catholic University of Louvain), AMP Harvard, Executive Committee Member in charge of Chemicals Sector.	20/20
Mr. Jean-Michel Mesland (F) from September 2007	1957	2007	2009	Engineering degrees from the Ecole Polytechnique and the Ecole des Mines (Paris) – AMP Harvard. Executive Committee Member in charge of Research and Technology.	8/8

They are not signed, but the Chairman of the Executive Committee and the Corporate Secretary may deliver certified conformed extracts.

5.4.3. The Executive Committee takes its decisions by a simple majority, with its Chairman having a casting vote. If the Chairman of the Executive Committee finds himself in a minority he may, if he wishes, refer the matter to the Board of Directors which will then decide on the matter. In practice, however, almost all Executive Committee decisions are taken unanimously, so that the Chairman has never made use of his casting vote.

Attendance at meetings was close to 100% in 2007. The Executive Committee has not appointed any specialist Committees from among its members. It does, however, set up ad hoc working teams, led mainly by General Managers chosen on the basis of the competences required. The Executive Committee regularly invites other employees to its discussions on specific subjects.

5.4.4. Every two years the Executive Committee holds an off-site meeting to discuss the group's strategic directions. A meeting of this type will be organized in 2008.

5.5. Compensation

5.5.1. General principles

The compensation of Executive Committee members is set as a global gross amount. This includes not only the gross compensation earned at Solvay S.A., but also amounts received as compensation or as directors' fees, from companies throughout the world in which Solvay S.A. holds majority or other shareholdings. In 2005 the Board of Directors updated, based on a proposal from the Compensation and Appointments Committee, a compensation policy applicable to its main executives, including the members of the Executive Committee. This policy is set out in an annexe.

5.5.2. Fixed and variable compensation levels

For 2007 the Board of Directors awarded to the seven members of the Executive Committee together gross fixed and variable compensation (excluding stock options) amounting to EUR 6 457 051, representing EUR 3 391 040 of gross fixed compensation and EUR 3 066 011 of gross variable compensation (paid in 2008 but relating to the objectives for 2007). Total gross compensation for 2006 amounted to EUR 6 185 527, of which EUR 3 187 932 of gross fixed compensation and EUR 2 997 595 of gross variable compensation. The above 2007 figures include gross fixed compensation of EUR 755 351 and variable compensation of EUR 906 421 paid to the Chairman of the Executive Committee.

5.5.3. Level of stock options

In December 2007 the Board of Directors awarded, on the proposal of the Compensation and Appointments Committee, share options to Group executives. In accordance with the above-mentioned method for setting the price, the exercise price is EUR 96.79 per option with a three-year freeze. 115 000 options were awarded to and accepted by Executive Committee members in 2007, compared with 111 000 in 2006. Of these the Chairman of the Executive Committee accepted 30 000 and the General Manager for Finance 17 000 (see also 2.1.3. 'Article 523 of the Companies Code', page 130).

5.5.4. Extra-legal pension

Given his self-employed status in Belgium, the Chairman of the Executive Committee has his own separate contractual arrangement, with pension, death in service, disability and end of contract provisions, which (excluding any personal contributions) are financially comparable with those applicable to his Executive Committee colleagues subject to the Pension Regulations for executives in Belgium.

In 2007, the cost to the company of covering the extra-legal pensions plus the death in service and disability provisions to the benefit of active members of the Executive Committee amounted to EUR 1 662 500.

5.5.5. Expenses and insurance

Executive Committee members' expenses are governed by the same rules that apply to all management staff, i.e. item-by-item justification of professional expenses incurred. Private expenses are not reimbursed. In the case of mixed professional/private expenses (such as cars), a proportional rule is applied in the same way as to all management staff in the same position.

In the area of insurance, the Company provides the same type of coverage - in particular for civil liability - as it does for senior managers.

6. Chairmen's roles in achieving harmony between the Board of Directors and the Executive Committee

The Chairman of the Board of Directors and the Chairman of the Executive Committee work together to harmonize the work of the Board of Directors (including its committees) with that of the Executive Committee.

The following measures have been introduced to achieve this:

- the two Chairmen meet as often as is necessary on matters of common interest to the Board of Directors and the Executive Committee;
- the Chairman of the Board of Directors is invited once a month to join the Executive Committee meeting during its discussion of the most important items on which proposals will be made to the Board of Directors;
- the Chairman of the Executive Committee (and the Finance

Manager, a member of the Executive Committee), is also a member of the Board of Directors, where he presents the Executive Committee's proposals.

7. External Auditing

The auditing of the company's financial situation, its financial statements and the regular nature of the same with respect to the Companies Code and the by-laws, and of the operations to be recorded in the financial statements, is entrusted to one or more auditors appointed by the Shareholders' Meeting from among the members, either physical or legal persons, of the Belgian Institute of Company Auditors.

The mission and powers of the auditor(s) are those granted by the law. The Board of Directors sets the number of auditors and fixes their emoluments in accordance with the law. Auditors are also entitled to reimbursement of their travel expenses for auditing the company's plants and administrative offices. The Shareholders' Meeting may also appoint one or more alternate auditors. Auditors are appointed for three-year renewable terms, which may not be revoked by the Shareholders' Meeting other than for good reasons.

The mandate of the audit company Deloitte Réviseurs d'Entreprise – represented by Mr. Michel Denayer, was renewed at the Shareholders' Meeting of May 8, 2007 and will expire at the end of the ordinary Shareholders' Meeting of 2010.

The Shareholders' Meeting of May 8, 2007 also renewed the mandate of the alternate auditor, the audit company Deloitte, Réviseurs d'Entreprise, represented by Mr. Ludo De Keulenaar, also expiring at the end of the ordinary Shareholders' Meeting of 2010.

The Shareholders' Meeting also established the Auditor's annual emoluments at EUR 340 000, all costs included, excluding VAT, for the duration of its mandate.

The latter's report is shown on page 124. Additional fees received by Deloitte in 2007 amount to EUR 286 000. For the entire consolidated Group, the fees received by Deloitte break down as follows:

- fees for auditing the financial statements: EUR 5 023 508
- other audit and miscellaneous services: EUR 527 265
- special mission and tax advice: EUR 40 705.

8. The Code of Conduct

The Solvay Code of Conduct expresses certain values that serve as a reference framework for the Group's decisions and actions:

- Ethical behaviour
- Respect for people
- Customer care
- Empowerment
- Teamwork.

All these Values need to be respected and applied constantly and consistently.

The Code of Conduct is part of the Group's constant efforts to maintain and strengthen trust both among all its employees and between the Group and its partners, including its employees, their representatives, shareholders, customers and suppliers, government agencies and all other third parties. The Code also draws inspiration from international conventions such as the Universal Declaration of Human Rights, the Convention on the Rights of the Child, and the conventions of the International Labour Office Organization (ILO).

To obtain the widest possible involvement of all employees in implementing this Code, the Group will continue to promote a rich and balanced social dialogue between senior management and social partners.

The Solvay group takes various measures to ensure that this Code is applied, including targeted training programmes, in order to minimize the danger of violation and with provision for clear sanctions where necessary.

In the joint ventures, our Board representatives make every effort to have rules adopted that are in line with the Group's Code of Conduct.

Special measures within the Board of Directors

The Board of Directors subscribes to the Group rules on ethical values, in particular as regards confidentiality and non-usage of insider information. In particular, it has adopted strict rules defining the periods during which members should abstain from all direct or indirect transactions involving Solvay shares (and related derivative instruments) before the publication of results or other information that could affect the market price of Solvay shares. The task of interpreting and monitoring compliance with these rules lies with the Corporate Secretary.

Subject to the items set out in item 2.1.3. (Article 523 of the Companies Code, page 130) in 2007 members of the Board of Directors were not confronted with conflict of interest situations requiring the implementation of the legal procedures provided for by the Companies' Code. On the other hand, and in a very limited number of cases, one or the other member has preferred, for ethical reasons, to withdraw and to abstain from participating in debates and in voting, for example directors belonging to the Executive Committee when the Board of Directors is deciding on the renewal of their terms of office, on their bonus or the number of stock options to allocate to them.

Special measures within the Executive Committee

The Executive Committee respects the same ethical and compliance rules as the Board of Directors (see above).

These rules are, however, tighter in at least two respects:

- In questions of insider information, given the Executive Committee's participation in major decisions, including the establishment of the results, and the allocation of stock options, stricter rules apply to avoid any insider trading, for example, as regards the sale during possibly sensitive periods of shares obtained from the exercise of stock options;
- in the area of "compliance," given the problems recently encountered again with regard to compliance with competition rules, in particular in Europe but also in the USA, a tightening of compliance policy desired by the Executive Committee is under way at all levels, including setting up a network of compliance officers.

Notification to the Banking, Finance and Insurance Commission of transactions involving Solvay shares

Persons exercising managing responsibilities within the Group, that is:

- the members of the S.A. Board of Directors
- the members of the Executive Committee
- the Company Secretary
- the General Manager for Human Resources and
- the General Counsel

have been informed of their obligation to declare to the Banking, Finance and Insurance Commission every transaction involving Solvay shares undertaken for their own account within the meaning of the Law of August 2, 2002. The Corporate Secretary also keeps an updated list of persons having access to insider information.

9. Internal organization of the Solvay group

9.1. The activities of the Solvay group are organized as follows:

- The Pharmaceuticals Sector
- The Chemicals Sector
- The Plastics Sector.

9.2. Each Sector, except Pharmaceuticals, is in turn divided by business area into Strategic Business Units (SBUs). Each SBU's field of activity is set out in greater detail in the pages of the annual report devoted to the Sectors.
The SBUs in the Chemicals and Plastics Sectors are almost entirely composed of individual subsidiaries by business area and by company. In most cases these subsidiaries are held by local national holding companies, particularly where tax consolidation is permitted. Examples of this are Solvay America, Inc. in the USA and Solvay GmbH (formerly Solvay Deutschland GmbH) in Germany.
A different subsidiary holding structure exists for the Pharmaceuticals activity. Rather than being held by national holding companies, all the Group's pharmaceuticals subsidiaries are held by a single holding company, Solvay Pharmaceuticals Sàrl, in Luxembourg. This pharmaceuticals holding company is ultimately 100% owned by Solvay S.A.

9.3. The Sectors and SBUs are supported by five Functional Managements (Finance, Research & Technology, Human Resources, Legal and Compliance* and Corporate Secretariat)*, in turn subdivided into Competence Centers.

Nearly all Functional Managements and their Competence Centers are located at Solvay S.A. in Brussels and in national holding companies, where they are part of Regional or Country Managements.

9.4. Sectors and SBUs are also supported by specialist services organized into Business Support Centers (BSCs). These BSCs can be global, international, national or site-specific. Depending on their specific purpose, they are attached to a Functional Management, to a Sector, to an SBU or to a Regional or Country Management.

9.5. The Executive Committee is assisted in its task by the "Office of the Executive Committee", composed of:

- the Corporate Secretary, the General Counsel and the General Manager for Human Resources
- the Regional Managers for Europe, NAFTA, Mercosur and Asia-Pacific
- the General Secretariat – Corporate Affairs
- the Shareholder Services Department
- Corporate Development
- the Group Head of Communications
- the Group Head of Government & Public Affairs
- the Group Innovation Champion
- the officer in charge of following up Hanzinelle III.

The "Office of the Executive Committee" is not a collegiate body. It consists of individual persons and of three departments chosen to provide the Executive Committee with advice or, in the case of the Corporate Secretariat and Shareholder Services, to provide logistic and operational support.

* Separate functional entities since January 1, 2007.

10. Relations with shareholders and investors

The Group thanks its shareholders and all others, in particular journalists and analysts, for their interest they continue to express in Solvay.

10.1. The Solvay share in 2007

After strong growth in the share prince in 2006 (+25%), the stock market in 2007 was marked by a context of uncertainty, in particular at the end of the second half. In contrast, the Group posted excellent earnings and completed several major steps in implementing its strategy of sustainable and profitable growth.
The highest price was EUR 123.2 (December 6, 2007), compared with EUR 116.2 in 2006, setting a new record for the Solvay share.
The average price was EUR 110.2 (EUR 95.7 in 2006). The lowest price was EUR 92 (November 21 2007) as against EUR 83.1 in 2006.

Average daily trading volumes also increased in 2007 to 226 000 shares compared with 181 000 shares in 2006.

The Solvay share price can be consulted directly on 2 internet sites:
> www.solvay-investors.com
> www.euronext.com

10.2. Active financial communication

Throughout the year the Investor Relations Team is ready to meet individual and institutional shareholders and investors, to answer their questions and to explain short and long-term developments at the Group to them, with appropriate regard for the equal treatment of all shareholders.
The Group's communication policy is to disseminate, as soon as reasonably possible, information that is of material interest for the market in the form of press releases and/or press conferences.

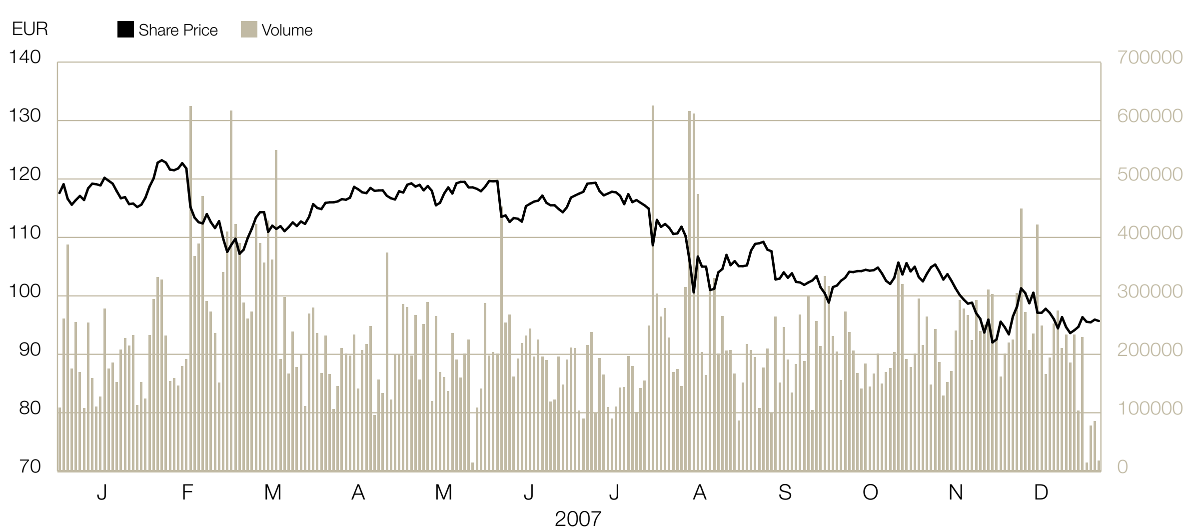
Solvay S.A.
Investor Relations
Rue du Prince Albert, 33
B-1050 Brussels (Belgium)
Telephone: +32 2 509 60 16 Telefax: +32 2 509 72 40
e-mail: investor.relations@solvay.com
Internet: www.solvay-investors.com

For addition information on ADRs, a telephone hotline is also available at 1-800-428-4237 (from the USA and Canada) or 1-781-575-4328 (from other countries).

10.3. Flow of financial information

In 2007, the Belgian Financial Analysts' Association awarded Solvay its prize for the best financial information. Solvay also received the Best Annual Report prize and the prize for the best "Investor Relations" service. This triple award hails the continuous improvements in the flow of financial and strategic information, an increasingly appreciated internet site and a proactive Investor Relations service.

In particular, portfolio managers ranked Solvay among the best for quality of relations with management and for the consistency and pertinence of information provided.



The Solvay share compared with the indexes (2006-2007)

10.4. Shareholder Clubs and Individual Investors

For many years the Group has maintained very close relations with clubs of individual investors both by taking part in fairs and conferences and by providing regular information on the life of the Group (press releases, the annual report, etc.) on request.

In 2007, the Solvay group actively continued its meetings with individual investors.

To give examples:

- in March 2007, Mr. Christian Jourquin met with some 100 readers of CASH magazine, including members of investor clubs from the Investa and VFB (Flemish Association of Investors and Investors Clubs) federations.
  The "Share Day", also in March, was a further opportunity to meet Solvay management;
- in April 2007, Solvay was present at the ‘Investors' Happening’ organized in Antwerp by the VFB, which every year brings together more than 1 000 participants;
- Solvay also took part in meetings of Euronext Brussels, the most recent of which was held in October at Brasschaat in Belgium;
- and also visits to the Neder-over-Heembeek research centre in Belgium.

10.5. Roadshows and meetings for professionals

Roadshows and meetings with senior Group managers are organized regularly for international professionals (analysts, portfolio managers, press, etc.)
In 2007 over 300 contacts were established at meetings and events organized in Europe (Brussels, London, Paris, Frankfurt, Geneva, Zurich, Milan, etc.), the United States and Canada. The annual analysts’ meeting and institutional investors’ meeting - which is also open to the financial press, was attended by over 40 analysts and investors from 9 European countries and the USA. The visit provided an opportunity to examine Group strategy, major changes in the activities portfolio and recent developments.

Conference calls with management are also systematically organized, every quarter, to comment on Group results..

10.6. A specific internet site

A dedicated internet site, www.solvay-investors.com, provides shareholders and investors with the latest published financial and strategic information from the Group. The site informs investors and shareholders of many valuable services, such as the financial servicing department. It also provides useful contacts with chemicals and pharmaceutical analysts who track the Group on a regular basis. Surfers can also join a Shareholders’ and Investors’ Club in order to receive e-mail notification in three languages (French, Dutch, English) of the publication of information of various kinds: agendas of certain meetings, including the Annual Shareholders' Meeting, draft wording of by-law amendments, special reports of the Board of Directors, publication of the annual report, unconsolidated parent company accounts, payment of dividends, etc.

10.7. Quarterly earnings publication

Out of a desire to provide ever more finely tuned and regular communication, the Group began in 2003 to publish quarterly results in accordance with International Financial Reporting Standards (IFRS).

ANNEXE 1

AUDIT COMMITTEE "Mission Statement"

1. Members

The Audit Committee consists of a Chairman and at least two members, all three of whom are non-executive directors and at least two of whom are independent directors.

2. Guests

The Audit Committee generally invites the following persons to report to its meetings:
a) the Group's chief financial officer;
b) the head of the internal audit department;
c) a representative of the Group's statutory auditor.

3. Frequency of meetings

The Audit Committee meets at least four times a year prior to the publication of the annual, half-yearly and quarterly results. Additional meetings may be organized to discuss and agree on the scope of audit plans and on audit costs, and to discuss other important financial questions.

4. Main tasks of the Audit Committee

a) The Audit Committee ensures that the annual report and accounts, the periodic financial statements and all other important financial communications by the Group conform to generally accepted accounting principles (IFRS for the Group, Belgian accounting law for the parent company). These documents should provide a fair and relevant view of the business of the Group and of the parent company and meet all legal and stock market requirements.

b) The Audit Committee regularly examines the accounting strategies and practices that are applied in preparing the Group's financial reports, making sure that these conform to good practices and meet the requirements of the appropriate accounting standards.

c) The Audit Committee regularly examines the scope of the external audit and the way it is implemented across the Group. The Audit Committee studies the recommendations of the external audit and the auditor's report to the Board of Directors.

d) The Audit Committee monitors the effectiveness of the Group's internal control systems, and in particular the financial, operational and standards controls, along with risk management. The Audit Committee also satisfies itself that the electronic data processing systems used to generate financial data meet the required standards. The Audit Committee ensures that these systems meet legal requirements.

e) In respect of the internal audit, the Audit Committee verifies the scope/programs/results of the work of the internal audit department and makes sure that the internal audit organization has the necessary resources. The Audit Committee checks that internal audit recommendations are properly followed up.

f) The Audit Committee examines the appointment of the Statutory Auditors and assesses the appropriateness of their fees. In consultation with the chief financial officer, the Audit Committee participates in the choice of head of the internal audit department.

g) The Audit Committee examines areas of risk that can potentially have a material effect on the Group's financial situation. These include, for example, the foreign exchange risk, major legal disputes, environmental questions, product liability issues, etc. During such examination, the Audit Committee examines the procedures in place to identify these major risks and to quantify their potential impact on the Group and the way the control systems work.

5. Minutes

As a sub-committee of the Group's Board of Directors, the Audit Committee prepares minutes of each of its meetings and submits them to the Board.

ANNEXE 2

COMPENSATION POLICY FOR GENERAL MANAGERS

In general

This compensation policy applies to Solvay's General Managers, i.e. the CEO, the members of the Executive Committee and the General Managers and members of the Office of the "Office of the Executive Committee". General Managers' compensation is set by the Board of Directors based on the recommendations of the Compensation and Appointments Committee.
The guiding principles of Solvay's compensation policy for its General Managers can be summarized as follows:

- to ensure overall competitive compensation opportunities which will enable Solvay to attract, retain, motivate and reward executives of the highest calibre essential to the successful leadership and effective management of a global chemical and pharmaceutical company;
- to focus executives' attention on critical success factors for the business that are aligned with the company's interests in the short, medium and long term;
- to encourage executives to act as members of a strong management team, sharing in the overall success of the Group, while still assuming individual roles and responsibilities;
- to maintain and further strengthen the performance culture of the Group by linking compensation directly to the fulfilment of demanding individual and collective performance targets.

The structure and level of the General Managers' total compensation (fixed and variable) is reviewed annually.

Compensation reflects overall responsibility as well as individual experience and performance. It takes into account relevant competitive practice considering the nature and level of the position as well as specific characteristics of the business sectors in which Solvay operates. Other factors which are deemed relevant, such as fairness and balance within the company, are also taken into consideration.

To assess relevant competitive practice, Solvay considers a blend of some 20 leading European chemical and pharmaceutical companies as its frame of reference, taking into consideration Solvay's relative size in terms of sales revenues and headcount vis-à-vis these companies.

The composition of this group will be reviewed on a periodic basis to assure that it continues to reflect the company's strategic orientation. For executives with a non-European home country and who are based outside Europe, the home country practice (ideally weighted towards the chemical and pharmaceutical sectors) constitutes the reference.

For external market data, the services of internationally recognized compensation consultants are retained.

Solvay's objective is to provide total compensation levels which are at or around the median of the retained reference market for normal performance and close to the upper quartile level of the market in case of outstanding collective and individual performances.

Elements of compensation

The compensation of the General Managers comprises base salary, annual incentives (i.e. performance related cash bonuses) and long-term incentives, which constitute the General Managers' total direct compensation. General Managers also enjoy other benefits such as, in essence, retirement, death, disability and medical benefits.
Performance- based and, hence, variable pay represents at a minimum close to 50% of the General Managers' total direct compensation.

Base salary

Base salary is reviewed - but not necessarily changed - on an annual basis. This review assesses current levels against median levels of the reference market taking into account the responsibilities and scope of the position of the General Manager, as well as individual competencies, relevant professional experience, potential for future development and sustained performance over time.

Annual incentives

The target incentive levels related to the full achievement of all pre-set performance objectives range from 50% to 100% of the base salary depending upon the position in the "Office of the Executive Committee".

These percentages have been determined taking into consideration median target bonus levels observed in the retained reference market and Solvay's policy regarding the target compensation mix and competitive positioning.

Generally speaking, Solvay aims at offering, on average, base salary plus annual incentive opportunities close to the median levels observed in the reference market.

The actual annual bonus amount varies according to the performance of the Solvay group, its various sectors and the individual General Managers' performances. The actual bonus ranges from zero (in case of truly poor performances) up to 150% of the amount corresponding to normal performance in case of outstanding achievements.

The overall business performance is measured in terms of ROE (return on equity); the individual performance is measured against a set of pre-determined region/business-sector/function goals as well as other executive-specific critical objectives approved by the Board of Directors.

Long-term incentives

The long-term incentive is delivered through periodic grants of stock options.

Each year, the Board of Directors, upon the recommendation of the Compensation and Appointments Committee, sets the number of stock options that are granted respectively to the Chairman of the Executive Committee, the members of the Executive Committee and the other members of the “Office of the Executive Committee”. In determining the actual number of options to be granted to each group of General Managers, the Board is guided by prevailing long-term incentive levels and practices in the reference market.

The options' strike price is equal to the average closing price of the Solvay share on Euronext Brussels during the 30 days preceding the start of the offer. The options expire eight years after the date of grant. They vest as from the first day of the year following the third anniversary of the grant and can be exercised during specified “open periods”.

Other benefits

The General Managers are entitled to retirement, death and disability benefits, as a rule, on the basis of the provisions of the plans applicable in their home country.
Other benefits, such as medical care and company cars or car allowances, are also provided according to the rules applicable in the host country.

The nature and magnitude of these other benefits are largely in line with the median market practice. The retained reference market is, as a rule, a blend of some 20 leading Belgian companies and Belgian subsidiaries of foreign-owned organisations generally considered as attractive employers by national and international executive talent and for which the representative benefit practices can be regarded as sufficiently in line with prevailing European standards at executive level.

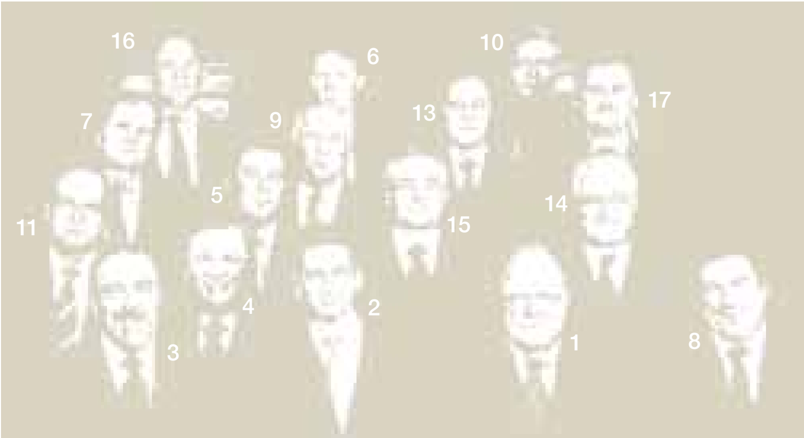
"… I have always sought to serve science, because I love science and I see it as a promise of progress for mankind."

Ernest Solvay, in a speech in Brussels, December 14, 1893.

Board of Directors

1. **Mr. Aloïs Michielsen (B)**
   2009 – Chairman of the Board of Directors, the Finance Committee and the Compensation/Appointments Committee
2. **Mr. Denis Solvay (B)**
   2010 – Independent Director, Vice-Chairman of the Board of Directors, Member of Compensation/Appointments Committee
3. **Mr. Christian Jourquin (B)**
   2009 – Chairman of the Executive Committee, Director, Member of the Finance Committee and guest of the Compensation/Appointments Committee
4. **Mr. Bernard de Laguiche (F)**
   2009 – Member of the Executive Committee, Director, Member of the Finance Committee
5. **Baron Hubert de Wangen (F)**
   2009 – Independent Director
6. **Mr. Jean-Marie Solvay (B)**
   2008 – Independent Director and Member of the New Business Board
7. **Chevalier Guy de Selliers de Moranville (B)**
   2009 – Independent Director, Member of the Finance Committee and the Audit Committee
8. **Mr. Nicolas Boël (B)**
   2009 – Independent Director, Member of the Compensation/Appointments Committee
9. **Mr. Whitson Sadler (US)**
   2011 – Independent Director, Chairman of the Audit Committee
10. **Mr. Jean van Zeebroeck (B)**
    2010 – Independent Director, Member of the Compensation/Appointments Committee
11. **Mr. Jean-Martin Folz (F)**
    2010 – Independent Director, Member of the Compensation/Appointments Committee
12. **Mr. Jacques Saverys (B)***
    Until May 8, 2007 – Independent Director
13. **Mr. Karel van Miert (B)**
    2009 – Independent Director, Member of the Finance Committee
14. **Dr. Uwe-Ernst Bufe (D)**
    2009 – Independent Director, Member of the Finance Committee
15. **Prof. Dr. Bernhard Scheuble (D)**
    2010 – Independent Director, Member of the Audit Committee
16. **Mr. Anton van Rossum (Nl)**
    2010 – Independent Director, Member of the Audit Committee
17. **Mr. Charles Casimir-Lambert (B/CH)**
    2011 – Independent Director (Since May 8, 2007), Member of the Audit Committee (since July 26, 2007)

Solvay S.A. mandates, and expiry date of directorship



** Mr Jacques Saverys does not appear on the photograph.*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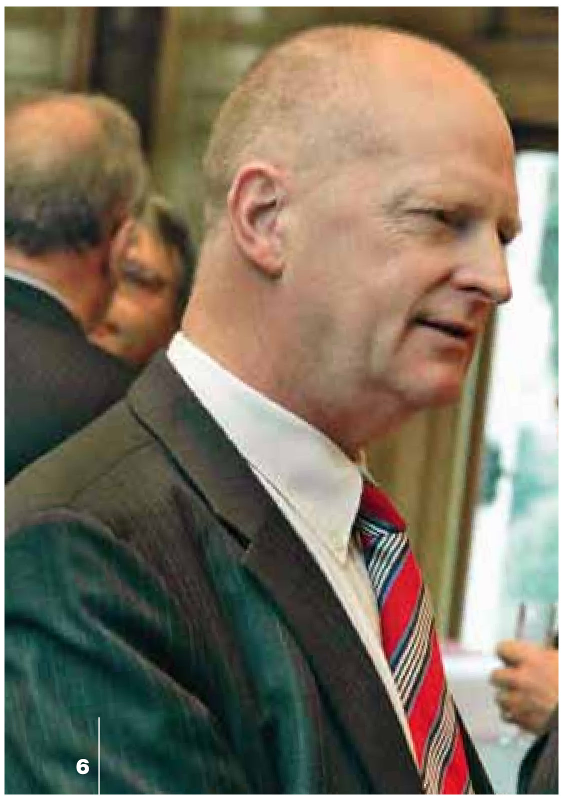
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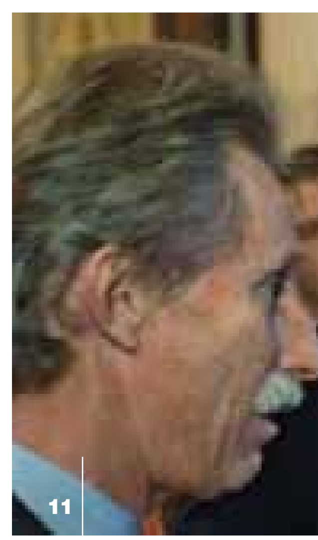
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1. **Christian Jourquin**
   Chairman of the Executive Committee
2. **Bernard de Laguiche** – General Manager for Finance
   Member of the Executive Committee
3. **René Degrève** – General Manager NAFTA
   Member of the Executive Committee
4. **Luigi Belli** – General Manager Research & Technology (until August 31, 2007)
   Member of the Executive Committee
5. **Jacques van Rijckevorsel** – General Manager of the Plastics Sector
   Member of the Executive Committee
6. **Werner Cautreels** – General Manager of the Pharmaceuticals Sector
   Member of the Executive Committee
7. **Vincent De Cuyper** – General Manager of the Chemicals Sector
   Member of the Executive Committee
8. **Jean-Michel Mesland** – General Manager Research & Technology (from September 1, 2007)
   Member of the Executive Committee

9. **Jacques Lévy-Morelle**
   Corporate Secretary
10. **Marc Duhem**
    Regional Manager Europe
11. **Christian De Sloover**
    Regional Manager Asia Pacific
12. **Daniel Broens**
    General Manager Human Recources
13. **Paulo Schirch**
    Regional Manager Mercosur
14. **Dominique Dussard**
    General Counsel

General Glossary

ABAF: Belgian Financial Analysts Association (Association Belge des Analystes Financiers)
ADR: American Depositary Receipt
BAT: Best Available Technologies
ILO: International Labour Organization
BSC: Business Support Centre
BOPP: Bioriented Polypropylene
CC: Competence Centre
Central Europe: Hungary, Poland, Czech Republic, Romania, Slovakia, Germany, Austria, Slovenia
CEP: Certificate of suitability confirming compliance with the European Pharmacopoeia
CIS: Community of Independent States consisting of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldavia, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan
COPE: Center for Organics Photonics and Electronics
Eastern Europe: Belarus, Estonia, Latvia, Lithuania, Moldavia Romania, Russia, Ukraine,
EDC: Dichloroethane
EDS: Electrochemistry and Derivatives
EMEA: European Medicines Evaluation Agency
ERP: Enterprise Resource Planning
Europe-27: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom
FDA: Food and Drug Administration
Flex-fuel: Mixed petrol/alcohol fuel system
HR: Human Resources
HSE: Health Safety and Environment
IPCC: Intergovernmental Panel on Climate Change
Kt: Kilotonne
LCD: Liquid Cristal Display)
MEA: Membrane Electrode Assembly
Mercosur: South American Common Market (Republics of Argentina, Brazil, Paraguay and Uruguay)
NAFTA: North American Free Trade Agreement (Canada, United States, Mexico)
NaOH: Caustic soda (sodium hydroxide)
NBD: New Business Development
NGO: Non-governmental organization
OLED: Organic Light Emitting Diodes
PAA: Peracetic acid
PAP: Patient Assistance Program
PEEK: Polyether-ether-ketone
PET: Polyester
PFPE: Perfluoropolyethers
PPSU: Polyethersulfone
PTFE: Polytetrafluoroethylene
PVC: Polyvinyl chloride
PVDC: Polyvinylidene chloride
PVDF: Polyvinylidene fluoride
R&D: Research and Development
REACh: Registration, Evaluation and Authorization of Chemicals
RESQS: Regulatory Affairs, External Affairs, Safety and Quality Strategies
RFID: Radio- Frequency Identification
SAP: Systems, Applications and Products for data processing
SAP: Solvay Advanced Polymers
SBU: Strategic Business Unit
SEP: Solvay Engineered Polymers
SSOM: Solvay Stock Option Management
The Lancet: A British medical journal
TFT: Thin Film Transistors
TSBM: Twin-Sheet Blow-Molding.
Fuel systems manufacturing systems which combines the advantages of blow molding with that of thermoforming
VCM: Vinyl chloride monomer
Western Europe: Germany, Andorra, Austria, Belgium, Denmark, Spain, Finland, France, Greece, Ireland, Iceland, Italy, Liechtenstein, Luxembourg, Malta, Norway, Netherlands, Portugal, United Kingdom, San Marino, Switzerland, Sweden, Vatican
WHO: World Health Organization

ABAF: Belgian Financial Analysts Association (Association Belge des Analystes Financiers)
Cash flow: Net income plus total depreciation, amortization, impairments and other write-downs
Corporate & Business Support: Non-allocated items, after larger direct allocations from 2007 onwards
Dividend yield (net): Net dividend divided by the closing share price on 31 December
Dividend yield (gross): Gross dividend divided by the closing share price on 31 December
Earnings per share: Net income (Solvay's share) divided by the weighted average number of shares, after deducting own shares purchased to cover stock option programs
Earnings per share (excluding discontinued operations): As earnings per share but excluding discontinued operations from the net income figure (Solvay's share)
Earnings per share (diluted): Net income (Solvay's share) divided by the weighted average number of shares, after deducting treasury shares purchased to cover stock option programs, and adding back other potential sources of dilution (outstanding options, etc)
Earnings per share (diluted, excluding discontinued operations): As diluted earnings per share, but excluding discontinued operations from net income (Solvay share)
EBIT: Earnings before interests and taxes
Equity (per share): Equity divided by the average number of shares for calculating IFRS results. The same denominator is used in calculating cash flow and REBITDA per share
IFRS: International Financial Reporting Standards
REBIT: Operating result, ie EBIT before non-recurrent items
REBITDA: REBIT, before depreciation and amortization
ROE: Return on equity
Velocity: Total number of shares traded during the year divided by the total number of listed shares, using the Euronext definition
Velocity adjusted by free float: Velocity adjusted as a function of the percentage of the listed shares held by the public, using the Euronext definition

Notes

Shareholders' Diary

- **Tuesday May 13, 2008:**
  announcement of the three months 2008 results (at 13.00) and Annual and Extraordinary Shareholders' Meetings (at 14.00)
- **Tuesday May 20, 2008:**
  payment of the balance of the 2007 dividend (coupon no. 82)
- **Thursday July 31, 2008:**
  announcement of six months 2008 results (at 07.30)
- **Thursday October 30, 2008 (at 07.30):**
  announcement of nine months 2008 results and the interim dividend for 2008 (payable in January 2009, coupon no. 83)
- **Mid-February 2009:**
  announcement of annual results for 2008

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