Annual report 2002

140 years of future

SOLVAY

Solvay in 2002

496 EUR million
Net earnings.
A record

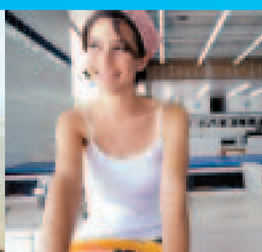
1 100 EUR million
Cashflow.
A record

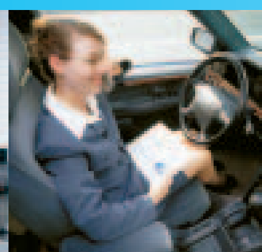
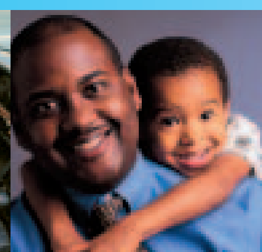
85 % of sales in products where Solvay ranks amongst the world leaders

64 % of 2002 EBIT are realized in Specialties and Pharmaceuticals

95 % of sales are realized outside Belgium, company's birthplace

Over **30 000** worldwide employees as at January 1, 2003


Contents

COMPETITIVENESS

INNOVATION

Key figures - Solvay Group

	1998 EUR million	1999 EUR million	2000 EUR million	2001 EUR million	2002 EUR million	2002 USD millions [3]	2002 pro forma IFRS EUR million
Consolidated sales	7 451	7 869	8 863	8 725	7 918	8 304	7 919
EBITDA / REBITDA [1]	1 116	1 185	1 217	1 150	1 376	1 443	1 398
EBIT / REBIT [1]	609	652	666	628	772	810	844
Consolidated net earnings	378	423	433	403	496	520	494
made up of:							
- net earnings before extraordinary items	377	423	433	403	496	520	–
- net extraordinary items	1	–	–	–	–	–	–
Depreciation and Amortization	507	533	551	522	604	633	554
Cash flow	885	956	984	925	1 100	1 154	1 048
Shareholders' equity	3 293	3 670	3 974	3 939	3 796	3 981	3 573
Net debt	565	956	1 172	1 050	1 053	1 104	1 319
Capital expenditure	640	919	812	2 627	625	655	625
Research expenditure	292	345	360	341	397	416	399
Personnel costs	1 754	1 900	1 846	1 933	1 833	1 922	1 833
Added value	2 888	3 100	3 022	3 100	3 140	3 293	3 089
Gross distribution to Solvay shareholders	174	185	190	188	199	209	199
Persons employed as of January 1 [2]	33 104	32 834	32 294	31 413	30 302	30 302	30 302

1. EBIT/REBIT including depreciation and amortization; REBIT (pro forma IFRS) = EBIT before non-recurring items
2. The following year
3. Exchange rate: 1 EUR = 1,0487 USD at 12/31/2002

NB: Pro forma IFRS figures are for information only

Repartition 2002

EBIT by sector
Total EBIT: 772 EUR million

1. Pharmaceuticals = 30 % (230 EUR million)
2. Chemicals = 30 % (235 EUR million)
3. Plastics = 30 % (234 EUR million)
4. Processing = 10 % (73 EUR million)

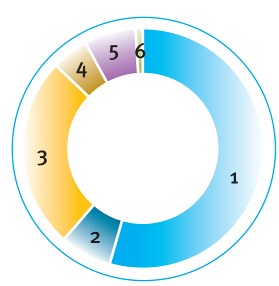
Sales breakdown by geographic area
Total sales: 7 918 EUR million

Europe = 62 %
1. European Union = 55 %
2. Other european countries = 7 %

Americas = 31 %
3. Nafta = 26 %
4. Mercosur = 5 %

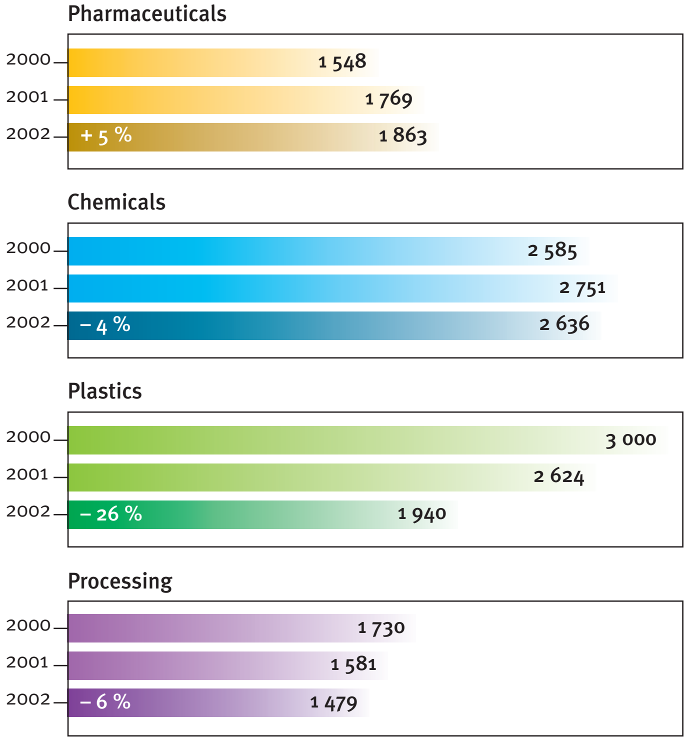
5. Asia Pacific and others = 7 %

6. Africa and Middle-East = 1 %



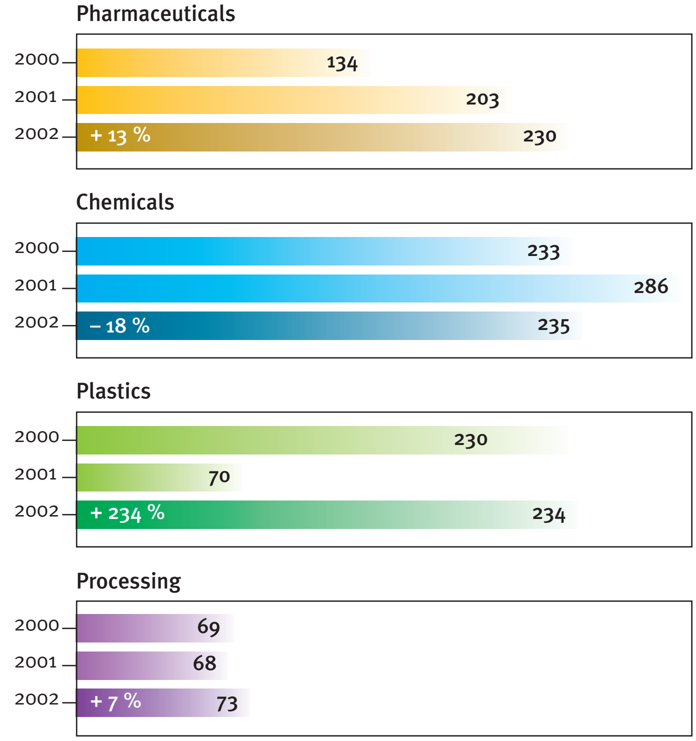
Sales by sector (EUR million)

Total sales 2002: 7 918 EUR million



EBIT by sector (EUR million)

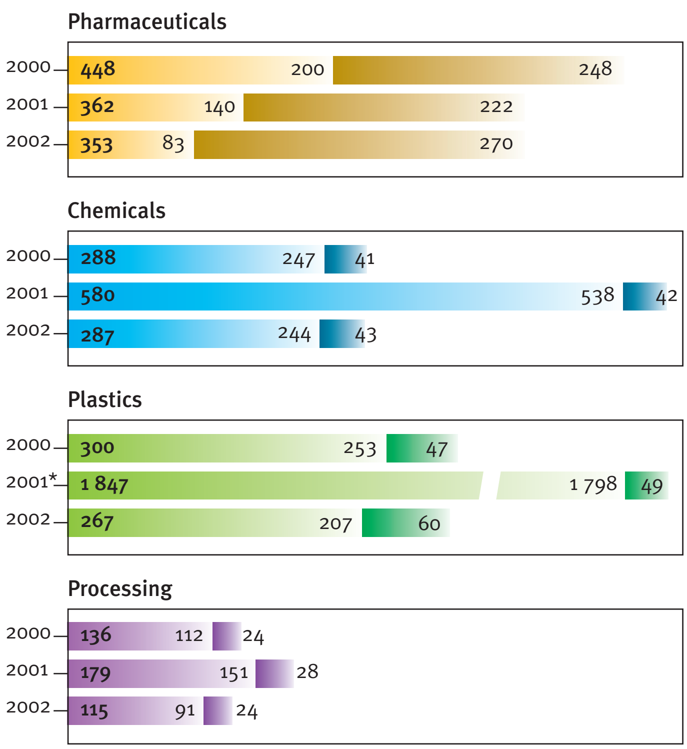
Total EBIT 2002: 772 EUR million



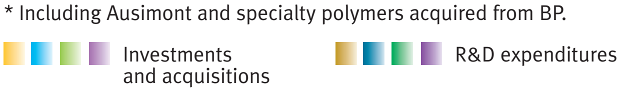
Investments per sector (EUR million)

Investments, acquisitions and R&D

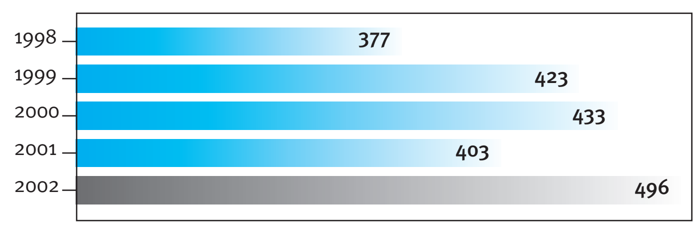
Investments 2002: 625 EUR million
R&D 2002: 397 EUR million



* Including Ausimont and specialty polymers acquired from BP.

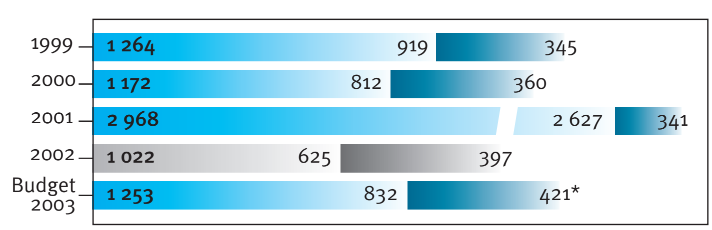


Consolidated net earnings (EUR million)

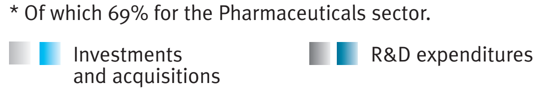


Investments (EUR million)

Investments, acquisitions and R&D



* Of which 69% for the Pharmaceuticals sector.



"Talent without genius counts for little, but genius without talent is worth nothing".

Paul Valéry

Our Vision

Solvay is an independent and ethical global industrial Group with a balanced portfolio of sustainable profitable and growing businesses under careful environmental management:

- amongst 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 organisation, developing and empowering people and teams through rewarding and challenging jobs;
- acting as good corporate citizens, caring for the health, safety and environment of their employees and of the community at large.

Our Mission

Building on our scientific, technical and commercial expertise, we responsibly provide innovative products and services related to chemistry and human health to create ever-increasing value to our customers, shareholders and employees.

Our Values

We firmly believe in:

- customer care;
- ethical behaviour;
- respect for people;
- empowerment;
- teamwork.

Genius, talent and values.
Four generations:
Ernest Solvay, 1838;
Armand Solvay, 1865;
Ernest-John Solvay, 1895;
Jacques Solvay, 1920.

Chairmen's Statement

2002, A VERY GOOD YEAR

In a world in which growth slowed considerably and many companies ran into difficulties, our Group was able to register a very good year.

Our product portfolio has changed significantly over the past two years, with the acquisition of certain high profitability activities and divestiture of other less profitable products. The transformation has impacted our earnings very positively, which rose by 23%, whilst our consolidated sales were down 9%.

For its 140th year, the Group recorded a net profit of nearly half a billion EUR and a cash flow of 1,100 million EUR. For the first time in more than 10 years, Our ROE (return on equity) reaches 13.1% (10.2% in 2001), on the good way towards our targeted 15%.

A STRATEGY APPLIED WITH DETERMINATION

All this we owe to the resolute application of a clear and consistent strategy:

- strengthening of our leadership in all our activities, by constantly developing their competitiveness and innovation;
- faster development of our pharmaceuticals and other specialty products.

Strikingly, this strategy has also helped give greater balance and consistency to our earnings results: in 2002 each of the three main Sectors (Pharmaceuticals, Chemicals and Plastics) contributed 30% of earnings, with the remaining 10% coming from the Processing Sector.

This strategy, already implemented for a number of years, will be pursued with determination. It has already demonstrated its relevance and effectiveness, enabling us to deliver a message of confidence for the coming years.

INCREASED DIVIDEND

Our dividend policy is well known: it is to increase our dividend whenever feasible and, if possible, never to reduce it.

With this in mind and given what we have reported above, the Board of Directors will propose that the General Meeting of June 5, 2003 increase the dividend from that declared in respect of 2001. Subject to approval by the General Meeting, the net annual dividend will be increased from EUR 1.70 per share to EUR 1.80 per share, representing an increase of 5.9%.

Since 20 years, the dividend was never lowered.

DEPARTURES FROM AND APPOINTMENTS TO THE BOARD OF DIRECTORS

2003 will see the departure from the Board of three striking personalities, Mr Hilmar Kopper, Viscount Etienne Davignon and Mr Pierre Casimir-Lambert.

"For 140 years, ingenuity has driven growth at Solvay."

Mr Kopper has been a Director for 17 years, Viscount Davignon for 18 and Mr Casimir-Lambert for 32 years.

We thank them warmly for all their contributions to our decision-making over these years and for their advice from which our Group has benefited.

- Mr Kopper was the Chairman of the Executive Board and then the Supervisory Board of Deutsche Bank. At Solvay, he was Chairman of the Supervisory Board of Kali Chemie since 1983. For 26 years, he provided remarkable help to the Solvay group in developing and restructuring its German activities, including the Bernburg plant which it recovered following the fall of the Berlin wall.

- Viscount Etienne Davignon, one of Belgium's most eminent diplomats, was Vice-President of the European Commission before joining the Solvay Board, to which he gave the stimulus of his visionary and pragmatic conception of Belgium and Europe's role in the world.

- Following in his father's footsteps, Mr Pierre Casimir-Lambert represented one family branch of Solvay shareholders, the Casimir-Lamberts, who are descendents of one of the founders, Valentin Lambert, and very attached to the Group and its growth.

The Board proposes to the General Meeting that it appoint Mr Karel Van Miert to replace Viscount Etienne Davignon, Dr Uwe-Ernst Bufe to replace Mr Hilmar Kopper, and Mr Jacques Saverys to replace Mr Pierre Casimir-Lambert.

- Mr Karel Van Miert, currently President of the Nyenrode University and a member of several Boards in Belgium and abroad, is another eminent figure on the Belgian and European political scene, having been in particular an influential Vice-President of the European Commission.

- Dr Uwe-Erst Bufe made his career at Degussa, becoming Chairman and CEO of Degussa AG, then Degussa-Hüls AG until 2001. He is a member of several Boards in Germany and Europe.

- Mr Jacques Saverys is a director of various companies, mainly in the logistics and marine transport sectors, where he was Managing Director of CMB (Compagnie Maritime de Belgique). He also belongs to one family branch of Solvay shareholders, the Nélis, descendents of one of the founders, Guillaume Nélis. He is relinquishing his directorship at Solvac to join our Board.

UNCLEAR OUTLOOK FOR 2003

The geopolitical events of early 2003 have done nothing to calm already unsteady markets. Rather they have added to uncertainly about economic growth and the reaction of global stock markets.

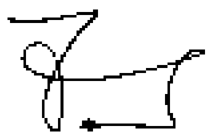
Without venturing into a hazardous forecasting exercise, we do believe that in 2003 the Solvay group should once again be able to face up.

After 140 years of corporate existence we retain a profound, and indeed stronger, confidence in our company's potential for sustainable success. It has everything it needs to resist the current upheavals and to emerge unscathed.

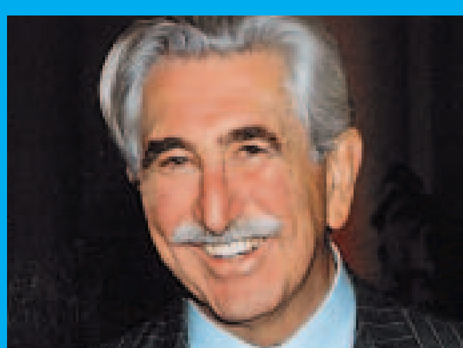
It is our employees, our shareholders and our customers who, together with our culture, our strategy and our balanced portfolio of activities, make us strong.

We thank them all, and in particular our employees, for their faithfulness and their contribution to our successes.

Aloïs Michielsen
Chairman of the Executive Committee



Daniel Janssen
Chairman of the Board of Directors



Left: Aloïs Michielsen

Right: Daniel Janssen

Corporate governance

1. THE BOARD OF DIRECTORS AND ITS OPERATION

On January 1, 2003, the Solvay S.A. Board of Directors consisted of 16 members.

	Term renewal date	*Year of birth*	*Primary activities (at 01/01/2002)*
Baron Daniel Janssen	2004	1936	Chairman of the Board of Directors
Mr Aloïs Michielsen	2003	1942	Chairman of the Executive Committee
Mr René Degrève	2004	1943	Member of the Executive Committee - General Manager for Finance
Mr Jürgen Ernst	2004	1939	Member of the Executive Committee, General Manager of the Pharmaceuticals Sector
Mr Pierre Casimir-Lambert	2007	1933	Non-executive director
Baron Hubert de Wangen	2005	1938	Non-executive director
Viscount Etienne Davignon	2003	1932	Vice-Chairman of the Board of Société Générale de Belgique
Mr Hilmar Kopper	2005	1935	Chairman of the Supervisory Board of Deutsche Bank
Mr Jean-Marie Solvay	2008	1956	Non-executive director
Chevalier Guy de Selliers de Moranville	2005	1952	Non-executive director
Mr Kenneth Minton	2003	1937	Non-executive director
Mr Denis Solvay	2006	1957	Non-executive director
Mr Nicolas Boël	2003	1962	Non-executive director
Mr Whitson Sadler	2007	1940	Former Solvay General Manager for North America
Mr Jean van Zeebroeck	2008	1943	Corporate Secretary of the Owens-Corning group in Europe
Mr Jean-Martin Folz	2008	1947	Chairman of the Management Board of Peugeot SA
Mr Solvay			Honorary Chairman
Mr Yves Boël			Honorary Chairman

The positions of Chairman of the Board of Directors and Chairman of the Executive Committee are separate offices held by different Directors (Baron Daniel Janssen and Mr Aloïs Michielsen respectively).

Directors are elected by the General Shareholders' Meeting for a maximum term of six years and may be re-elected. The age limit for membership on the Board is the end of the Annual General Meeting following the Director's 70th birthday. The Directors draw lots to determine the order of departure of Board members, in such as way as to ensure that the Board of Directors is fully re-elected every six years. Once the rotation has been established, the renewals take place in order of Directors' appointments to their current terms of office. The order of rotation can be determined by the dates given above for the expiration of Directors' terms of office.

The General Meeting of June 6, 2002 approved the appointment of Mr Jean-Martin Folz as a Director, effective October 30, 2002, to replace Mr de Royère. Mr Folz is the Chairman of the Management Board of Peugeot SA. It also approved the appointment of Mr Jean van Zeebroeck as a Director, replacing Baron José del Marmol. Mr van Zeebroeck is Corporate Secretary and Senior Counsel in the Owens-Corning group in Europe.

Independent Directors

The Board of Directors sets the criteria for determining whether members are independent or not within the meaning of the law.

To be deemed independent, a Director must not have exercised any executive function within the Solvay group for at least three years, nor may he or she have any business or other relationship with the Solvay group that could influence or affect the independence of his or her judgement. In applying the latter criterion, the Board, in examining each case takes into account whether the Director has been a significant customer, supplier or shareholder of the Solvay group.

Based on the above, the Board of Directors deems that Messrs. Michielsen, Degrève and Ernst, given their positions on the Executive Committee, and Mr Sadler, given his senior management position within the Group until 31 December 2001, are not independent Directors.

Similarly, the Board of Directors deems that Baron Daniel Janssen, as Managing Director of Solvac S.A., a principal shareholder of Solvay S.A. with a 26% holding, also may not be considered as independent.

Apart from these five persons, the other 11 Directors are considered by the Board of Directors as being independent within the meaning of the law.

Operation of the Board

The Board meets at least six times a year (seven times beginning in 2003). The company's Corporate Secretary is responsible for informing each Director of the dates set for the ordinary meetings, sending them the agenda and documentation in advance, and taking the minutes.

Day-to-day management is delegated to the Executive Committee.

To ensure that the Board has all the information it needs to supervise day-to-day management, the Chairman of the Executive Committee and the two other Directors on the Executive Committee begin each meeting with a report on overall developments concerning the activities of the Group and of Solvay S.A. The Board is also given a summary of the related financial information. In addition it is common for senior managers directly involved in the decisions discussed by the Board to be invited to present the key elements of specific topics; these managers may or may not be members of the Executive Committee.

Duties

Apart from its legal and statutory duties, the Board of Directors, acting upon proposals from the Executive Committee, sets the strategy and the overall organisation of the company and of the Group, and defines the investment and Research and Development budgets every year. Its also sets the operating budget and the five-year plan, and ratifies investment decisions exceeding EUR 3 million taken by the Executive Committee since the previous Board meeting. Decisions on investments and divestitures involving more than EUR 50 million can be taken only by the Board. The Board of Directors also appoints the Chairman and members of the Executive Committee and the Corporate Secretary. It is consulted on appointments to other key positions.

Without prejudice to the general powers of the Board of Directors as a body operating on a collegial basis, the company is validly bound by the signature of two Directors with the status of Chairman of the Board or Chairman or other member of the Executive Committee. The Board may also delegate signing authority to any individual, whether or not that person is a member of the Board.

Statutory rules governing decision-making by the Board

The Board may not validly discuss business and make decisions unless at least half of its members are present or represented. Certain particularly important decisions must be discussed and adopted by a three-fourths majority of votes cast.

Rules concerning the role of Director

The rules of ethics which prevail within the company apply equally to the Directors, in particular with regard to the duty of confidentiality and to the use of insider information. Rules exist that define periods outside which Directors may not buy or sell Solvay shares.

Rules and procedures governing the compensation of Board and Executive Committee members

The rules governing compensation are found in article 27 of the Articles of Association. Directors receive fixed emoluments which are charged to general expenses. The payment arrangements and amounts are set by the General Shareholders' Meeting. Based on a proposal by the Compensation and Appointments Committee, the Board of Directors is authorised to grant emoluments, in addition to those set by the General Shareholders' Meeting for the Board members, to Directors who are entrusted with special functions (Chairman of the Board, Chairman and members of the Executive Committee, Audit Committee members, etc.). Executive Committee members each receive a package of fixed and variable compensation, as well as stock options. They are also covered by management - or equivalent - pension plans. These pension plans provide additional resources on retirement or in the event of death or disability. Non-executive Directors do not receive variable compensation, stock options or pension plans.
Remuneration received by Executive Committee Directors for positions in the management bodies of companies in which Solvay S.A. holds direct or indirect interests is counted against these Directors' compensation entitlements.

In respect of 2002, executive and non-executive Directors together received EUR 4.75 million in compensation and pensions. This global amount includes gross remuneration of EUR 1.2 million for the 16 Directors for their directors' duties, together with pensions paid to former executive Directors. Effective the beginning of 2002, non-executive Directors have received additional compensation for sitting on the Audit Committee. This compensation is included in the total gross remuneration figure of the 16 Directors.

The total gross compensation of the eight Executive Committee members – three of whom are also Directors – was EUR 4.56 million, EUR 1.8 million of which was variable. This global amount includes compensation for positions in the management bodies of the Group's consolidated subsidiaries.

In 2002, the eight Executive Committee members subscribed for 95.000 options for Solvay shares, at an exercise price (EUR 63.76) corresponding to the average price of the shares during the 30 days preceding the offering.

Committees created by the Board of Directors

- *The Audit Committee* : established in 1998, is responsible for internal control of the financial reports and ensuring compliance with administrative procedures. Its members are Mr Kenneth Minton (Chairman), Mr Denis Solvay, Chevalier Guy de Selliers de Moranville and, since December 12, 2002, Mr Whitson Sadler. This Committee met four times in 2002, two of these times being prior to the publication of the annual and six-month results. Mr René Degrève (General Manager for Finance) Mr Alain Chif (Head of the Internal Audit Department) and Deloitte & Touche, represented by Mr Michel Denayer (Effective Statutory Auditor), report to it.
Effective in 2003, with the publication of quarterly earnings figures, the Audit Committee will meet five times a year.
- *The Finance Committee* is made up of Baron Daniel Janssen (Chairman), Mr Hilmar Kopper and, from December 12, 2002, Mr Folz (replacing Mr Edouard de Royère) and Mr Aloïs Michielsen. Mr René Degrève, in his capacity as General Manager for Finance, reports to the Committee. Its Secretary is the Corporate Secretary, Mr Jacques Lévy-Morelle. This Committee meets four times a year and gives its opinion on financial matters, including financial results, dividend policy, policy on debt and exchange risk coverage, and financial communications.
- *The Compensation and Appointments Committee* consists of Baron Daniel Janssen (Chairman), Viscount Etienne Davignon, Mr Jean van Zeebroeck (replacing Baron José del Marmol) and Mr Aloïs Michielsen. Mr Daniel Broens as General Manager for Human Resources reports to it and acts as Secretary. The Committee meets at least once a year and examines proposals for compensation of Directors, members of the Executive Committee, General Managers and holders of key positions. It also examines compensation policy in general.

2. DAY-TO-MANAGEMENT BY THE EXECUTIVE COMMITTEE

In 2002, the Executive Committee of Solvay S.A. had eight members, three of whom (Mr Aloïs Michielsen, Chairman, Mr René Degrève, General Manager for Finance, and Mr Jürgen Ernst, General Manager of the Pharmaceuticals Sector), were also Directors of the company. The five other members were the three other General Managers of the Sectors (Messrs. Christian Jourquin, Henri Lefèbvre and Jacques van Rijckevorsel), the Managing Director of Solvay Solexis (Mr Bernard de Laguiche) and the General Manager Research & Technology (Mr Luigi Belli).

Membership of the Executive Committee is a full-time job. Members are appointed for two-year renewable terms, and the age limit is 65. The Executive Committee meets in principle fortnightly (except in July and August when it meets once a month). Its mission is defined by the Board of Directors, and covers day-to-day management, monitoring the Group's business (including that of its subsidiaries), investment and divestiture decisions up to EUR 50 million (subject to ratification by the Board of Directors for transactions over EUR 3 million), and developing strategy options for presentation to the Board of Directors.

3. DIVIDEND POLICY

It is the policy of the Board of Directors to propose to the General Shareholders' Meeting an allocation of profits which makes it possible to increase the dividend whenever possible and if possible never to reduce it and, at the same time, to reinvest profits in order to self-finance Group activities. At least 5% of the net profit is first deducted for the legal reserve. This deduction is no longer required once this reserve reaches 10% of the capital of the company. The General Shareholders' Meeting is then free to decide to allocate to the reserves or to carry forward the remaining profits not being paid as dividends.

Dividends are usually paid at the end of June, following the decision of the General Shareholders' Meeting at the beginning of June. The Board of Directors usually decides in December to pay an interim dividend in January. The Board decided, at its meeting of December 12, 2002, to pay an interim – unchanged - dividend of EUR 0.70 net per share in January 2003, to be deducted from the dividend in respect of 2002.

The remaining amount proposed by the Board to the General Shareholders' Meeting of June 5, 2003 is EUR 1.10 net per share.

4. RELATIONSHIP WITH THE PRINCIPAL SHAREHOLDER

The principal shareholder of Solvay S.A. is Solvac S.A., with a 26% interest. Solvay S.A. and Solvac S.A. have only one common Director, Baron Daniel Janssen. Solvac S.A. has concluded an agreement with Sofina S.A., Deutsche Bank AG and Fortis Bank S.A. to ward off any hostile take-over bids for Solvay S.A. This agreement expires in October 2003, concurrently with the warrants issued by Solvay S.A. for this purpose.

Executive Committee and general managements

Executive Committee

Aloïs Michielsen
Chairman of the Executive Committee

René Degrève
General Manager for Finance

Jürgen Ernst
General Manager of the Pharmaceuticals Sector

Christian Jourquin
General Manager of the Chemicals Sector

Henri Lefèbvre
General Manager of the Plastics Sector

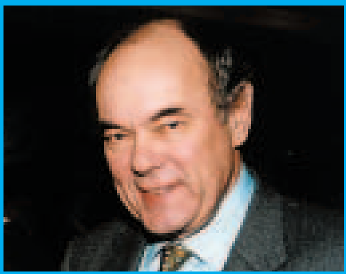
Bernard de Laguiche
Managing Director of Solvay Solexis S.p.A

Luigi Belli
General Manager for Research and Technology

Jacques van Rijckevorsel
General Manager of the Processing Sector


Aloïs Michielsen


René Degrève


Jürgen Ernst


Christian Jourquin


Henri Lefèbvre


Bernard de Laguiche


Luigi Belli


Jacques van Rijckevorsel

Sectoral and functional managements

Sectors

Jürgen Ernst
General Manager of the the Pharmaceuticals Sector
Christian Jourquin
General Manager of the Chemicals Sector
Henri Lefèbvre
General Manager of the Plastics Sector
Jacques van Rijckevorsel
General Manager of the Processing Sector

Functions

René Degrève
General Manager for Finance
Luigi Belli
General Manager for Research and Technology
Jacques Lévy-Morelle
Corporate Secretary and General Counsel
Daniel Broens
General Manager for Human Resources

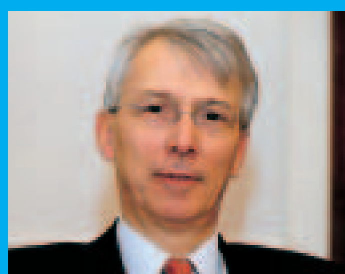
Regional managements

Jacques Thoelen	*President of the European Regional Board*	*(until December 31, 2003)*
Marc Duhem*		*(from January 1, 2004)*
Jean-Pierre Lapage	*Mercosur*	
David Birney	*Nafta*	
Christian De Sloover	*Asia-Pacific*	

* *currently General Manager for Spain and Portugal*


Jacques Lévy-Morelle


Daniel Brœns


Jacques Thœlen


Marc Duhem


Jean-Pierre Lapage


David Birney


Christian De Sloover

Our strategy

To enable the Group to adapt to the rapidly changing world around it, our strategy for change is twofold:
- strengthening of leadership in all activities, by constantly improving their competitiveness and innovation;
- faster development of the Pharmaceuticals Sector and of Specialties.

Currently 85% of turnover comes from products in which the Group is one of world's leading producers.

From the start Solvay has been open to the world. Today the Group operates in 50 countries through 400 facilities. Over 95% of sales are generated outside Belgium and 45% outside the European Union.

Its organisation into Strategic Business Units and Competence Centres, with logistic support from specialist teams (Business Support Centres), is a key competitive advantage.

PHARMACEUTICAL SPECIALTIES

Solvay Pharma is one of the world's top 40 pharmaceutical companies and among the leaders in:
- Gastroenterology;
- Gynecology, andrology;
- Mental Health;
- Cardiology.

In each of these four therapeutic fields, Research and Development activities are focused on carefully selected clinical targets, supported by specialist competences and further reinforced by cooperation with top quality partners, from genome research to specific clinical testing.

Solvay Pharma employs around 7,500 people in more than 45 countries and is present in every region of the world.

Competitive positions (non-exhaustive)

Main products	Europe	US	World
GASTRO-ENTEROLOGY			
Gastro-intestinal enzymes	1	2	1
Laxatives	2	–	7
Antispasmodic/ irritable bowel syndrome medication	1	–	1
HORMONE TREATMENTS			
Gynecological	4	2	2
Andrological	–	1	–
Vertigo (Menières' syndrome)	1	1	1

SALES (EUR M)	EBIT (EUR M)
1 863 (+5%)	230 (+13%)

OTHER SPECIALTIES

Solvay Specialties, from the Chemicals, Plastics and Processing Sectors, generally feature:

- lower sensitivity to business cycles;
- higher margins on sales and ROI (Return On Investment) than the average for Group products;
- very specific, high added value and strongly growing markets;
- major Research and Development programmes, leading to regular launches of new products or grades.

Solvay Specialties include in particular:

Chemicals: fluorinated products, ultra-pure barium and strontium carbonates, Advanced Functional Minerals, caprolactones, sodium bicarbonate and ultra-pure grades of hydrogen peroxide.

Plastics: Performance Compounds, high performance polymers such as fluorinated polymers, elastomers and fluids, barrier materials, polyarylamides, polysulfones, high performance polyamides, liquid crystal polymers, etc.

Processing: fuel systems (in partnership with Plastic Omnium), medical foils, veneer foils, swimming pool linings.

Competitive positions (non-exhaustive)

Main products	Europe	World
Chemicals		
Fluorinated products	2	2
Advanced Functional Minerals	amongst the world leaders	
Caprolactones	amongst the world leaders	
Sodium bicarbonate	1	2
Ultra-pure H_2O_2	2	4
Ultra-pure barium/strontium	1	2
Plastics		
Fluorinated polymers	–	2
Other special polymers	amongst the world leaders	
Processing		
Inergy (fuel systems)	1	1
Medical films	1	1
Veneer films	1	1
Swimming pool lining	–	2

Sales (EUR M)	EBIT (EUR M)
2 575 (+25%)	**266** (+64%)

ESSENTIALS

As well as Specialties, the Chemicals, Plastics and Processing Sectors are also active in Essentials. The success of Solvay's Essentials lies both in their history and their specific features. Many of them form the basis of the Solvay's origin and development. All are essential to our everyday life.
In each of these products, the Group has a world leadership position, alone or in partnership, and major competitive advantages, which it intends to continue to develop.

Solvay's Essentials include in particular:

Chemicals: soda ash, caustic soda, salt (in partnership with Kali und Salz), hydrogen peroxide, persalts, "technical" grade barium and strontium carbonates, sodium hypochlorite…

Plastics: vinyls (in partnership with BASF in Europe; Vinythaï in Thailand and Solvay Indupa in Mercosul are listed on financial markets).

Processing: pipes and fittings (in partnership with Wienerberger), along with a certain number of industrial foils applications.

Competitive positions (non-exhaustive)

Main products	Europe	World
Chemicals		
Soda ash	1	1
Hydrogen peroxide	1	1
Persalts	1	1
Barium/strontium	1	1
Caustic soda	1	3
Plastics		
PVC	2	4
Processing		
Pipelife (pipes and fittings)	4	5
Calandered films	1	3

Sales (EUR M)	EBIT (EUR M)
3 480 (–29%)	**276** (+5%)

Highlights of 2002

ACQUISITIONS

- Acquisition of exclusive global rights (except Japan) to Cetrorelix, a women's health medication with additional application in benign prostatic hypertrophy (in phase II).

- Acquisition of a franchise from Pronova for OMACOR®, a medication for preventing secondary heart attacks.

- Finalisation of the acquisition of Ausimont, in the Fluorinated Specialties field.
Birth of Solvay Solexis, based at Bollate (Italy), combining Solvay and Ausimont's fluorinated fluids and materials activities (picture 1).

- Acquisition of a 51% stake in Vishnu Barium Chemicals, producing barium carbonate (India).

- Acquisition of the remaining 20% of Padanaplast (Italy), a company in the Performance Compounds field, making it a 100% Solvay subsidiary (picture 2).

SALES, DIVESTMENTS, TERMINATIONS, SUSPENSIONS

- Voluntary withdrawal of LUVOX® from the USA market after expiration of its registration exclusivity.

- Sale to Biovail Corporation (USA) of Solvay Pharmaceuticals' rights on the TEVETEN® cardiological medication in the United States.

- Sale of the VEMEDIA company (Netherlands).

- Sale to Degussa of Ausimont's hydrogen peroxide and persalts activities at Bussi (Italy), to meet the conditions set by the competition authorities for the Ausimont acquisition.

- Sale to Dyneon of Solvay Fluoropolymers' polyvinyldene fluoride (PVDF) activities at Decatur (Alabama USA), to meet the conditions set by the competition authorities for the Ausimont acquisition.

- Finalisation of the sale of the "automotive air intake systems" and "technical parts" activities to Mann & Hummel.

1. Bollate

2. Padanaplast

3. Châtillon-sur-Chalaronne

START-UPS, EXPANSIONS

- Commissioning of new Solvay Pharmaceuticals production units at Châtillon-sur-Chalaronne (France) (picture 3) and at Weesp (Netherlands).

- Construction of an additional 50,000 t/year sodium percarbonate production unit by Solvay Interox at Deer Park (Texas, USA).

- Extension of the production capacity for high molecular weight caprolactones at Warrington (UK).

- Commissioning of a new production capacity for Tecnoflon® fluorinated elastomers (picture 4) at Thorofare (New Jersey, USA).

- Commissioning of the first industrial unit using the “Vinyloop” process for recycling composite PVC waste at Ferrara (Italy).

- Successful start-up of fuel tank production at the new Inergy plants in Belgium, Slovakia, France, Thailand, South-Africa and Mexico (picture 5).

AGREEMENTS, PARTNERSHIPS, TRANSFERS

- Signature of a partnership agreement with BASF creating a joint venture to produce hydrogen peroxide (200,000 t/year) for a new propylene oxide production unit planned by BASF.

- Start-up of the ESCO joint venture between Solvay (38%) and Kali und Salz (62%) covering salt activities in Europe (non-captive uses).

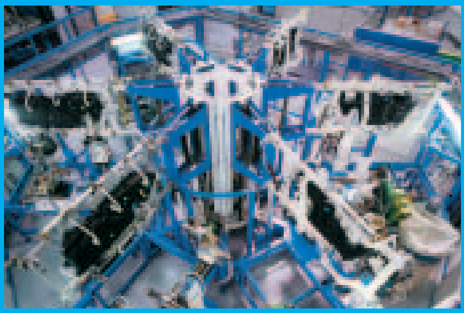
- Transfer from Tavaux to Chevigny of Performance Compounds fabrication (Solvay Benvic France).

- Strategic alliance between Solvay Engineered Polymers (Michigan, USA) and Thermoplastic Rubber Systems (Massachusetts, USA) for marketing vulcanised thermoplastics (TPVs), used mainly in the automotive industry.

- Commissioning of co-generation units at Martorell (Spain) and Povoa (Portugal) (picture 6) in partnership with electricity producers.

4. An application of ALGOFLON®

5. Fuel tank production



6. Cogeneration at Povoa (P)

Pharmaceuticals

Earnings up 13% on 5% higher sales.
R&D programmes intensified.

STRATEGY

Accelerated growth based on:

- internal development of the existing product portfolio, focused on four selected therapeutic fields (gastroenterology, gynecology/andrology, cardiology and mental health);
- acquisitions and/or development of new products;
- acquisitions of medium-sized companies;
- expansion and optimisation of sales forces, alone or in partnership;
- geographic expansion, in particular in Northern America;
- contribution from newly developed molecules and increased effectiveness of R&D carried out alone or in partnership.

DEVELOPMENTS BY INDIVIDUAL THERAPEUTIC FIELDS AND GEOGRAPHIC AREAS

Sales have continued to grow in three out of the four therapeutic areas:

- + 7% in gastroenterology;
- + 10% in gynecology/andrology;
- + 21% in cardiology.

In mental health, on the other hand, sales fell 11%, with the Group voluntarily withdrawing its LUVOX® anti-depressant from the American market in April 2002, after expiration of its registration exclusivity. It should be borne in mind that these figures are depressed by the changes in the EUR/USD exchange rate during 2002, given that 47% of Pharmaceuticals Sector sales are in the United States and Canada. At constant exchange rates, sales would have increased by 9%.

- Gastroenterology

Sales: EUR 539 million (+ 7%).

PANTOLOC®[1], sold in Canada for treating stomach ulcers and heartburn, was the fastest growing product (+ 24% en EUR), passing the EUR 100 million sales mark for the first time.
CREON®, used for treating pancreatic disorders, remains the product leader in this area with sales of EUR 140 million (+ 7% in EUR).

1. A registred trademark of Byk Gulden.

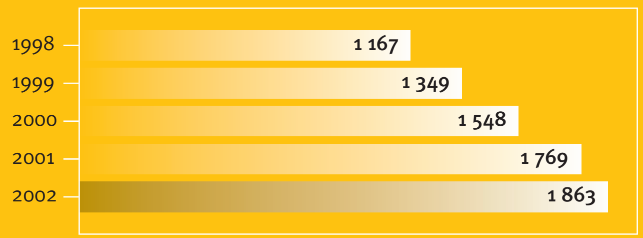
50 of ingenuity YEARS

Respecting human dignity

Half a century of research and ingenuity at the Solvay group have helped bring about a situation in which pharmaceutical products and progress enable men and women to retain their physical vigour, full of plans for the future, well beyond the age of 60 – an age at which, previously, many things came to an end...

+13 %

Sales (EUR million)

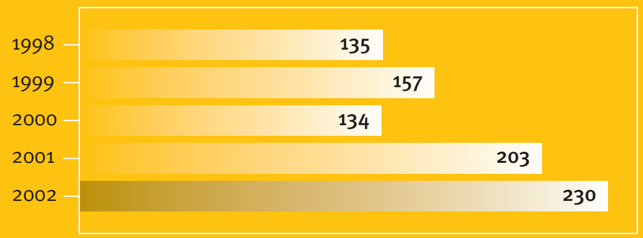


Sales

EUR million	2000	2001	2002
Sales	1 548	1 769	1 863
EBIT	134	203	230
Depreciation	86	117	164
Capital expenditures	200	140	83
R&D	248	222	270
Headcount (FTE)[1]	7 463	7 444	7 557

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

EBIT (EUR million)



PHARMACEUTICALS

- Gynecology, andrology (hormone therapy)
Sales: EUR 713 million (+ 10%), including EUR 196 million in male hormone replacement therapy and EUR 419 million in women's health.

The most remarkable performance (+ 52%) was that of ANDROGEL® [1]. A patent on its original formulation and method of administration was granted at the end of 2002.

Flagship products

THERAPEUTIC FIELDS	PRODUCTS	MARKETS	2002 SALES IN EUR MILLION	% OF 2002 SALES	DIFFERENCES 2002/2001 (%)
Women's health	Estratest®	USA	207	11%	+4%
Male hormone therapy	Androgel® [1]	North America	196	10%	+52%
Gastroenterology	Creon®	Global	140	8%	+7%
Gastroenterology	Pantoloc®	Canada	104	6%	+24%
Mental health	Luvox®	Japan, Europe +Export	96	5%	–35%
Gastroenterology	Duphalac®	Europe+ Export	83	4%	+4%
Mental health	Serc®	Europe+ Export	80	4%	+4%
Women's health	Prometrium® [2]	USA	71	4%	+8%
Gastroenterology	Duspatal®	Europe+ Export	61	3%	+2%
Immunology	Influvac®	Europe+ Export	60	3%	+6%
Women's health	Duphaston®	Europe+ Export	57	3%	+2%
Gastroenterology	Rowasa®	USA/France	57	3%	+4%
CNS [3]	Marinol® [1]	USA	53	3%	–18%
Cardiology	Teveten®	Global [4]	53	3%	+51%
Cardiology	Physiotens®	Europe+ Export	52	3%	+13%
Gastroenterology	Dicetel®	Europe+ Export	41	2%	=

1. A registred trademark of Unimed Pharmaceuticals Inc.
2. A registred trademark of Schering Corp.
3. CNS = Central Nervous System.
4. Except for USA where rights transferred to Biovail.

Left: Androgel® 1% (testosterone) used to treat testosterone deficiencies in men.

Right: A packaging line for Duphaston® (dydrogesterone), used to treat a wide range of progesterone deficiency symptoms in women.

Female hormone replacement therapy products, on the other hand, grew more moderately in 2002 than in the previous year.

This was influenced by the publication in July 2002 of two U.S. studies on the long-term effects of certain female hormone products. The impact of these studies was particularly marked in the USA. Although the Solvay hormone products were not actually examined in these studies, the entire market suffered an effect.
Sales of Solvay products were less affected than average , and certain products continued to show progress in the USA for the year as a whole ; these included PROMETRIUM®[1] (+ 15% in USD) and ESTRATEST® (+ 10% in USD).

In Immunology (assigned to the same therapeutic group), sales reached EUR 98 million. Sales of INFLUVAC® anti-flu vaccine rose by 6% to EUR 60 million.
In January 2003 the Group announced that it was building a new facility at Weesp (Netherlands) to produce INFLUVAC® vaccines using a high-performance cell culturing technique, at a total investment cost of over EUR 50 million. The unit should be operational in 2005, with sufficient capacity to service both European and overseas markets.

- Cardiology
Sales: EUR 182 million (+ 21%).

TEVETEN®, antihypertension medication, commercialised by the Group on a wide international scale (except the USA), achieved remarkable progress (+ 51%) and is now the Group's leading product in this field, ahead of PHYSIOTENS® (+ 13%) and ACEON® (+ 39%).

- Mental health
Sales: EUR 318 million (– 11%).

The Group's withdrawal of its LUVOX® anti-depressant from the U.S. market depressed sales in this therapeutic area. In Japan, on the other hand, sales of this product are continuing, under both the LUVOX® trademark with partner Fujisawa and with partner Meiji-Seika under their trademark DEPROMEL® . Sales in Europe are also continuing, with the Group's own sales force.

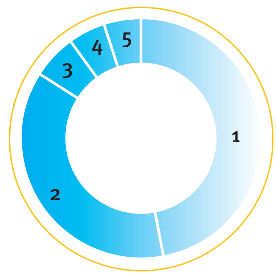
SALES NETWORK

Some 2,800 medical salespersons (12% more than in 2001) make up Solvay Pharma's worldwide "strike force".

1. *A registred trademark of Schering Corp.*

Sales breakdown
by geographic area

Sales 2002
(EUR 1 863 million)

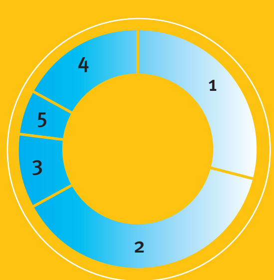


1. Nafta = 47%
2. European Union = 37%
3. Europe outside the Europeane Union = 6%
4. Rest of world = 5%
5. Asia Pacific = 5%

Sales breakdown by therapeutic area

% of 2002 sales (EUR 1 863 million)

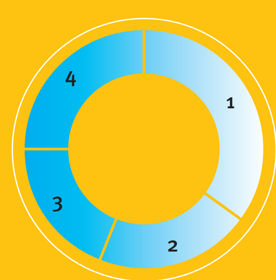
1. Gastroenterology = 29% (EUR 539 million)
2. Hormone therapy = 38% (EUR 713 million)
3. Cardiology = 10% (EUR 183 million)
4. Mental Health = 17% (EUR 318 million)
5. Other = 6% (EUR 110 million)



Breakdown of R&D expenditure by therapeutic area

% of 2002 pharmaceutical R&D expenditure (EUR 270 million)

1. Gastroenterology = 35%
2. Hormone therapy = 21%
3. Cardiology = 19%
4. Mental Health = 25%



PHARMACEUTICALS

In certain countries like Japan, the Group has concluded strategic alliances with major partners to promote and market its pharmaceutical products.
These serve to further bolster its own sales efforts.

OUTLOOK

Whilst the global economic situation is uncertain, and indeed has been unforeseeable since the end of 2002, the market for pharmaceuticals remains relatively insensitive to economic cycles, both by its nature (personal health is an increasingly central concern) and by its size (the world's population is growing and life expectancy is increasing almost everywhere).

The Solvay Group is set to make major advances in gastroenterology and cardiology, as new medications join existing ones that themselves continue to grow in sales.

The expansion of hormone treatment products, representing around 33% of Pharmaceuticals Sector sales, could slow in 2003. Sales of mental health products could also be reduced somewhat.

Geographic expansion, in turn, remains a source of sales growth. Apart from the European Union, Solvay Pharma is today present and active in Central and Eastern Europe, as well as Northern Europe and the Baltic States. Exports to all these countries are progressing well.
In addition, Solvay Pharma companies have of course been active for some time in NAFTA, Mercosur and Asia.

On the other hand, discussions with the FDA in the United States for improving the quality of product registration procedures (AIP) came to a favourable end in 2003.

PHARMACEUTICAL RESEARCH

The Group's Research and Development efforts further intensified in 2002, from EUR 222 million (65% of total Group research) to EUR 270 million (68% of total Group research), an increase of 22% from one year to the next.

In particular, Solvay Pharmaceuticals continued its active cooperation with Quintiles Transnational on, among others, Phase III cilansetron programme, a molecule intended to treat irritable bowel syndrome.

Other programmes continuing in parallel include:

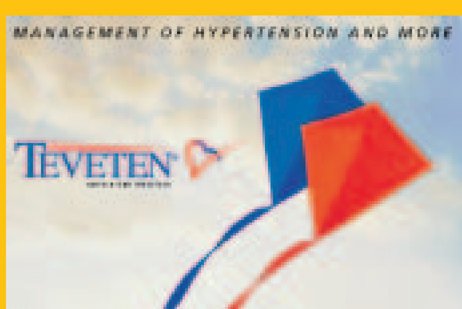
- clinical research on tedisamil, a molecule in phase III clinical testing for treating cardiac arrhythmia ("atrial fibrillation");
- development of SLV 306, a molecule in phase II clinical testing for combating hypertension and congestive heart failure;
- development of DU 127090, also in phase II of clinical testing, for treating psychosis and Parkinson's disease. These programmes are being carried out together with H. Lundbeck A/S (Denmark);
- INVIVAC®, a promising influenza prevention treatment. These programmes have just been successfully completed and are expected to be approved by the health authorities.

In 2002 Solvay Pharmaceuticals also enriched its product portfolio by acquiring exclusive global rights (except for Japan) to cetrorelix, a phase II molecule intended for treatment of endometriosis and uterine fibroids, as well as benign prostatic hyperphasia. In all, the Group has right now a very high number of molecules (around 30) at the clinical testing stage.

Ongoing Pharmaceutical Development January 2003

PHASE I CLINICAL DEVELOPMENT	PHASE II CLINICAL DEVELOPMENT	PHASE III CLINICAL DEVELOPMENT	FILED / APPROVED BY REGULATORY AUTHORITIES
Gastroenterology			
SLV317 for IBS **SLV319** for obesity	**SLV324** for anal fissures (USA) **SLV325** for anal incontinence (USA)	**cilansetron** for irritable bowel syndrome in men & women (world) **CREON®**, for pancreatic insufficiency (Japan)	
Gynecology, Andrology			
Combined oestrogen and progestogen gel for hormone treatment in women	**cetrorelix** for endometriosis & uterine fibroids in women **cetrorelix** for benign prostatic hypertrophy in men	**PRESOMEN®** for vasomotor symptoms and osteoporosis prevention in women (Germany) **ESTRATEST®** for libido enhancement in women (USA)	**ESTROGEL®** [1] estrogen containing hormone therapy for women (filed USA)
Mental Health			
SLV314 for psychosis **SLV319** for psychosis	**DU127090** (with Lundbeck) for psychosis and Parkinson **SLV310** for psychosis **SLV313** for psychosis **MARINOL®** [2] for pain in multiple sclerosis **SLV308** for Parkinson's & co-morbid affective disorders	**fluvoxamine CR** (controlled release) for obsessive compulsions & social anxiety (USA & EU) **fluvoxamine IR** (immediate release) for social anxiety (Japan) **MARINOL®** [2] for anorexia in HIV/AIDS & chemotherapy induced nausea/vomiting (preregistration phase in EU)	
Cardiology			
SLV320 for congestive heart failure and kidney disease	**SLV306** for hypertension and congestive heart failure	**tedisamil** (intravenous and oral) for atrial fibrillation (world)	**TEVETEN® + HCT** (hydro-chlorothiazide) for hypertension (approved USA & Germany, pending EU) **moxonidine HCT** (hydro-chlorothiazide) for hypertension (EU)
Immunology			
			INFLUVAC® TC influenza vaccine produced by new tissue-culture technique (MDCK) (approved NL, pending EU) **INVIVAC®** virosomal vaccine for influenza prevention (Filed NL & Switzerland)

1. *A registered trademark of Lasalle laboratories Inc.*
2. *A registrated trademark of Unimed Pharmaceuticals Inc.*



Chemicals

Positive performance in soda ash, sodium bicarbonate, salt, detergents and other mineral specialties.
Earnings from other Business Units, in particular caustic soda, down.
For the Sector as a whole, earnings reduction limited to 18% thanks to cost savings and in spite of a slumping economy.

STRATEGY

- leadership and competitiveness in Essentials;
- faster growth in Specialties;
- upstream integration into raw materials;
- reduction of energy dependence (co-generation, etc.);
- reduction of cyclicality.

- Soda ash and derivatives

European demand in key sectors like glass remained high for the year as a whole, with a mid-year dip compensated by an upturn at the end of the year, due to customers reopening several flat glass production units.

Demand for applications in which soda ash can be replaced by caustic soda (such as detergents and chemicals) declined at the beginning of the year with the greater availability of caustic soda. At the end of the year several customers returned to soda ash.

For the year as a whole, European demand came close to the record level of 2001.

In the United States, the supply and demand situation is improving, in a context of intense competition amplified by increased output from a new producer.

We are also pursuing our efforts to promote specialty soda ash derivatives, which have grown very satisfactorily. Capacity extensions in sodium bicarbonate are scheduled to come on stream in early 2003. Growth in these derivatives should in turn favourably affect future global demand for soda ash.

140 YEARS of ingenuity

Percarbonates: the ingenuity of two products in one

Percarbonates, today used as bleaches in detergents, derive from Solvay's mastery of two of its fields: soda ash, the product on which the Group was founded, and peroxygens. Thanks to them, washday is no longer the grind it once was.

–18%

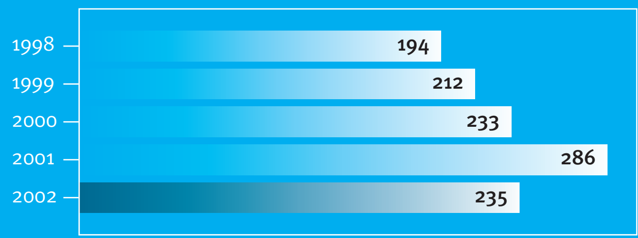
Sales (EUR million)

Sales

EUR million	2000	2001	2002
Sales	2 585	2 751	2 636
EBIT	233	286	235
Depreciation	214	197	223
Capital expenditures	247	538	244
R&D	41	42	43
Headcount (FTE)[1]	11 044	11 167[2]	10 712

1. Full-time equivalents at January 1 of the following year.
2. Including Solvay Solexis (Chemicals part).

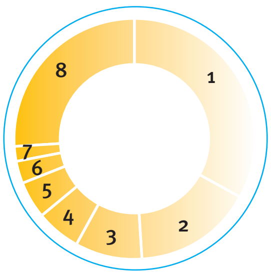
EBIT (EUR million)



CHEMICALS

Sales by SBU

% of sales 2002
(EUR 2 636 million)



1. Soda Ash = 33%
2. Fluorinated products = 16%
3. Hydrogen peroxide = 9%
4. Barium/strontium carbonates = 6%
5. Persalts = 5%
6. Advanced functional minerals = 3%
7. Caprolactones = 2%
8. Electrochemistry/Salt = 26%

- Electrochemistry and Derivatives

Caustic soda (Na OH) prices fell sharply in 2002, dragging down earnings from this activity. The situation has begun to improve since late 2002. In organic derivatives, the situation also improved in the second half of 2002. New developments in allylic products (polyglycerols) give us confidence in the future of this product line.

- Salt

Once the competition authorities had given the green light in early 2002, the new ESCO joint venture (38% Solvay, 62% Kali und Salz) was created, with its headquarters at Hanover (Germany). 2002 produced positive earnings, thanks in particular to the synergies achieved and to winter weather conditions producing a need for salt both at the start and at the end of the year. The joint venture is optimistic about its future.

- Fluorinated products

Specialty fluorinated chemicals faced unfavourable market conditions throughout 2002, due mainly to the gradual phase-out of HCFCs. Certain positive items point, nonetheless, to an improvement in 2003:

- Start-up of the HFC 365 mfc chlorine-free unit (application: thermal insulation foam) in January;
- Effects of the world-wide integration of the Ausimont range of fluorinated chemicals;
- Increased cost-reduction efforts.

- Peroxygens

Market conditions, which were bad at the end of 2001, progressively recovered throughout 2002, though without returning to satisfactory levels.

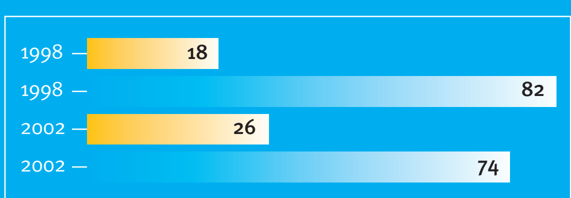
European markets have recovered well, and ahead of the USA. In the USA, the principal market, pulp and paper, remains weak, and is not expected to recover before the second half of 2003. The Asian and South American growth markets have met expectations. The Group proceeds to expand capacity to 75,000 t/year in Brazil.

As a result of the Ausimont acquisition, Solvay has integrated the 50,000 t/year H_2O_2 capacity of its Bitterfeld plant (Germany) and the peracid activity in Italy. This has enabled it to achieve major synergies and to respond to growing demand from Central and Eastern European countries. On the other hand, the Group was required by European competition authorities to sell the Ausimont peroxygens unit at Bussi (Italy).

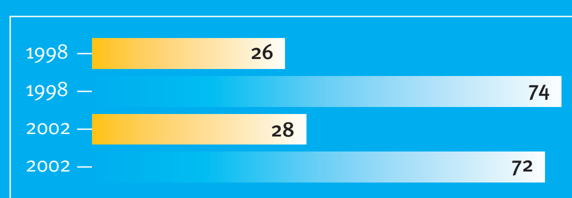
Specialties and Essentials breakdown

Specialties Essentials

% of Chemicals Sales



% of Chemicals EBIT



In the context of BASF's production of propylene oxide using hydrogen peroxide, Solvay and BASF concluded a major cooperation agreement which should lead to the construction of a 200,000 t/year, single-line hydrogen peroxide unit, the first in the world.

- Barium-Strontium

Development here failed to meet expectations. Whilst increased demand for barium-strontium carbonates for CRT screens was observed in Europe, no such increase was seen in the NAFTA zone.

In Asia, after a short-lived recovery in the spring, a true improvement did not get under way until the end of the year.

Prospects for 2003 appear better, with an expected recovery both in advanced electronics, which uses special grades of barium carbonate, and in CRT screens for TVs and monitors.

Also, the new Indian barium carbonate producer, Solvay Vishnu Barium Chemicals Private Ltd, in which the Group took a 51% participation in 2002, will be able to produce quality-competitive grades from early 2003.

- Detergents

This activity (mainly sodium percarbonate, a bleach for detergents) has maintained earnings levels whilst undergoing a restructuring process. In particular, perborate manufacturing at Deer Park (Texas, USA) has been halted, whilst it has been decided to increase percarbonate production capacity in the same plant.

- Advanced Functional Minerals

Earnings from this specialty product are improving. De-bottlenecking exercises have been undertaken in various Group production units, in order to penetrate new markets:

- at Rheinberg (Germany), in order to serve the paints market;
- at Lostock (U.K.) and Angera (Italy), aimed at the adhesives, plastisols and polymers markets.

- Caprolactones

An expansion increasing production capacity by 30% has been brought into service, with a view to gradually doubling capacity. The sales improvement visible since mid-2002 should continue, supported by recent technical improvements, such as the introduction at the Warrington site of an innovative unit for producing 86% hydrogen peroxide.

The Solvay Bicarjet® process (sodium bicarbonate) provides invaluable aid in removing graffiti.

Left: Chemistry, familiar in the most everyday gestures.

Right: Barium-strontium carbonates are essential in the manufacturing of cathodic screens.

Plastics

Earnings more than tripled.
Integration of the specialties acquired from BP and Ausimont.
Positive evolution of vinyl activities.

STRATEGY

- Rapid growth in Specialties (Fluorinated polymers, elastomers and fluids);
- consolidation of Essentials, through alliances and/or joint ventures in universal polymers with high-quality partners, in order to create scale and increase productivity.

- *Specialty polymers*

Solvay Solexis, born of the merger of Solvay Fluoropolymers and Ausimont, came into legal existence on January 1, 2003, with a wide portfolio of very high value added fluorinated products (fluoropolymers, fluoroelastomers, fluorinated fluids, ionic membranes) able to meet the most critical performance requirements. These activities – along with those acquired from BP and with Solvay's fluorinated polymers – form part of the Specialty Polymers SBU, one of the largest in the Solvay group.

Markets are many and diverse: from construction to medical supply, from electronics to telecommunications, from automotive to aerospace, from fibreoptics to fuel cells or food packaging (barrier materials), all representing untapped veins of future earnings.

Market conditions were more difficult in 2002 than in earlier years, owing to reduced activity in certain major markets (electronics, aerospace and telecommunications). The "Specialty Polymers" activities nonetheless recorded slightly increased sales compared with 2001, on a constant consolidation group basis.

The Group gained on schedule approval from the European and American competition authorities for buying Ausimont, having divested its PVDF plant at Decatur, Alabama (USA) as well as its 50% holding in the VF2 unit on the same site.

In Asia, the Business Unit made good progress and strengthened its commercial presence.

60 of ingenuity YEARS

Specialty polymers: ingenuity from when you jump out of bed in the morning

At the flip of a switch or the press of a button, light comes on and the razor starts to buzz: polymers have become vital parts of everyone's quality of life, comfort and safety.

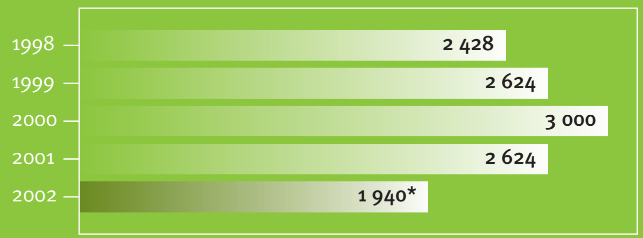
+234%

Sales

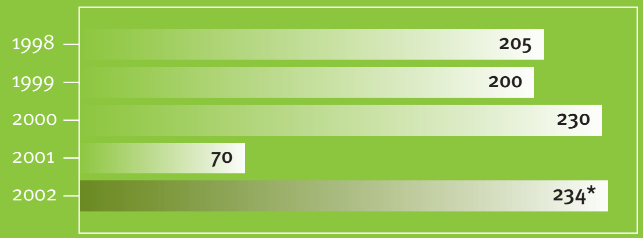
EUR million	2000	2001	2002[3]
Sales	3 000	2 624	1 940
EBIT	230	70	234
Depreciation	169	129	115
Capital expenditures	253	1 798[1]	207
R&D	47	49	60
Headcount (FTE)[2]	5 852	6 260[4]	5 712

1. Including EUR 606 million for the acquisition, in an exchange of activities, of BP's specialty polymers, and EUR 956 million for the Ausimont acquisition.
2. Full-time equivalents at January 1 of the following year
3. Earnings from the participations in the HDPE joint ventures are accounted for using the equity method as from 1.1.2002.
4. Including Solvay Solexis (Plastics part).

Sales (EUR million)



EBIT (EUR million)



* HDPE activities accounted for using the equity method (in 2001 : sales : 1 221 EUR million, EBIT : – 27 EUR million).

PLASTICS

Sales by SBU

Sales 2002
(EUR 1 940 million)

1. Vinyls = 44%
2. Specialty Polymers = 35%
3. Performance compounds = 21%

- Performance Compounds

The evolution of this Business Unit, whilst favourable as a whole, was uneven in its individual parts. Polypropylene and high density polyethylene compounds achieved interesting volumes and margins, whilst PVC compounds came under pressure from higher PVC prices.

The PVC compounds market, stable in Western Europe, is growing in Eastern Europe, and in particular in Russia, where an industrial joint venture project is taking shape.

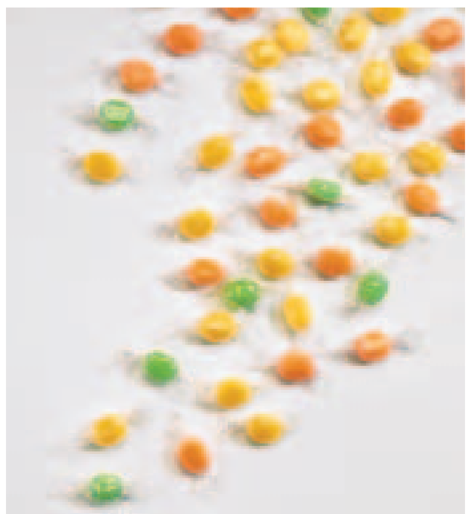
Production of PVC mixes at Tavaux (France) has been transferred to the Solvay Benvic France site at Chevigny, marking the last significant step in the restructuring of Benvic Europe.

In the USA, in June 2002 Solvay Engineered Polymers concluded an alliance with Thermoplastic Rubber Systems (TRS) giving it marketing rights to several TRS products, including NEXPRENE® items for the automobile industry.

- Vinyls

In 2002, the fact that Solvay Indupa was once again competitive (because of devaluation of the Argentine peso and a well-performing plant), as well as a stable demand in Europe and growing sales in Asia carried earnings upwards.

In the first half, restocking and an upturn in demand in Europe sent PVC prices up significantly. This trend reversed at the end of the year as demand weakened. Following the termination of VCM and PVC production at Zandvliet (Belgium), the SolVin joint venture (Solvay/BASF) ended the year on a stronger competitive footing, in particular after integrating all Solvay's Spanish vinyl activities.

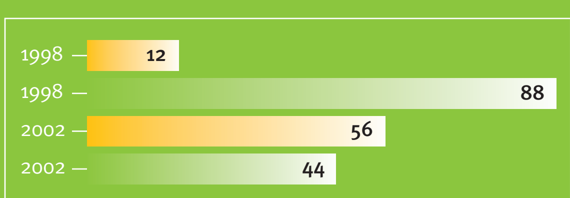


Plastics guarantee the hygiene of innumerable food products.

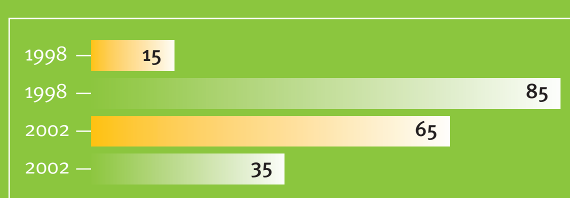
Specialties and Essentials breakdown

Specialties   Essentials

% of Plastics Sales



% of Plastics EBIT



In Asia-Pacific, demand has been favourably impacted by the continuing growth of China and its needs, as well as an economic upturn in South-East Asia and India. Production and sales at Vinythai (Thailand) reached record levels in 2002.

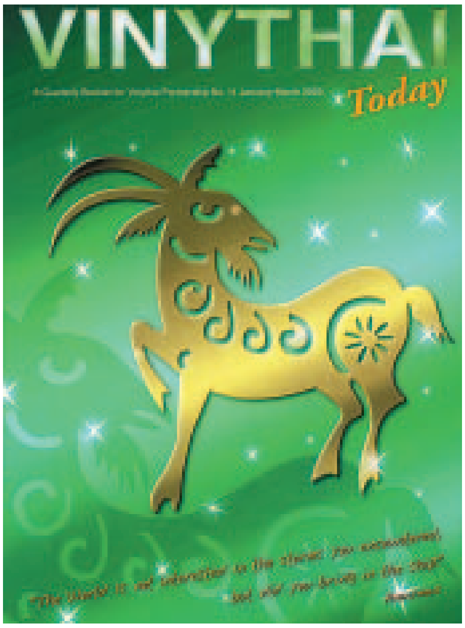
Prospects for PVC, a product with many uses, global consumption of which grew by a further 3.3% in 2002 to around 27 million tonnes, remain good for 2003.

- BPS (BP Solvay Polyethylene)

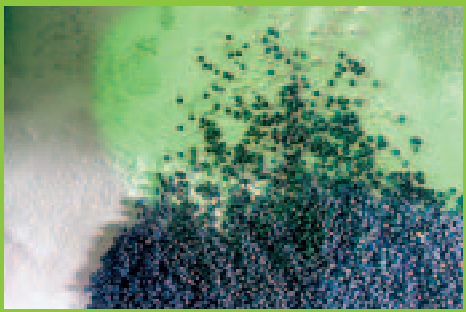
The joint ventures with BP in high density polyethylene (HDPE) operate in Europe (50/50) and in the USA (51% Solvay, 49% BP).

After a difficult first half in the USA, the second half saw a clear recovery in this country, compared with a still depressed situation in Europe. The restructurings already undertaken and still under way should enable BPS to withstand better in what is still a difficult market.

The results of the Group's participating interests in these joint ventures have been accounted for using the equity method since the beginning of 2002 and are therefore no longer consolidated. For the Group they were EUR 38 million negative in 2002.



Vinythai (Thailand)
enters the year of the goat in style...



Left: Industrial battery casing using products from Solvay Advanced Polymers (USA).

Right: Performance Compounds can be produced in any colours.

Processing

Earnings up 7%, despite portfolio reduction (sale of the “air intake manifolds” activity).
Specialties and leadership strengthened.

STRATEGY

- developing competitive and leadership positions alone or in partnership,
  - in Specialties: fuel systems (Inergy Automotive Systems), medical films, veneer films, swimming pool linings,
  - in Essentials: pipes and fittings (Pipelife) and selected industrial films;
- shedding activities where leadership appears out of reach.

- Inergy Automotive Systems

This company (a 50/50 joint venture in fuel systems with Plastic Omnium) developed positively in 2002, strengthening its leadership throughout the year.
During 2002, Inergy produced and sold 11.5 million fuel systems. This almost 10% growth is due to the acquisition of new customers and of production platforms in Belgium, Slovakia, France, Thailand, South-Africa and Mexico.

The synergies from the creation of the joint venture are gradually becoming visible.
In 2003 Inergy will continue introducing fuel systems adapted to the ultra-severe evaporation standards (LEV2 and PZEV) required by the market in the Unites States.

- Industrial films

The Group strengthened its leadership in industrial films (printed veneer films, swimming pool linings and medical films).

These developments, linked to an improvement of competitiveness, allowed earnings to grow in 2002. The Group’s position, in particular in roof waterproofing films and in films for adhesivation, should further strengthen in the future. Growth and competitiveness through innovation remain priorities for 2003.

40 of ingenuity YEARS

Plastic fuel tanks: Ingenuity serving safety and the environment

Plastics can be processed into complex shapes to occupy the smallest possible spaces. This includes car fuel tanks blown from high density polyethylene.
Safer, lighter and more complex than tanks produced from other materials, they are also more economical and are today fully recyclable.

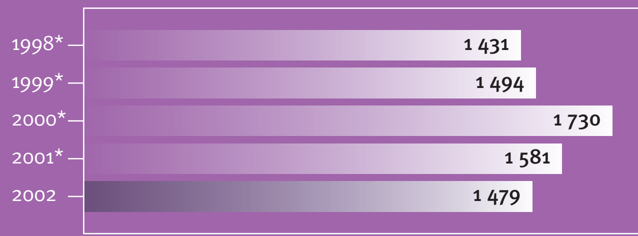
+7%

Sales

EUR million	2000	2001	**2002**
Sales	1 730	1 581	**1 479**
EBIT	69	68	**73**
Depreciation	81	79	**102**
Capital expenditures	112	151	**91**
R&D	24	28	**24**
Headcount (FTE)[1]	7 935	6 542	**6 321**

1. Full-time equivalents at January 1 of the following year. Portion attributable to the Group given the proportional consolidation of Inergy Automotive Systems and Pipelife.

Sales (EUR million)



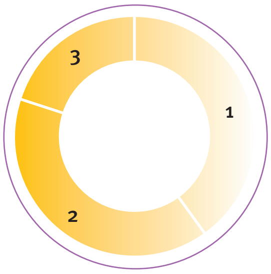
EBIT (EUR million)

* Including Decoration activities (until 2000) and Air intake activities (until 2001).

PROCESSING

Sales by SBU

Sales 2002
(EUR 1 479 million)



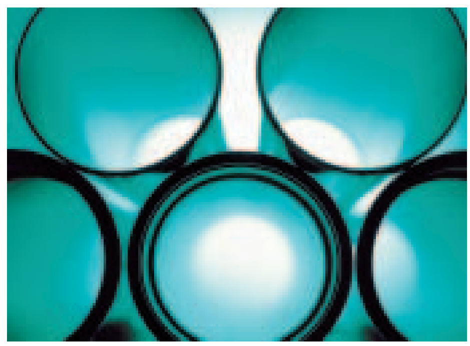
1. Inergy Automotive Systems = 40%
2. Industrial films = 40%
3. Pipelife (pipes) = 20%

- Pipelife

Despite an adverse economic climate in 2002, earnings of Pipelife (a 50/50 joint venture with Wienerberger in pipes and fittings) improved, thanks to very substantial cost cutting efforts worldwide and a policy of selective activity refocusing. Activity in the USA recovered in 2002. The innovation programme introduced in 2002 and the objective of increasing Pipelife's results will be pursued with determination.

Fuel system (100 l) for the new Porsche Cayenne and VW Touareg produced at the Bratislava (Slovakia) plant.

Reservoir at Barlovento (Canary Islands). Created in a volcanic crater with 250,000 m² of PVC geomembranes, this reservoir serves to irrigate banana and other food plantations.



Pipelife delivers a wide range of high and low pressure piping.

Specialties and Essentials breakdown

Specialties Essentials

% of Processing Sales

1998*	Specialties	39
1998*	Essentials	61
2002	Specialties	54
2002	Essentials	46

% of Processing EBIT

1998*	Specialties	41
1998*	Essentials	59
2002	Specialties	67
2002	Essentials	33

* Including Decoration activities

Innovation and New Business Development

INNOVATION

INNOVATION CHARTER

The Group recently introduced an **Innovation Charter** which expresses the definition of Innovation that it has adopted :
"Innovation is the process by which an enterprise converts the creativity of its employees and partners into added value, faster and better than its competitors."

- Innovation includes coming up with new concepts, methods and tools that not only ensure the success of the Business Units' activities, but also provide greater support for these activities. Successful innovation is honoured by "Innovation Trophies", awarded at regular intervals to individuals or teams from all units throughout the Group – administrative, financial, commercial, research and production – putting forward the most innovative and promising projects. 65 innovative projects were presented in 2001, most of which were implemented in 2002.

THE SOLVAY INNOVATION CHARTER

The Group wishes to place special emphasis on the need for dynamic and responsible innovation, that can generate lasting growth and improvement.

The function of each Group member contains therefore an Innovation dimension, of significant relative weight to other dimensions. Personal assessments, remuneration and career development are linked, among other things, to this criterion, which is applied at individuals and teams levels.

The key missions of management, at all levels, include developing and encouraging innovation in all its aspects including participative innovation. The Group recognizes and rewards innovators. It accepts that there are risks attached to this process.

High quality ideas that match the Group's strategic lines will receive the resources needed for demonstrating their validity and, where applicable, for deployment.

Innovation involves associating a maximum of stakeholders, and in particular customers.

Jacques van Rijckevorsel, General Manager of the Processing Sector, is also Innovation sponsor at Group level.

"You are all invited to take part in the 2003 Solvay Innovation Trophy, wherever you are."

Innovation and New Business Development

NEW BUSINESS DEVELOPMENT (NBD)

At the heart of this Innovation process is the **"New Business Development"** organisation, assigned the task of managing new risk projects outside the SBUs' defined fields of activity, and exploiting, validating and implementing new technologies, new products and new applications.

NEW TECHNOLOGIES

- Processes for manufacturing ionic or semi-permeable membranes, developed in the Group's laboratories, are finding their first semi-industrial or pilot applications:
  - in water purification, where these new membranes are currently being tested;
  - in electrodialysis, with the construction and successful bringing into service of two pilot electrodialysis units in Portugal.
- Production processes for dicalcic phosphate and purified phosphoric acid, using low concentration hydrochloric acid, have also been developed with the Ecophos company, in which Solvay is participating.

The construction of a pilot unit at the Dombasle (France) factory permitted this technology to be validated at the start of 2003.

- Fuel cells:
  - Low powered fuel cells will be used in portable equipment (mobile telephony, computers, medical applications, etc.);
  - Medium powered fuel cells will in the longer term find applications in the automobile industry;
  - High powered fuel cells will permit the use of stationary electricity generators.

NEW PRODUCTS

The **inorganic chemical specialties** project sets out to produce mineral specialties used in the food industry, in pharmaceutical products and in renal dialysis.
The first batches of high purity sodium derivates were successfully produced at the Dombasle (France) plant in the first half of 2002.
The search for new commercial outlets continues in 2003.


© ARCHIVES ULB

140 YEARS of ingenuity

The spark of innovation that brought the company into being in 1863

Starting from the Solvay brothers' laboratory, the spark of innovation has spread down the decades through every country in which the Group has operated. And it still shines as bright as ever in 2003, as witnessed by the hotly contested "Solvay Innovation Trophy".

NEW APPLICATIONS

- New thermoplastic resins have been obtained by reactive extrusion. These are specialty polymers whose functional properties can, for example, facilitate the adhesion of various products.

Applications include, in particular:

- multilayer barrier films used in packaging;
- structural materials for the automobile, aeronautical and construction industries;
- protection of steel plates, wire and pipes.

A pilot installation is at the start-up stage at the Group's Research and Technology Centre in Brussels.

- Solvay has developed, based on its performance compounds, an "OENOLYS™ process for the production (by third parties) of synthetic corks for wine bottles. This process provides solutions to the growing imbalance between the production of natural cork and market demand.

PROJECTS FOR THE ENVIRONMENT

Innovative projects protecting the environment have also been developed:

- The VINYLOOP® recycling process for composite PVC scraps has been successfully commissioned at industrial scale at Ferrara (Italy), paving the way for numerous similar projects;
- The NOVOSOL® process for stabilising and recycling sediments contained in dredging sludge is currently under development. Several potential clients have already manifested an interest.

MAJOR RESOURCES

"New Business Development" is the Group's third largest Research budget, after those of the Pharmaceuticals Sector and of Specialty Polymers. This latter budget includes the research costs of the special polymers acquired from BP as well as the research costs of polymers, elastomers and fluorinated fluids at Solvay Solexis.

65 projects

65 innovative projects,

presented in 2001, and most of them implemented in 2002.

These cover every Sector, and every Functional Management. We quote, at random:

- A technology combining retropharmacology and genome research;
- An educational kit designed to give young people (age 9 to 15) a positive approach to chemistry and chemicals;
- A modification to the trona calcination furnaces which reduces the energy bill by 5.5%;
- A new alloy technology using BENVIC® PVC to give a flexible material, ideal for cosmetics packaging;
- Two new fluorinated polymer formulations for high performance fishing lines;
- A flexible PVC film for blood bags, improving the conservation quality of the blood;
- A risk merger method which can clarify and improve risk coverage and at the same time cut insurance premiums.

Certain of these technologies have been patented, and could eventually be licensed out.

Health, Safety and the Environment. Sustainable Development

SUSTAINABLE DEVELOPMENT WHAT'S THAT?

For the Group this means conducting its activities in a way that balances respect for the environment and economic and social development that is sustainable in the long term.

This requires that we simultaneously be concerned with:

- improving the well-being and safety of the human community;
- safeguarding the medium and long-term future of the planet;
- achieving sustainable success for our enterprise.

We have, of course, to consume natural resources that are essential to production and service activities. But we must do so sparingly. Increasingly, we must also consider the impact across their entire life cycle of the products we manufacture and the services we offer.

All this must be done in a spirit of cooperation and dialogue with all stakeholders involved:
employees, authorities, neighbours, suppliers, clients, etc.

Through this dialogue and in the various environmental reports that it publishes both globally and locally, Solvay affirms its role as a pharmaceutical and chemical Group that is fully responsible for its activities and their consequences.

To this end the Executive Committee has defined a strategy and supported an internal "Sustainable Development" campaign consisting in particular of information and awareness-raising campaigns, along with high-profile events. A symposium on Sustainable Development was organised by the French National Management in Paris in November 2002. Other activities are scheduled for 2003.

HEALTH, SAFETY AND ENVIRONMENTAL MANAGEMENT: A LOGIC OF EMPOWERMENT FOR THE FUTURE

In September 2002 the Executive Committee redefined the Group's "Responsible Care" policy, together with a full range of strategies and initiatives in the areas of health, safety and environment covered by this commitment to constant progress. Supporting the general principles are a series of standards of conduct, methods and indicators defining objectives as well as a consistent framework for all units.

In addition to its continuous HSE management activities, the Group is also working, at certain sites, to manage the environmental issues from its industrial past, with measures to secure and where necessary mitigate the potential effects of such issues.

140 YEARS of ingenuity

Ethical behaviour and responsibility

Not words, but practiced values

Respect for the environment, concern for the human community and the objective of sustainable success are three Group's reference points.

SUCCESS STORIES IN 2002

- Natural resources: energy and water savings

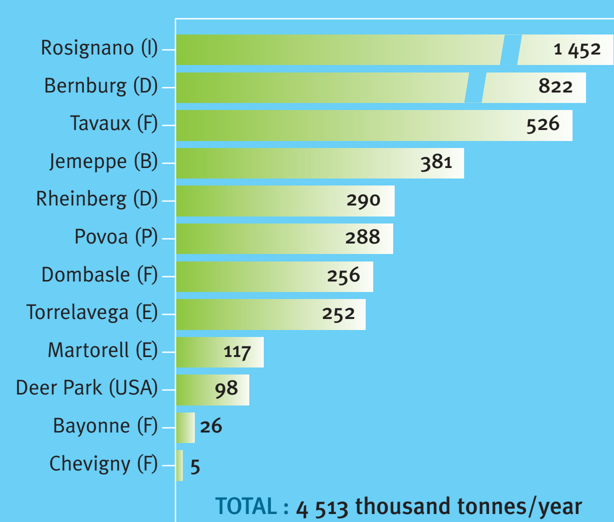
• In the energy field, two new and even more efficient cogeneration units have been added to the ten units already brought into service in the Group in recent years. The total reduction in CO_2 emissions, for these twelve units together, is estimated at over 4.5 million tonnes a year.
The development of cogeneration reflects both the importance of energy in the Group's activities and the attention it pays to achieving the objectives of the Kyoto protocol.
In this respect, the Group urges that constructive rules for the management of emission credits be set, to fully reflect the progress in energy efficiency achieved since 1990.

• In water management too, growing attention is being paid to reducing consumption. Programmes are under way at Rosignano (Italy), Jemeppe (Belgium) and Tavaux (France), and also at Bahia Blanca (Argentina) and Santo André

12 cogeneration units

are operated in the Group in 2002.

Total reduction in CO_2 emissions due to cogeneration units* (in thousand tonnes/year)



* Compared to coal power stations.

Cogeneration unit at Martorell (Spain).

HEALTH, SAFETY AND THE ENVIRONMENT SUSTAINABLE DEVELOPMENT

(Brazil) to increase recycling and reduce consumption. At the same time, progress is being made continuously in improving the quality of water discharges.

- Production: homogenous management in all entities

The introduction of ISO 14001 or equivalent environment management systems is continuing on all production sites. The external certification required for most such environmental management systems has now been acquired for most of the Group's chemical sites. In the field of safety management, audits are regularly undertaken at the Group sites. Two sites have now obtained the new international OSHAS (Occupational Safety and Hygiene Assessment Scheme) certification.

The programme to review all workplaces in terms of professional hygiene, which is scheduled for completion between now and 2005, and improving sub-contracting safety, are other important aspects of this programme.

CONTINUOUSLY IMPROVING SAFETY RESULTS

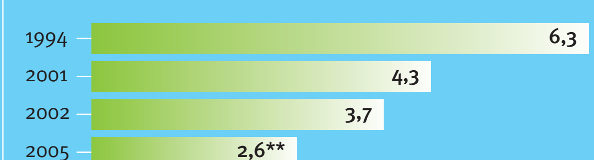
Globally, the Group's overall safety performance, already at a satisfactory level, improved further in 2002, with accident frequency rate falling from 4.3 in 2001 to 3.7 in 2002 for Solvay personnel (not including Solvay Solexis or joint ventures) and from 10.4 to 10.2 for contractor personnel. The continuous improvement of safety, achieved for over 10 years in the Group, remains a constant and high-priority objective for all personnel, in all units, with particular emphasis on workplace behaviour.

- Product transportation

The Group is busy improving the selection, information and participation of its transporters and distributors in order to increase the acceptance of safety responsibility throughout the logistics chain. This is one goal of the "product stewardship" programme developed by the "Hydrogen Peroxide", "Electrochemicals and Derivates" and "Detergents" Business Units. Supplementary measures have also been taken to reduce materials transport or render it more secure. The results are at times spectacular. For example, the use of multi-modal transport (truck + train) to transport PVC between France and Italy allows the Group to eliminate 7,000 truck crossings of the Alps annually.

Accident frequency rate*

(Solvay employees)



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

** Target.

- Product use

International product assessment studies, to which Solvay contributes, are increasingly including the way products are labelled and used. More complete client information resources have been introduced. In practice this frequently requires direct – and fruitful – contact with users. The Group is also a very active participant in voluntary commitments to improve the eco-efficiency of its products and processes in the context of Sustainable Development. One example is the "Vinyl 2010" programme for PVC, including an industrial charter applying to production methods, to a gradual increase in the recycling rate, to the replacement of lead additives, etc.
It is reminded that additives containing cadmium were already completely eliminated in 2002.

- Pro-environment products

- The Neutrec® flue gas cleaning process developed by the Group continues to develop successfully, and has now been fitted to over 100 units in Europe. It is supplemented by a RESOLEST® process for recycling saline residues from flue gas cleaning; a second RESOLEST® unit was brought into service in 2002 in Eastern France.

The NOVOSOL® process was developed to treat residual minerals containing heavy metals and organic matter.
At the same time the Group is developing a range of various filtration membranes, in particular for treating waste water.

- End of product life / recycling

Improving product performance and extending product lifetimes are two key emphases of Sustainable Development. Not satisfied with producing and distributing more and more efficient and longer-lasting products, the Group is contributing with determination to developing new recycling technologies and creating specific recycling chains. Following the commissioning of the first 10,000 t/year recycling unit at Ferrara (Italy) in 2002, several other projects are under study with various partners, in an attempt to achieve a European recycling capacity of 100,000 tonnes of PVC using this process between now and 2010. Processes for recycling plastic fuel tanks have also been developed.

Right: The Plasticana® anatomic clog produced from hemp using a PVC binder. And at the end of its life, the PVC can be separated out and recycled by the Vinyloop® and Textyloop processes®.

Human Resources

THE EVOLVING ORGANISATION OF THE GROUP

- Greater clarity and empowerment

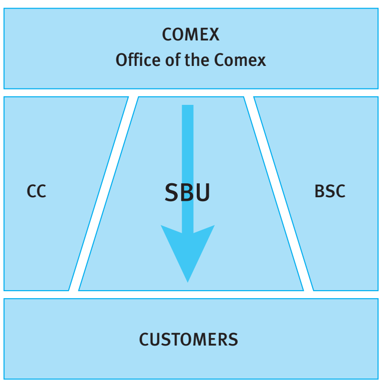
Whilst the 4 Sectors and their 17 Strategic Business Units represent the most visible aspect of the Group's activities, no less important are the multiple competence centres and other support functions that are not specific to one given "business".

At the end of 2002, the Executive Committee announced how it intended developing the organisation of the Group.

Concretely, a series of new entities are being created:

- an "Office of the Comex" (OC), providing strategic advice and assistance to the Executive Committee;
- Competence Centres (CC), each with a strategic role and global responsibility in its particular field;
- "Business Support Centres" (BSCs), contributing specialist operational support, at local, national, regional or even global level.

These new units will be introduced in the course of 2003. This will involve the clarification of many internal processes and a greater delegation of responsibilities.



THE GROUP MISSION, VISION AND VALUES TRANSLATED INTO HUMAN RESOURCES MANAGEMENT

The Mission, Vision and Values that the Group has adopted (see page 1 of the present report) are expressed in the way it manages its personnel around the world.
Teamwork, respect for people and customer care, ethical behaviour and empowerment are all values practised for many years within the Solvay group.
These find concrete expression today in various ongoing projects, among them:

- The "Competences" project

This international project seeks to detect, develop and maximise existing competences.

It is based on the Group's five values and two strategic directions, with each Executive Committee member acting as a sponsor or co-sponsor for a different value.

140 YEARS of respect for people

"There is only a minimal spirit of authority in our company"

We are all working sincerely at a work of art" **(Ernest Solvay)**

The Group's enterprise culture has, from the start, been profoundly impregnated by humanist values and social concern, both within the company and towards the outside world, with particular importance attached to the development and pooling of individual skills.

- The "Phoenix" project

This project, also international and participatory (directly involving 150 professional Human Resources managers), aims at redesigning the principal Human Resources policies and processes, that is:

- functional assessment and classification;
- career development;
- training;
- remuneration systems;
- pay techniques;
- industrial relations.

- The "Ausimont Integration" project

Around 1900 Ausimont (renamed Solvay Solexis) employees joined Solvay in 2002. The various activities undertaken to make them feel welcome and integrate them optimally into the Group's organisation, procedures and culture, include:

- function redefinition work;
- internal communication initiatives;
- assessments;
- training;
- transfers to Solvay and vice-versa.

- The "Solvay Survey" project

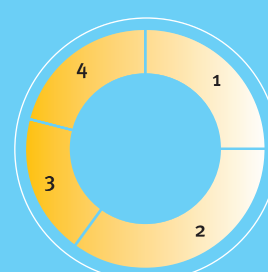
An internal satisfaction survey will be organised in the 2nd half of 2003 in most regions, complementary to and following on a similar survey carried out three years ago. A large majority of employees (69%) responded at the time.

30 302 competences

at work on five continents.

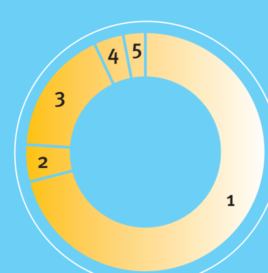
Employees per sector
01/01/2003

1. Pharmaceuticals = 25% (7 557 employees)
2. Chemicals = 35% (10 712 employees)
3. Plastics = 19% (5 712 employees)
4. Processing = 21% (6 321 employees)

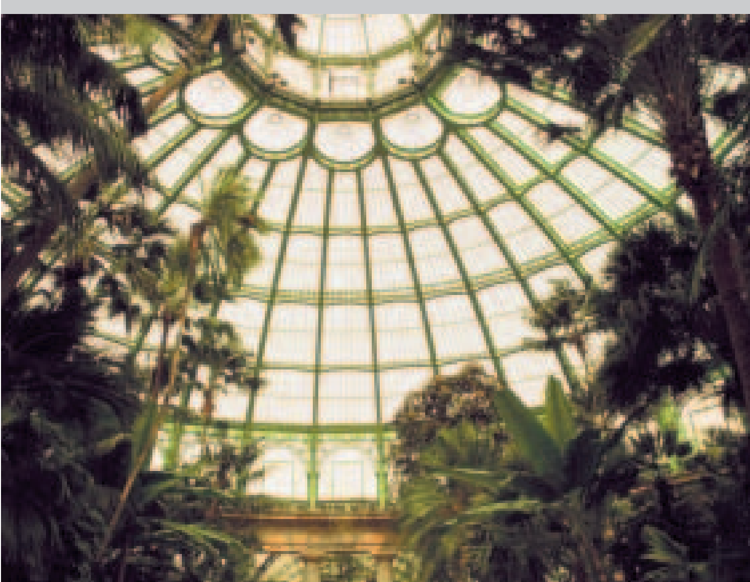


Employees per region

1. European Union = 72 %
2. Other European Countries = 4 %
3. Nafta = 17 %
4. Mercosur = 4 %
5. Asia Pacific = 3 %



Management report and Financial items



140 YEARS of ingenuity

Ingenuity serving financial management

Financial management, once a simple exercise, has become more complex as the Group has grown. Whilst major strategic operations can today call for sophisticated structuring, transparency remains de rigueur right through the Group's accounts.

Management report

SOLVAY GROUP HAD AN EXCELLENT YEAR IN 2002: EARNINGS UP 23%.

- Significant earnings increases in Pharmaceuticals, Plastics and Processing;
- First full-year consolidation of Solvay Solexis (ex-Ausimont) results;
- Chemical Sector holds up well in a difficult environment;
- Record consolidated net current earnings of EUR 496 million;
- Record consolidated cash flow of EUR 1.1 billion.

The Solvay Group ended 2002 with net current earnings of EUR 496 million, up 23% from 2001 (EUR 403 million) despite the difficult global economic context. Given the negligible balance of extraordinary items, both net earnings and net current earnings are EUR 496 million.
Minority interests account for EUR 28 million in that figure, of which EUR 23 million for the preference dividends of Solvay Finance Jersey.

- Business progress
Sales for the year were EUR 7.9 billion, compared with EUR 8.7 billion in 2001. This 9% decrease is explained mainly by changes is the consolidation perimeter: the Group's joint ventures interests with BP in high density polyethylene now accounted for using the equity method, and the sale of the automotive air systems activity have produced a fall in recorded sales (EUR –1,392 million) not totally offset by the consolidation of the former Ausimont activities (EUR +461 million).

EBIT trends varied from one Sector to the next. In the Pharmaceuticals Sector it increased by 13%. The Plastics Sector very substantially improved its earnings from the low level of 2001, thanks in particular to the contribution of Solvay Solexis and the progress made by the vinyl products. The Processing sector grew also (by 7%), whilst EBIT in the Chemicals Sector, affected mainly by falling caustic soda prices, fell 18%.

Consolidated net earnings (EUR million)

Cash-flow (EUR million)

Sales

EUR million	*2001*	*2002*	*% 2002/2001*	*% of 2002 total*
Pharmaceuticals	1 769	1 863	+5%	24%
Chemicals	2 751	2 636	–4%	33%
Plastics	2 624	1 940	–26%	24%
Processing	1 581	1 479	–6%	19%
Total	**8 725**	**7918**	**–9%**	**100%**

EBIT

EUR million	*2001*	*2002*	*% 2002/2001*	*% of 2002 total*
Pharmaceuticals	203	230	+13 %	30%
Chemicals	286	235	–18 %	30%
Plastics	70	234	+234 %	30%
Processing	68	73	+7 %	10%
Total	**628**	**772**	**+23 %**	**100%**

MANAGEMENT REPORT

In 2002 the Pharmaceuticals, Chemical and Plastics Sectors each contributed similarly (around 30%) to Group EBIT.

- Consolidation of Solvay Solexis

Earnings from the former Ausimont activities, fully consolidated as from January 1, 2002, exceeded expectations. Fluorinated polymers, elastomers and fluorinated fluids were combined with Solvay's fluorinated polymers in a new Solvay Solexis entity, forming part of the "Specialty Polymers" Strategic Business Unit within the Plastics Sector. These activities represented the major part of 2002 earnings from the former Ausimont activities. Earnings from the chemical derivatives and fluorinated chemical specialties are included in the related Strategic Business Units of the Chemical Sector.

- Higher EBIT / sales margin

With EBIT up 23% on 9% lower sales, the Group considerably improved its EBIT/sales margin, from 7.2% in 2001 to 9.7% in 2002. This is due in particular to the implementation of major strategic decisions which considerably improved the quality of the Group's activity portfolio.

- Net debt expense

Net debt expense of EUR 68 million was 24% down on 2001. This reduction is due, for the most part, to currency gains (EUR 24 million) in particular on the sale of a foreign exchange cover in Argentina which became redundant with the forced conversion of US dollar debt in that country into pesos.

- Ratings

The Group enjoys excellent Standard & Poor's and Moody's ratings (respectively A/A2 for long term and A1/P1 for short term).

- Taxes

Current taxes increased 26%. The average tax rate was 24%.

- Equity accounting of high density polyethylene activities

Earnings from the Group's participations in the high density polyethylene joint ventures with BP are now accounted for by the equity method (EUR –38 million).

- Depreciation, Amortization and Cash Flow

Total depreciation and amortization increased by 16%, mainly in the form of extraordinary depreciation and amortization items. Cash flow was up 19%, passing the EUR 1 billion mark to a record EUR 1,100 million.

- Research and Development and Capital Expenditures

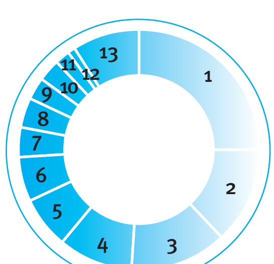
Capital expenditure of EUR 625 million in 2002 reflects the very rigorous selection of projects in the various Sectors. R&D expenditure reached EUR 397 million, including EUR 270 million (68% of the total) in Pharmaceuticals. The 2003 investment and R&D budgets are EUR 832 million and EUR 421 million respectively. In 2003 research in the Pharmaceuticals Sector should represent 69% of the Group's R&D outlay.

- Balance sheet

Net Group debt increased slightly, from EUR 1,050 million at the end of 2001 to 1053 at the end of 2002. Consolidated shareholders' equity reduced from EUR 3,939 million at the end of 2001 to 3796 million at the end of 2002. The net consolidated financial situation at the end of the year, presents a "net debt to equity" ratio of 28%, identical to 2001. Return on equity (ROE) reaches 13.1%, up from 10.2% in 2001.

The customer base in 2002

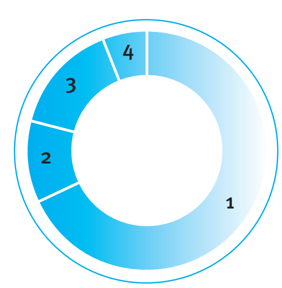
1. Human health = 25%
2. Construction and civil engineering (including de-icing salt) = 13%
3. Automotive industry = 13%
4. Chemical industry = 10%
5. Glass industry = 7%
6. Consumer goods = 6%
7. Water and the environment = 4%
8. Electricity and electronics = 4%
9. Packaging = 3%
10. Detergents, cleaning and hygiene products = 3%
11. Paper = 2%
12. Food processing = 1%
13. Other industries (refrigeration, oil industry, textiles, tanning, metalwork...) = 8%



R&D expenditure by Sector

R&D expenditure 2002 (EUR 397 million)

1. Pharmaceuticals = 68%
2. Chemicals = 11%
3. Plastics = 15%
4. Processing = 6%



SENSITIVITY TO ECONOMIC FACTORS

The Group is taking various measures to reduce its sensitivity to external economic factors such as foreign exchange fluctuations and energy prices.

Foreign exchange fluctuations, in particular the devaluation of the Argentine peso and, in the second half of 2002, the negative impact of the US dollar, produced a 4.4% fall in turnover.

Given the group's long-standing policy of hedging its positions in Mercosur against the volatility of this region's currencies, the Group did not suffer any foreign exchange loss from the devaluation of the Argentine peso.

ENERGY SITUATION

Solvay's energy policy is based on:

- long-term contracting (electricity in particular);
- diversifying its sources of supply (coal, gas);
- developing co-generation units.

Group energy policy has, for several years, included the introduction of a growing number of co-generation units. At January 1, 2002 the Group already had around 840 MW of installed co-generation capacity at its plants. In the course of 2002, a further 65 MW were brought into service, at Povoa (44 MW) in Portugal and at Martorell (21 MW) in Spain.

Total co-generation capacity is right now around 900 MW, in 12 plants, 11 of them in Europe

Despite the relatively steady level of Brent crude prices in 2002, fuel prices in Europe and the United States were down from their very high 2001 levels.

Year on year, the Group's energy expenditure (on a constant consolidation basis, i.e. excluding both high density polyethylene and Ausimont) fell by almost 8%.

For 2003, the Group expects its energy expenditure to be relatively stable compared with 2002, given the structure of its current contracts and with residual risks hedged from March to June 2003 inclusive.

PARENT COMPANY RESULTS

Current earnings before taxes rose to EUR 125 million, compared with 63 million in 2001.

The balance of extraordinary items amounts to EUR 87 million earnings, compared with 114 million in 2001. Taking into account a EUR 8 million tax credit (EUR 25 million in 2001), net earnings of Solvay SA in 2002 amount to EUR 220 million, up from 202 million in 2001.

In the absence of any appropriation to and from untaxed reserves, the profit available for allocation amounts to EUR 220 million (up 9% on 2001).

STATUTORY AUDITOR'S EXAMINATION OF THE ACCOUNTS

On June 7, 2001 the General Shareholders' Meeting appointed Deloitte & Touche as Statutory Auditor. The Statutory Auditor's report can be found on page 80. Fees received by Deloitte & Touche in 2002 for its consulting activities (apart from its audit mission), mainly in the context of the adopting in 2003 of the IFRS accounting standards, amounted to EUR 491,504.83.

Exchange fluctuations

Parity with the EUR	*Average*		*Closing*	
	2001	*2002*	*2001*	*2002*
US Dollar	0.8957	0.9453	0.8813	1.0487
Brazilian Real	2.1047	2.7765	2.0473	3.7124
Argentine peso	0.8963	3.5286	1.4981	3.5286

Distribution of profit of Solvay S.A. for 2002
(in EUR millions)

	2002
Net profit for the year available for distribution	220.221
Carried forward	321.567
Total available to the General Shareholders' Meeting	**541.788**
Allocations:	
- Gross dividend	198.797
- Appropriations to and from reserves	0.233
- Carried forward	342.758
Total	**541.788**

Summary consolidated income statement

EUR million	Notes	2000	2001	2002
Sales		8 863	8 725	**7 918**
Cost of sales		–6 418	–6 281	**–5 275**
Gross margin	(1)	2 445	2 444	**2 643**
General and sales overheads	(2)	–1 351	–1 419	**–1 433**
Research expenditures	(3)	–360	–341	**–397**
Other operating expenses and income	(4)	–75	–77	**–81**
Other financial expenses and income	(5)	7	21	**40**
EBIT	(6)	666	628	**772**
Net debt expenses	(7)	–83	–90	**–68**
Current taxes		–123	–135	**–170**
Share in earnings of companies valued according to the equity method		–27		**–38**
Net earnings before extraordinary items		433	403	**496**
Extraordinary items, net after tax	(8)			
Net income	(9)	433	403	**496**
Minority interests		–11	5	**28**
Solvay's share of earnings		444	398	**468**

Explanatory notes are on page 49 and following pages.

Consolidated cash flow statement

EUR million	*Notes*	*2000*	*2001*	***2002***
Cash flow from operations				
Net income		433	403	**496**
Depreciation and amortization	(10)	551	522	**604**
Cash flow		984	925	**1 100**
Non-Cash items	(11)	–5	–41	**–32**
Changes in provisions		–8	29	**–60**
Changes in working capital		–54	524	**–460**
Net cash provided by operations		917	1 437	**548**
Cash flow from investment activities	(12)			
Acquisition of assets and investments	(12)	–812	–2 627	**–625**
Sales of assets and investments		110	502	**250**
Changes in notes receivable		30	158	**–17**
Net cash used by investment activities		–672	–1 967	**–392**
Cash flow from financing activities				
Increase of capital	(13)	3	4	**10**
Increase of third-party interests	(14)		800	
Changes in borrowings		349	385	**–121**
Dividends	(14)	–190	–204	**–230**
Net cash used by financing activities		162	985	**–341**
Net changes in cash and cash equivalents		407	455	**–185**
Currency translation differences and change in scope of consolidation		–274	–71	**–11**
Cash and cash equivalents at beginning of year		199	332	**716**
Cash and cash equivalents at year's end		332	716	**520**

Explanatory notes are on page 49 and following pages.

Summary consolidated balance sheet

EUR million	Notes	at December 31 2000	at December 31 2001	at December 31 2002
ASSETS				
Fixed assets		5 591	6 223	**5 532**
Start-up expenses and intangible assets	(15)	493	527	**377**
Consolidated differences (goodwill)	(16)	298	261	**198**
Tangible assets	(17)	3 904	4 273	**3 814**
Financial assets	(18)	896	1 162	**1 143**
Current assets		3 587	4 777	**3 613**
Inventories	(19)	1 157	1 151	**1 096**
Trade receivables	(19)	1 586	1 551	**1 485**
Other receivables and adjustments	(19)	512	1 360	**512**
Cash and cash equivalents	(20)	332	715	**520**
TOTAL ASSETS		9 178	11 000	9 145
SHAREHOLDERS' EQUITY AND LIABILITIES				
Total equity	(21)	3 974	3 939	**3 796**
Shareholders' equity		3 733	2 995	**2 887**
Minority interests		241	944	**909**
Provisions and deferred taxes	(22)	1 615	1 857	**1 689**
Liabilities		3 589	5 204	**3 660**
Financial liabilities	(20)	1 504	1 765	**1 573**
– Due in more than one year		583	1 165	**1 086**
– Due within one year		921	600	**487**
Trade liabilities	(19)	1 196	1 180	**1 109**
Other liabilities	(19)	889	2 259	**978**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		9 178	11 000	9 145

Explanatory notes are on page 49 and following pages.

Evolution of shareholders' equity

EUR million	*Capital*	*Issue premiiums*	*Revaluation surplus*	*Reserves*	*positive goodwill differences offset*	*Negative consolidation and equity method differences*	*Exchange rate differences*	*Capital subsidies*	*Shareholders' equity*	*Minority interests*	**TOTAL**
Book value at year-end 2001	1 267	7	61	2 297	–944 [1]	25	267	15	2 995	944	**3 939**
Changes during the year											
Income for the year				468					468	28	**496**
Proposed dividend				–199					–199		**–199**
Changes during the year	2	7				–5		–2	2		**2**
Changes in exchange rates							–379		–379		**–379**
Changes in minority interests [2]										–63 [2]	**–63** [2]
Book value at year-end 2002 [1]	1 269	14	61	2 566	–944 [1]	20	–112	13	2 887	909	**3 796**

1. goodwill amounts relating to the consolidation of the BP Special Polymers actvitiy and of Ausimont.
2. including preference dividends for Solvay Finance Jersey shareholders.

Accounting system, criteria for inclusion and consolidation methods

1. ACCOUNTING SYSTEM

The consolidated financial statements have been drawn up as required by Belgian accounting law, which in turn conforms with the fourth and seventh European Directives.
The Group intends to publish its financial statements in accordance with International Financial Reporting Standards (IFRS) from 2003 onwards. A pro forma IFRS statement for 2002 is to be found in an insert.

2. CRITERIA

In order to be included in the annual financial statements, companies need to be of significant size at Group level, that is, they must meet at least one of the three following minimum thresholds in terms of their contribution to the Group financial statements:

- 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 potential for rapid development, or where they hold shares of other companies that are consolidated under the above criteria.

3. METHODS

- Full consolidation

Companies over which the Group exercises exclusive de facto or de jure control are fully consolidated.

- Proportional consolidation

Companies over which the Group exercises joint control with a limited number of partners are consolidated by the proportional consolidation method.

- Equity method

Participating interests in companies in which the Group holds an interest of between 20 and 51% and on which it exercises substantial influence are accounted for by the equity method, pro rata to the Group's ownership interest. Consolidated in this way are the BP Solvay polyethylene activities and the polyethylene activity which remains with Solvay (Brazil).

NB: 2002 accounts of our Argentine companies have been integrated basing on an inflation accounting method.

Consolidated financial data – Balance sheet - From 1993 to 2002 (EUR million)

Balance sheet

	1993	1994	1995	1996	1997	1998	1999	2000	2001	**2002**
ASSETS										
Fixed assets	3 967	3 779	3 693	4 023	4 556	4 540	5 133	5 591	6 223	**5 532**
Start-up expenses and intangible assets	233	212	194	193	246	246	415	493	527	**377**
Consolidation differences (goodwill)	77	64	60	60	84	77	206	298	261	**198**
Tangible assets	3 355	3 179	3 113	3 432	3 733	3 513	3 849	3 904	4 273	**3 814**
Financial assets	302	324	326	338	493	704	663	896	1 162	**1 143**
Current assets	2 685	2 772	2 802	2 996	3 242	2 878	3 279	3 587	4 777	**3 613**
Inventories	1 005	932	965	953	1 014	966	1 047	1 157	1 151	**1 096**
Trade receivables	891	1 060	1 061	1 155	1 407	1 267	1 629	1 586	1 551	**1 485**
Other receivables	375	372	342	717	353	370	404	512	1 360	**512**
Cash and cash equivalents	414	408	434	171	468	275	199	332	715	**520**
TOTAL ASSETS	6 652	6 551	6 495	7 019	7 798	7 418	8 412	9 178	11 000	9 145

	1993	1994	1995	1996	1997	1998	1999	2000	2001	**2002**
SHAREHOLDERS' EQUITY AND LIABILITES										
Total equity	2 435	2 433	2 469	2 877	3 235	3 293	3 670	3 974	3 939	**3 796**
Shareholders' equity	2 337	2 350	2 395	2 693	2 969	3 047	3 417	3 733	2 995	**2 887**
Minority interests	98	83	74	184	266	246	253	241	944	**909**
Provisions and deferred taxes	1 318	1 279	1 316	1 401	1 636	1 621	1 623	1 615	1 857	**1 689**
Liabilities	2 899	2 839	2 710	2 741	2 927	2 504	3 119	3 589	5 204	**3 660**
Financial liabilities	1 499	1 336	1 220	1 106	1 185	840	1 155	1 504	1 765	**1 573**
– Due in more than one year	1 200	993	924	933	654	649	607	583	1 165	**1 086**
– Due within one year	299	343	296	173	531	191	548	921	600	**487**
Trade liabilities	709	811	759	831	871	816	1 084	1 196	1 180	**1 109**
Other liabilities	691	692	731	804	871	848	880	889	2 259	**978**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6 652	6 551	6 495	7 019	7 798	7 418	8 412	9 178	11 000	9 145
Ratios										
Return on equity (ROE)	–7	8.1	12.6	11.7	10.5	11.5	11.5	10.9	10.2	**13.1** [1]
Net debt to equity ratio	45	38	32	32	22	17	26	29	27	**28**

1. without amortization of goodwills related to the BP and Ausimont acquisitions in Specialty Polymers, those goodwills having been deducted from Shareholders' Equity. Including such amortization ROE would have been 12.2%.

Definitions

ROE: Consolidated net income/total equity.

Net debt to equity ratio: Net indebtedness/equity.

Consolidated financial data – Income statement - From 1993 to 2002 (EUR million)

Income statement

	1993	1994	1995	1996	1997	1998	1999	2000	2001 [3]	**2002 [3]**
Sales	6 052	6 500	6 776	6 990	7 709	7 451	7 869	8 863	8 725	**7 918**
Cost of sales	–4 192	–4 353	–4 881	–5 113	–5 747	–5 392	–5 609	–6 418	–6 281	**–5 275**
Gross margin [1]	1 860	2 147	1 895	1 877	1 962	2 059	2 260	2 445	2 444	**2 643**
General and sales overheads	–1 455	–1 430	–986	–1 042	–1 064	–1 102	–1 201	–1 351	–1 419	**–1 433**
Research expenditures	–299	–285	–293	–305	–284	–292	–345	–360	–341	**–397**
Other operating expenses and income	–75	–84	–58	–44	–88	–69	–104	–68	–56	**–41**
Operating results	31	348	558	486	526	596	610	666	628	**772**
Financial expenses and income	–110	–93	–88	–48	–24	–41	–14	–83	–90	**–68**
Current taxes	–19	–84	–160	–155	–175	–178	–173	–123	–135	**–170**
Share in earnings of companies valued according to the equity method		1	1	3				–27		**–38**
Net earnings before extraordinary items	–98	172	311	286	327	377	423	433	403	**496**
Extraordinary items (net)	–73	25	–1	52	14	1				
Net income	–171	197	310	338	341	378	423	433	403	**496**
– Minority interests	6	7	5	8	11	3	–5	–11	5	**28**
– Solvay's share of earnings	–177	191	305	330	330	375	428	444	398	**468**
Depreciation and amortization	473	470	453	481	498	507	533	551	522	**604**
Cash flow	302	667	763	819	839	885	956	984	925	**1 100**
Ratios										
Gross margin (as a % of sales)	30.7	33.0	28.0	26.8	25.4	27.6	28.7	27.6	28.0	**33.4**
Times charges earned [2]	0.5	3.0	5.9	5.8	14.1	11.3	11.6	7.9	7.0	**10.8**
Current taxes/Current earnings before taxes earnings before taxes (as a %)	17	33	34	35	35	32	29	21	25	**24**

1. From 1995 the gross margin is calculated after distribution and warehousing costs. Before that change the 1995 margin amounted to EUR 2 372 million.
2. Times charges earned: Earnings before taxes, extraordinary items and net debt expenditures/net debt expenditures.
3. Without amortization of goodwills related to the BP and Ausimont acquisitions in Specialty Polymers, which have been deducted from Shareholders' Equity.

Consolidated data per share

	1998 (EUR)	1999 (EUR)	2000 (EUR)	2001 (EUR)	2002 (EUR)	2002 (USD)	2002 pro forma IFRS (EUR)
EBITDA / REBITDA	12.74	13.66	13.77	13.62	16.26	17.05	16.83
Cash flow	10.12	11.12	11.39	10.82	12.63	13.25	12.24
Consolidated net earnings	4.45	5.08	5.27	4.72	5.53	5.80	5.59
Net earnings before extraordinary items	4.38	5.08	5.20	4.72	5.53	5.80	–
Gross dividend	2.07	2.20	2.27	2.27	2.40	2.52	2.40
Net dividend	1.55	1.65	1.70	1.70	1.80	1.89	1.80
Number of fully-paid up shares at December 31 (thousands)	84 138	84 290	84 365	84 445	84 601	84 601	83 059 [1]

1. Under pro forma IFRS, average number of shares in 2002 less the number of company's own shares.

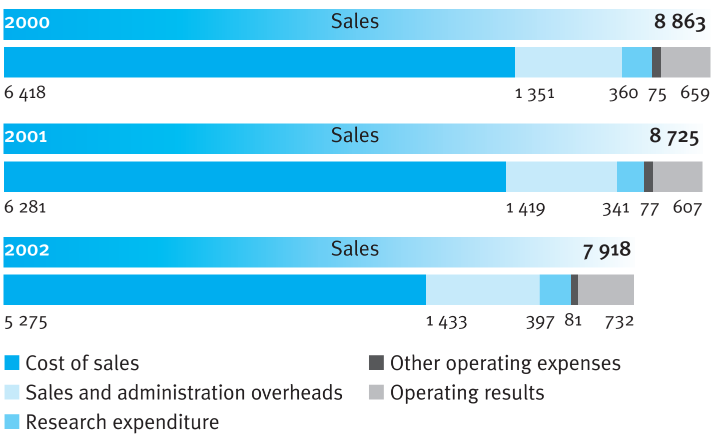
NB: Pro forma IFRS figures are for information only.

Notes to the financial statements

The notes below are cross-referenced to the summary consolidated financial statements. The statutory annexes give additional details on the items reviewed in these notes.

CONSOLIDATED INCOME STATEMENTS

Consolidated income statements (EUR Million)



(1) GROSS MARGIN

Expressed as a percentage of sales, gross margin rose from 27.6% in 2000 to 28.0% in 2001 and to 33.4% in 2002. This significant increase from 2001 to 2002 derives from two factors:

- The very substantial increase in gross margin in the Plastics Sector (from 11.5% to 25.0%). This reflects the incorporation of the high value added products produced by Solvay Solexis and of the high performance polymers acquired from BP, and the fact that the polyethylene activities, which produced very low margins in 2000 and 2001, are now accounted for by the equity method. Also contributing to this increase is the higher margin on vinyl products;
- The stronger sales growth in the Pharmaceuticals Sector (+5% compared with 2001), which is characterized by much higher gross margins (of the order of 74% in both 2001 and 2002) than the other Sectors.

(2) GENERAL AND SALES OVERHEADS

The Group's general and sales overheads rose by 1% during the year. The sales overheads (43% of sales) of the Pharmaceuticals Sector were maintained at the 2001 level, despite the 5% sales increase. The general and sales overheads of the Chemicals Sector rose slightly, to 7.5% of sales compared with 6.9% in 2001. The increase of general overheads in the Plastics Sector from 5.3% to 8.8% is due to the change in consolidation scope mentioned earlier in this report. General and sales overheads in the Processing Sector were 8.7% of sales, as against 8.9% in 2001.

Write-downs of trade receivables and of inventories of finished products were slightly above their 2001 level (EUR 22 million, compared with 21 million).

(3) RESEARCH EXPENDITURES

These were up 16% on 2001.
Research expenditure in the Pharmaceuticals Sector was up by 22%, accounting for 68% of total Group research expenditure and equal to 14% of sales in this sector. Heavy research expenditure was incurred for the clinical trials of Cilansetron. The cost of purchasing Cetrorelix (phase II clinical tests) was charged in full in 2002.

Research expenditure in the Chemicals Sector was slightly higher than the previous year's level.
The 23% increase in R&D expenditure recorded in the Plastics Sector is due to the change in the consolidation scope.
In the Processing Sector, the apparent reduction (–10%) in research expenditure is explained by the divestiture, effective January 1, 2002, of the Air Intake Systems activity.

(4) OTHER OPERATING EXPENSES AND INCOME

EUR million	2000	2001	2002
Start-up costs and preliminary studies	–21	–17	**–11**
Costs of closures, divestitures and demolitions	–17	–13	**–15**
Costs of trials and tests	–13	–7	**–10**
Amortization of goodwill	–23	–26	**–19**
Net changes to provisions for risks and expenses not allocated to operating expenses	–12	–36	**–25**
Results of miscellaneous operations	11	22	**–1**
Balance of the other expenses and income	–75	–77	**–81**

This item yielded a net charge of EUR 81 million, up EUR 4 million on 2001.
Start-up expenses are 35% lower than in 2001. Costs of trials and tests are up, from EUR 7 million to 10 million.
Goodwill amortization is down (–27%), reflecting on the one hand the divestiture of the Air Intake Systems companies, and on the other hand a significant exchange effect on the related companies in the USA and Argentina.
Given the authorisation granted by the Banking and Finance Commission to deduct the acquisition goodwill on the BP Specialty Polymers and Ausimont from Shareholders' Equity (implemented at the end of 2001), this category is not influenced by these goodwill items.

NOTES TO THE FINANCIAL STATEMENTS

If that acquisition should have been amortized, an additional expense of EUR 31 million should have been taken for 2001. Net allocations to provisions, which included in 2001 an allocation for the pensions of retired employees in Belgium (which had been incorrectly reversed in 2000), recovered a normal level in 2002. Future pensions for active employees are accounted for by charges to personnel costs under cost of sales, general and sales overhead and research expenditures.
The balance of other expenses and income is reduced compared to 2001, when it had been positively influenced by income from various operations in Belgium.

(5) OTHER FINANCIAL EXPENSES AND INCOME

This item, with a net positive balance, was EUR 19 million higher than in 2001. It includes the income from minority holdings and financial receivables and reversals of capital subsidies. It also includes foreign exchange profits and losses (not related to sales or to net debt) and miscellaneous financial expenses (banking costs, costs associated with setting up companies, capital increases, capital contributions etc.) and financial income (commissions, guarantees received, income from trade receivables, etc.). A positive exchange effect of EUR 6 million was registered in 2002, due to currency fluctuations (particularly of the US dollar) along the year. Other financial expenses and income are down from EUR –16 million to –1 million, thanks to a sharp increase of the balance of insurance premiums received and paid by our reinsurance company.

Other financial expenses and income

EUR million	*2000*	*2001*	*2002*
Income from financial assets	28	36	**35**
Exchange profits and losses	3	1	**6**
Miscellaneous	–24	–16	**–1**
Other financial expenses and income	7	21	**40**

(6) EBIT

EBIT / Sales (%)

EBIT is the earnings recorded from the ongoing activities of the Group prior to net debt expenses, taxes and earnings from companies accounted for by the equity method (such as our polypropylene activity in 2000, and our share in the polyethylene activity in 2002).

(7) NET DEBT EXPENSES

EUR million	*2000*	*2001*	*2002*
Borrowing costs	–103	–119	**–133**
Exchange differences	–8	–3	**23**
Income from investments	28	32	**42**
Net debt expenses	–83	–90	**–68**

Net debt expenses rose from EUR 83 million in 2000 to EUR 90 million in 2001 and then declined to EUR 68 million in 2002. This 24% decrease between 2001 and 2002 reflects essentially the forced conversion of our US dollar debt in Argentina into pesos. This produced a substantial gain on the sale of a currency hedging position which had become redundant. Excluding foreign exchange conversion items, debt expenses rose slightly, owing to:

- a slight rise in debt expenses following the fixing in the second half of 2001 of the interest rates on both our EUR debt (Euro Medium Term Notes – EMTN – issue maturing in 2006) and on our dollar debt (5-year, USD 220 million Interest Rate Swap). In 2002, the rates fixed in this way remained unchanged for the whole of the year, whilst short-term rates continued to fall;
- reduction, due to lower interest rates, of the profitability of surplus of cash built up in advance of the Ausimont acquisition;
- inclusion of Ausimont's debt charges for the first 4 months of the year.

It must be pointed out that 1 646 361 own shares amounting to EUR 101 million, which cover our stock option plan, are equivalent to a non-remunerated cash investment, as these shares do not receive dividends.

(8) NET EXTRAORDINARY ITEMS

As in 2001 and 2000, this item showed a practically zero balance.

Extraordinary items are categorized as follows:

Extraordinary income

EUR million	*2000*	*2001*	*2002*
Extraordinary income	90	235	**136**
Extraordinary expenses	–98	–217	**–230**
Tax effect of extraordinary items	8	–18	**94**
Net extraordinary items	0	0	**0**

Extraordinary income includes in 2002 :
- provisions for restructurations and other minor adjustment provisions;
- extraordinary income linked to the sale of the U.S. commercial rights on the Teveten® hypertension medication to Biovail (EUR 34 million);
- EUR 18 million from the sale to BASF of 25% of Hispavic Iberia S.L.;
- EUR 52 million of deferred tax liabilities from Ausimont S.p.A.

Extraordinary charges relate mainly to:
- amortization of intangible fixed assets relating to the Luvox® medication and provisions for the cost of its withdrawal from the U.S. market (EUR 53 million);
- exceptional write-offs of goodwill items (including Pipelife) and of assets that no longer serve any economic purpose (EUR 77 million).

(9) NET INCOME

Net income increased from EUR 403 million to EUR 496 million (+23%). Minority interests were EUR 28 million as against EUR 5 million in 2001. This EUR 23 million increase represents the remuneration granted to banks subscribing the preference shares in Solvay Finance Jersey Ltd (remunerated at Euribor plus 90 basis points). Solvay's own share of net income rose by 18%.
In 2001, the goodwills arising from the consolidation of the BP Specialty Polymers activity (EUR 185 million) and from the acquisition of Ausimont (EUR 759 million) have been offset against shareholders' equity, with the agreement of the Banking and Finance Commission.
Without such an imputation, depreciation and amortization, based on 15 years lifetime for Specialty Polymers and 40 years lifetime for the fluorinated products from Ausimont[1], should have amounted to EUR 31 million more, with the net earnings reduced by the same amount.

CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows changes in cash and cash equivalents relating to operations, investments and financing. In 2000, changes in working capital needs, provisions, notes receivable and borrowings were reflected as balance differences in the consolidated financial accounts.

(10) DEPRECIATION AND AMORTIZATION

Total depreciation and amortization rose by 10% compared with 2000 and 16% compared with 2001. This reflects primarily extraordinary depreciation and amortization (EUR 130 million in 2002 compared with EUR 54 million in 2001).

(11) NON CASH ITEMS

This item serves to offset the effect of the non-cash earnings components. It represents the profit/loss from sales of fixed assets and investments, as well as reductions of value recorded on these assets.

(12) INVESTMENTS

Investments in 2002 amounted to EUR 625 million compared with EUR 2.627 million in 2001. They reflect a stringent selection of investment projects following a year of very high investment, including the Ausimont acquisition (EUR 1.300 million) and the acquisition of BP's Specialty Polymers in an exchange of activities transaction (EUR 606 million).

(13) CAPITAL INCREASES

The amount shown under this item comes from the EUR 9 million increase in the capital of the parent company (including a EUR 7 million issue premium) following the exercise of warrants leading to the issue of 155.600 shares.

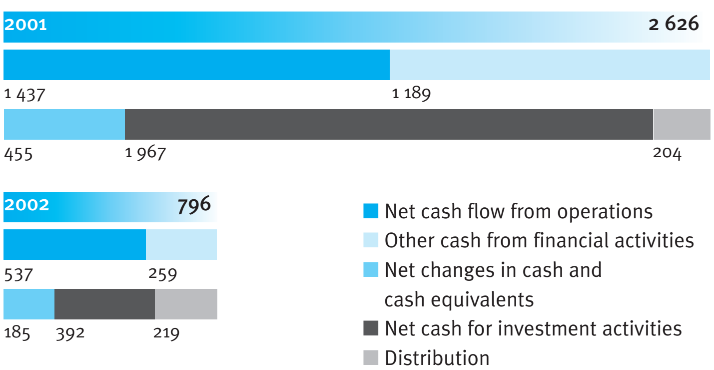
(14) INCREASE OF THIRD PARTIES INTEREST

The amount of EUR 800 million in 2001 represents the preference shares of Solvay Finance Jersey subscribed by several Banks for financing the Ausimont acquisition.
Besides the dividends to Solvay shareholders, the dividends include EUR 23 million for Solvay Finance Jersey third parties, and EUR 7 million for other third parties.

1. These products require higher R&D expenses and last longer.

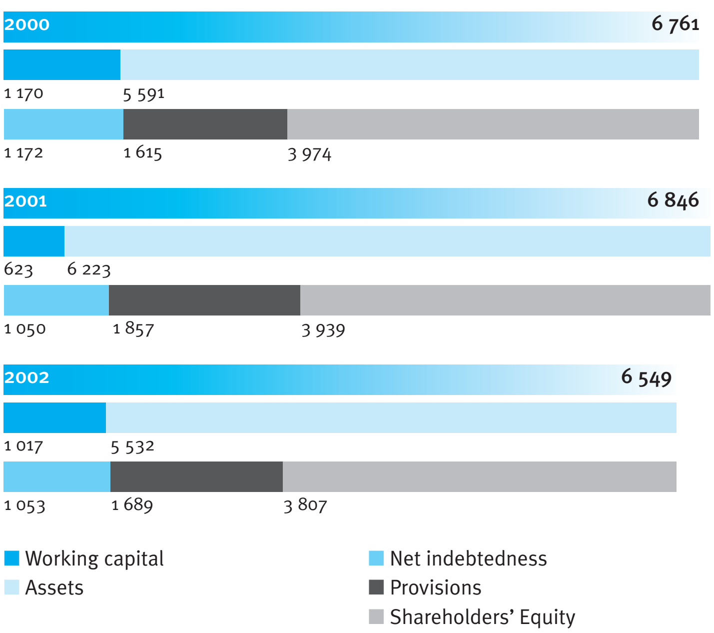
NOTES TO THE FINANCIAL STATEMENTS

Consolidated cash flow statement (EUR million)



CONSOLIDATED BALANCE SHEET

Capital structure (EUR million)



(15) START-UP EXPENDITURES AND INTANGIBLE ASSETS

EUR million	
Net value at the end of 2000	**488**
Net value at the end of 2001	**518**
Expenditure on fixed assets	40
Depreciation	–134
Transfers, divestitures; closures	1
Currency translation differences	–39
Changes to the scope of consolidation and others	–13
Net value at the end of 2002	**373**

This item consisted mainly of the lease rights for mining natural soda ash (trona) in the USA and the patents and licences acquired for the anti-hypertensive medications Aceon® (USA) and Teveten® (worldwide, except USA), and for the Marinol® medication (USA). To this were added the registration, development and launch costs of Aceon® in the USA.

(16) POSITIVE CONSOLIDATION DIFFERENCES

This is the price paid in excess of the stated shareholders' equity, adjusted in certain cases, of consolidated companies and companies accounted for by the equity method. This item consists mainly of goodwill paid on the acquisition of companies, as well on as the shares purchased from minority shareholders in Kali-Chemie AG.

Goodwill is amortized over 15 years, with the exception of the goodwill relating to trona mining activities (40 years).

This heading changed as follows:

Consolidation differences

EUR million	
Net value at the end of 2000	**298**
Net value at the end of 2001	**261**
Acquisitions of operations	10
Depreciation for the fiscal year	–35
Divestitures	0
Currency translation differences	–47
Changes to the scope of consideration and others	9
Net value at the end of 2002	**198**

(17) TANGIBLE FIXED ASSETS

This item contains the costs of acquiring the Group's tangible fixed assets, less accumulated depreciation and extraordinary write-offs over the years.
The net value of the Group's tangible fixed assets rose from EUR 4.273 million at the end of 2001 to EUR 3 815 million at the end of 2002. This change includes a very large currency translation effect, mainly due to a lower US dollar.

Tangible fixed assets

EUR million	
Net value at the end of 2000	**3 904**
Net value at the end of 2001	**4 273**
Expenditure on fixed assets	**496**
Depreciation	**–432**
Transfers, divestitures, closures	**–64**
Currency translation differences	**–315**
Changes to the scope of consolidation and others	**–144**
Net value at the end of 2002	**3 814**

Construction in progress stood at EUR 327 million at the end of 2002 as against EUR 366 million at the end of 2001.

Depreciation periods by type of asset, now harmonized and generally practised across the Group, are:

Land	not depreciated
Buildings	30 years
Plant, machinery and equipment	10 to 20 years
Other equipment and miscellaneous	10 years
IT equipment	3 to 5 years
Transportation equipment (including railcars)	5 to 20 years

(18) FINANCIAL ASSETS

With the exception of interests in companies accounted for by the equity method, financial assets are recorded at their acquisition cost.

This item includes:

- interests in companies accounted for by the equity method
  - the polypropylene activity, in 2000 only (sold in 2001);
  - the European and US joint ventures with BP in high density polyethylene and the Brazilian HDPE activity;
- interests in companies that, not being significant for the Group, are neither consolidated nor accounted for by the equity method;
- long-terms loans to and receivables from these companies;
- in the Pharmaceuticals sector, the interests in ArQule (12.1%) in the USA and Innogenetics (8.14%) in Belgium;
- the interests in Sofina (12.6%) and Fortis AG (1.46%) held by Mutuelle Solvay, with market values of EUR 173 million and EUR 176 million respectively at 31.12.2002.

It was decided to continue to record these interests at their historic value, given that these are long-term investments, which the Group does not intend to re-sell, and because the latent capital losses caused by the generally depressed state of financial markets should disappear over time. The latent capital losses amount to EUR 73 million. In turn the interest in Sofina presented at December 31, 2002 a latent capital gain of EUR 86 million

(19) CURRENT ASSETS AND LIABILITIES

The working capital requirements item consists of all inventories and trade and other receivables, less trade and other liabilities.

This requirements increased by a net EUR 385 million. This is mainly because, at the end of 2001, working capital included a debt of EUR 1.300 million to Montedison and a receivable of EUR 800 million recorded against the minority shareholders in Solvay Finance Jersey Ltd. The debt of EUR 1.300 million was paid on May 7, 2002 and the minority shareholders of Solvay Finance Jersey have paid in May and June 2002 their subscribed shares.

Current assets and liabilities

EUR million	*2000*	*2001*	*2002*
Inventories	1 157	1 150	**1 096**
Trade receivables	1 586	1 551	**1 485**
Other receivables and accruals and deferrals	512	1 360	**512**
Trade payables	–1 196	–1 180	**–1 109**
Other debts and accruals and deferrals	–889	–2 260	**–978**
Working capital requirements	1 170	621	**1 006**

Inventories of finished products were up by EUR 12 million, and now represent an average of 26 days' sales as against 23 in 2001. Trade receivables are down. These represented 68 days' sales, against 65 in 2001.

(20) NET INDEBTEDNESS

The Group's net indebtedness is the balance between borrowings and total cash and cash equivalents (including term and sight deposits). It increased by EUR 3 million, from EUR 1.050 million at the end of 2001 to EUR 1.053 million at the end of 2002.

Borrowings fell by EUR 192 million from EUR 1.765 to 1.573 million. Long-term borrowings were down by EUR 79 million, and short-term borrowings by EUR 113 million. Exchange differences contributed to the decrease.

NOTES TO THE FINANCIAL STATEMENTS

Cash and cash equivalents amounted to EUR 520 million (including 1.646,361 treasury shares in an amount of EUR 101 million). This figure is EUR 195 million lower than at the end of 2001, when the Group had marshalled cash reserves in advance of the Ausimont acquisition.

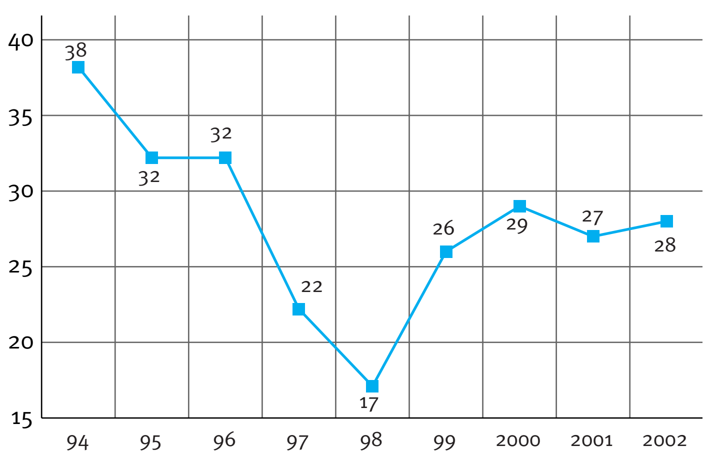
Net indebtedness

EUR million	*2000*	*2001*	*2002*
Cash and cash equivalents	332	715	**520**
Long-term financial liabilities	583	1 165	**1 086**
Subordinated debt	21	1	**1**
Debenture debt[1]	315	1 027	**891**
Financing leases	96	57	**29**
Credit institutions	125	55	**112**
Other borrowings	26	25	**53**
Short-term financial liabilities	921	600	**487**
Current portion long-term debt	80	92	**128**
Credit institutions	409	435	**347**
Other borrowings	432	73	**12**
Net indebtedness	1 172	1 050	**1 053**

1. Of which EUR 700 million EMTN (Euro Medium Term Note) from 2001 on.

- Net debt to equity

The Group's ratio of net debt to equity stabilised at 28% at the end of 2002, as against 27% at the end of 2001.



Maturity of the indebtedness

EUR million	*End 2002*
Borrowings ending:	
– from now until end 2003	**128**
– in 2004	**58**
– in 2005	**103**
– in 2006	**846**
– in 2007	**46**
– in 2008	**11**
– after 2008	**381**
	1 573

For analysis purposes, all renewable borrowings have been counted as permanent debt.

- Borrowings and credit lines

The largest loans maturing after 2002 are:

- in Belgium: initial issue of EUR 700 million by Solvay SA under the EMTN programme, maturing in 2006, with an interest rate of 5.5%;
- in the United States: USD 175 million repayable in equal instalments from 2003 to 2007, with an interest rate of 8.55%[2];
- in Argentina: our 51% of the ARS[3] 118 million of indexed debt at Solvay Indupa, dating from before the acquisition by the Group, repayable in equal instalments from 2003 to 2006 at an indexed rate of 6%;
- in Thailand: our 46.4% share in the THB 5.4 billion borrowed to finance Vinythai (straight line repayment, variable interest rate (7% at the end of 2002), final maturity: 2006).

In addition the Group has access to:

- a USD 500 million commercial paper programme, of which USD 234 million was drawn down at the end of 2002. This programme is covered by back-up credit lines which were unused at the end of 2002. EUR 55 million of drawings maturing in 2003 were also outstanding under the Belgian treasury bills programme;
- a stand-by credit facility of DEM 1 billion or its equivalent in EUR (unused at the end of 2002), expiring in September 2003.

2. Fixed-rate loans with no possibility of prepayment except with heavy penalties.
3. USDs "pesoified" by Argentine decree.

- Facilities
The Group also has available to it a multicurrency, multi-country receivables securitization programme for the equivalent of EUR 400 million. At the end of 2002, the Group had made use of EUR 59 million of this facility compared with EUR 35 million at the end of 2001.

- Derivatives
These are used only to cover clearly identified risks. In practice derivatives consist primarily of currency and interest rate swaps. Currency swaps are part of our policy of covering transaction exchange risks. In this way, one-off hedging measures were undertaken in Brazil, where the major portion of our USD indebtedness was covered, at December 31, 2002, principally by currency swaps.
Interest swaps, which generally cover periods of several years, are a means of locking in the interest rate for a portion of our indebtedness (particularly in USD). During the second half of 2001, the Group seized the opportunity to lock in a part of its USD debt with an interest rate swap (USD 220 million, rate of 5.42%, maturity 2006).

- Managing the exchange risk on debt
Group borrowings are generally carried out by the Group's specialist 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, in principle 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 we have to borrow in a strong currency. Nonetheless, the Group has taken advantage of any opportunities presenting themselves to refinance its borrowing in emerging countries with local currency debt.
In this way, at the end of 2002, the Group had zero foreign exchange exposure on its residual currency borrowings.

- Managing interest rate risk
Interest rate risk is managed at Group level, based on net indebtedness by currency. Currently, most of the Group's euro and dollar debt carries fixed interest rates in the proportion of respectively 83% in Euro and 80% in US Dollar.

(21) SHAREHOLDERS' EQUITY

- Capital
As of December 31,2002, the issued capital of Solvay S.A. was EUR 1.269 million, compared with EUR 1.267 million at December 31, 2001. At December 31, 2002, capital was represented by 84.600.633 shares without par value.

During 2002, 15.560 warrants issued to senior Group executives around the world were exercised, each leading to the issuing of 10 new shares. These produced a capital increase of EUR 2 million.

- Share premium account
The EUR 7 million increase in the balance of this item between 2001 and 2002 represents the premiums paid on the issue of the new shares.

- Reserves
As the balance sheet is presented after distribution, the increase in reserves corresponds to the net undistributed earnings
The dividend proposed to the Solvay S.A. General Meeting is included under "other liabilities".

- Negative consolidation differences
This item, down by EUR 5 million on 2001, covers negative consolidation differences recorded when companies are either fully or partially consolidated or are recorded by the equity method for the first time.

- Positive goodwill differences offset against equity
This item, a negative amount, consists of the positive consolidation difference (goodwill) of EUR 759 million on the purchase of Ausimont, together with the EUR 185 million goodwill on the inclusion of the BP special polymers activities. Under the terms of the derogation received from the Banking and Finance Commission, these items are deducted from shareholders' equity.
The purchase of Ausimont, which took place at the end of 2001, has only marginally impacted ROE (the EUR 759 million negative under this item being offset by EUR 800 million under minority interests). Without deduction of the goodwills, ROE should have been 12.2%, instead of 13.1%.

NOTES TO THE FINANCIAL STATEMENTS

- Currency translation differences

This item records the accumulated sum of currency translation differences that arise between the translation of the shareholders' equity of subsidiaries into euros at the current exchange rate and the values at which they were translated when originally taken into the accounts.

Also included are differences arising from the use of average rates in expressing earnings.

The sharp fall rise in this item compared with 2001 represents essentially the fall of the US dollar against the euro at December, and the devaluations of the Brazilian real and the Argentine peso.

- Capital subsidies

This heading covers investment subsidies granted by the public authorities. These amounts are reduced by being taken into income pro rata with the depreciation recorded on the corresponding assets.

New subsidies are entered under this heading and immediately recorded in the income statement. At the same time, a corresponding depreciation amount is applied to the subsidised assets in order to bring the recorded figure in line with their real cost to the Group. The amounts involved are of minor significance.

- Minority interests

This item represents the interests of third parties in subsidiaries owned less than 100% but fully consolidated.

It includes, since the end of 2001, the EUR 800 million of preference shares representing the funds contributed by a banking syndicate to Solvay Finance Jersey Ltd, permitting the acquisition of Ausimont. These preference shares have been remunerated since the closing date in the form of a dividend of EUR 23 million in 2002, corresponding to an annual return on equity of 4.3%.
The preference shares are repayable one year after the exercise our put option to sell to BP our share in the joint ventures created with them in the polyethylene area. This option can be exercised in November 2004 at the earliest. The shares will be repaid from the proceeds of the exercise of the put option. Should Solvay fail to exercise its option to sell to BP its interest in the joint ventures, or if the sale of its interest were made impossible, in particular owing to an objection by the competition authorities, the banks subscribing the preference shares can ask Solvay to buy them back.

Otherwise, the minority interests represent essentially Asahi Glass's interests in the US trona mine and those of local shareholders in the Bulgarian subsidiary Solvay Sodi J.S. Co. These latter interests decreased further by nearly 5% in 2002, with block purchases following the public purchase offer of 2001. By the end of 2002, Solvay Sisecam Holding held 97.3% of Solvay Sodi J.S. Co.

(22) PROVISIONS AND DEFERRED TAXES

In total, provisions fell by EUR 96 million (–6%), of which 74 million are due to exchange differences.

These provisions relate primarily to pension funds and similar commitments by the parent company and subsidiaries to their personnel, covering ordinary pensions and provisions for early retirement. These amount to EUR 674 million, showing an increase of 2% or EUR 13 million from new allocations.

Besides covering the cost of major repairs and maintenance (EUR 22 million) and fiscal risks (EUR 37 million), the balance of EUR 709 million (down EUR 95 million on 2001) covers a number of risks and charges connected with:

- mining activities, on which certain Group products are based;
- increasing environmental protection obligations;
- risks related to the Group's production and sales activities (risks "products", "countries", "product liability");
- risks formerly transferred to insurance companies ("technical provisions");
- risks related to the Group's relations with persons involved in or affected by the Group's activities (clients, suppliers, staff, local authorities, partners in subsidiaries and joint ventures, etc.);
- reorganisations and closings.

Some of these risks cannot – or can only partly – be covered by third parties (threshold or ceiling amounts). Therefore, the Group progressively constituted provisions aiming at covering such risks and charges, appreciated at global level and adjusted yearly at the level considered as adequate.

Deferred taxes are down EUR 72 million on 2001, of which 30 million come from exchange differences; provisions for discrepancies between fiscal and harmonised depreciation are lower than the reversal of EUR 52 million for deferred taxes at Ausimont S.p.A. (see note 8).

- *Solvay group policy on insurance*

Solvay group policy is to use insurance to cover all catastrophe hazards, in all cases where insurance is compulsory and also when insurance represents the best economic solution for allocating risk.
In 2002 the market contracted considerably following insurers' and reinsurers' direct and indirect losses owing to the events of September 11, natural catastrophes occurring in 2002 and the collapse of stock markets.
This resulted in a heavy increase in the premiums demanded from us. To contain this increase we have, as part of the insurance of our assets, agreed to increase the Group's self-insurance portion (the portion insured by our captive reinsurer from EUR 11 to 25 million).
The Group is watching attentively for any relaxation of the insurance markets in order to seize new opportunities £for covering its risks and so limit the financial consequences of incidents that could have a major impact on its assets, profits and its third party liability.

- *Solvay group policy on pensions*

The Group's pension plans are structured either on a defined contribution or, in the majority of cases, on a defined benefit basis.

Pension plans on a defined contribution.
The way in which pension commitments are recorded in the financial statements reflects local regulations.
Annual assessments are generally undertaken.
The actuarial assumptions used in defining commitments vary according to the economic and demographic conditions and the regulations prevailing in the countries concerned.

Pension plans are either externally funded, with their assets managed separately and independently from those of the Group, or are financed by provisions. Total commitments at December 31, 2002 amount to around EUR 1.800 million. Of this amount, some EUR 1.000 million are invested outside the Group.

The Group's retirement pension commitments breakdown geographically as follows (main countries):

Country	*% of the total*	*provisions*	*assets outside the group*
Germany	25	X	
Netherlands	25		X
Belgium	18	X	X
United States	12	X	X
France	7		X
United Kingdom	6		X
Other countries	7	X	X

In 2002 allocations to the provisions were higher than withdrawals, mainly in the United States, Italy and Germany. For the provisions denominated in US dollars one notes a major currency impact on conversion into euros.
The impact of the stock market decline on funds placed outside the Group is estimated at EUR 100 million, and did not lead, in 2002, to major cash contributions (except in the United States: USD 7 million).
In order to better manage the different pension plans offered to the personnel in the various countries, as well as the investments in the external related pension funds, the Group set up a Pension Committee, headed by the General Manager for Human Resources and including delegates from both Human Resources and Finance Managements.

NOTES TO THE FINANCIAL STATEMENTS

RIGHTS AND COMMITMENTS NOT REFLECTED ON THE BALANCE SHEET (TABLE XV ON PAGE 76)

- Purchase commitments

The Group has entered into medium and long-term purchase commitments towards third parties covering a certain number of raw materials and utilities. As their volume is less than forecast needs, the Group expects to be able to fulfil these commitments without significant impact on its consolidated financial statements.

- Lease commitments

The Group has entered into medium and long-term lease commitments with third parties, in particular for railcars, automobiles, administrative and commercial buildings and equipment, the use of which is certain in the medium and long-term. Such leasing is generally arranged with specialized third parties. In a very limited number of cases it involves special financial vehicles in which no group personnel have any interests and which are governed by very strict accounting rules for operating leases.

- Litigation and other important commitments

A certain number of court cases and legal proceedings are outstanding, instigated both by and against Group companies. The Group is determined to defend its positions vigorously, and does not expect the outcome of any of these proceedings to significantly affect its consolidated financial statements.

- Other commitments (heading E of Table XV)

These consist of:

- EUR 38 million record the EBRD's (European Bank for Reconstruction and Development) put option towards Solvay in respect of its 23.37% holding in Solvay Sisecam Holding AG (which in turns holds Solvay Sodi AD in Bulgaria);
- EUR 800 million represent the commitment to repurchase the preference shares from the bank shareholders of Solvay Finance Jersey, in the event that we should prove unable to sell our share in the high density polyethylene enterprises;
- EUR 93 million represent various other commitments.

List of companies entering or leaving the Group

COMPANIES ENTERING THE GROUP - FULLY CONSOLIDATED

BELGIUM	
Solvay, BAP S.A.	meets the criteria
ITALY	
Solvay Finanziaria S.p.A.	new company
GERMANY	
Solvay Salz Beteiligungs GmbH & Co KG	carve-out Cavity GmbH & Co KG
Hispavic GmbH	new company
GREAT BRITAIN	
Cova Products Ltd	meets the criteria
IRELAND	
Solvay Finance Ireland	new company

COMPANIES ENTERING THE GROUP UNDER THE PROPORTIONAL CONSOLIDATION METHOD

NETHERLANDS	
Frisia Zout B.V.	joint-Venture 38%

CHANGES IN METHOD OF CONSOLIDATION

BELGIUM	
ESCO Benelux S.A.	become proportional 38%
FRANCE	
Saline Cerebos et de Bayonne S.A.	become proportional 38%
ESCO France S.A.	become proportional 38%
GERMANY	
ESCO International GmbH	become proportional 38%
ESCO GmbH & Co KG	become proportional 38%
SPAIN	
ESCO España S.L.	become proportional 38%
Hispavic Iberia S.L.	become proportional 75%
Vinilis S.A.	become proportional 48,75%
PORTUGAL	
Vatel Lda	become proportional 38%

CHANGE OF NAME

BELGIUM	
SIFMAR S.A.	

COMPAGNIES LEAVING THE GROUP

BELGIUM	
Basant Vinyls	absorbed by Solvin S.A.
LUXEMBURG	
Solvay Finance Luxembourg	no longer meets the criteria
NETHERLANDS	
Boekelo Folien B.V.	no longer meets the criteria
Vemedia B.V.	sold
FRANCE	
Solvay Automotive Plastics & Systems S.A.	sold
Inergy Automotive Systems Ouest S.A.	
ITALY	
Agora S.p.A.	
Ausimont S.p.A.	absorbed by Agora S.p.A.
GERMANY	
Solvay Automotive GmbH	sold
Pipelife Deutschland GmbH Gölzau	absorbed by Pipelife Deutschland GmbH
SPAIN	
Solvay Automotive Iberica S.A.	sold
Viniclor S.A.	absorbed by Vinilis S.A.
GREAT BRITAIN	
Solvay Automotive Ltd	sold
SWEDEN	
Leveneplast AB	absorbed by Pipelife Sverige AB
UNITED STATES	
Alventia LLC	sold
Solvay Fluoropolymers Inc	sold

List of fully consolidated companies

BELGIUM	
Alkor Draka S.A., Oudenaarde	100
Solvay BAP S.A., Bruxelles	100
Mutuelle Solvay S.C.S., Bruxelles	99.9
Peptisyntha & Cie S.N.C., Neder-Over-Heembeek	100
Solvay Automotive Management and Research SNC, Bruxelles	100
Solvay Benvic & Cie Belgium S.N.C., Bruxelles	100
Solvay Coordination Internationale des Crédits Commerciaux (CICC) S.A., Bruxelles	100
SIFMAR - Solvay Industrial Foils Management and Research S.A., Bruxelles	100
Solvay Interox S.A., Bruxelles	100
Solvay Pharma & Cie S.N.C., Bruxelles	100
NETHERLANDS	
Physica B.V., Weesp	100
Sodufa B.V., Weesp	100
Solvay Chemie B.V., Linne-Herten	100
Solvay Draka B.V., Enkhuizen	100
Solvay Finance B.V., Weesp	100
Solvay Interox Holding B.V., Weesp	100
Solvay Pharma B.V., Weesp	100
Solvay Pharmaceuticals B.V., Weesp	100
FRANCE	
Alkor Draka S.A., Roissypole Le Dôme	100
Défense-Guynemer Participations S.A., Puteaux	100
Ondex S.A.S., Chevigny-St-Sauveur	100
Solvay Benvic - France S.A.S, Paris (ex Soplachim)	100
Solvay - Carbonate - France S.A.S., Paris	100
Solvay - Electrolyse - France S.A.S., Paris	100
Solvay Finance France S.A., Paris	100
Solvay - Fluorés - France S.A.S., Paris	100
Solvay Solexis France S.A.S., Paris (ex-Solvay Fluoropolymers France)	100
Solvay Immo François 1er S.A.S., Paris	100
Solvay - Olefines - France S.A.S., Paris	100
Solvay Participations France S.A., Paris	100
Solvay Pharma S.A., Suresnes	99.9
Solvay - Spécialités - France S.A.S., Paris	100
ITALY	
Adriaplast S.p.A., Monfalcone	100
Ausimont S.p.A., Milano (ex. Solvay Fluorati S.p.A.)	100
Caleppiovinil S.p.A., Fucine di Ossana	100
GOR Applicazioni Speciali S.p.A., Buriasco	100
Padanaplast SpA, Roccabianca	100
Società Elettrochimica Solfuri e Cloroderivati (ELESO) S.p.A., Milano	100
Società Generale per l'Industria della Magnesia (SGIM) S.p.A., Angera	100
Solvay Bario e Derivati (SABED) S.p.A., Massa	100
Solvay Benvic - Italia S.p.A, Rosignano	100
Solvay Chimica Italia S.p.A., Milano	100
Solvay Finanziaria S.p.A., Milano	100
Solvay Pharma S.p.A., Grugliasco	100
GERMANY	
Solvay Deutschland GmbH, Hannover	100
Alkor GmbH Kunststoffe, München	100
Alkor Draka Handel GmbH, Wuppertal	100
Alkor Folien GmbH, Thansau	100
Ausimont Deutschland GmbH, Eschborn	100
Cavity GmbH & Co KG, Hannover	100
DMS Verwaltungs GmbH, Solingen	100
Hispavic GmbH, Hannover	100
Kali-Chemie AG, Hannover	100
Salzgewinnungsgesellschaft Westfalen mbH, Ahaus-Graes	65
Solvay Advanced Polymers GmbH, Hannover	100
Solvay Arzneimittel GmbH, Hannover	100
Solvay Barium Strontium GmbH, Hannover	100
Solvay Elektrolysespezialitäten GmbH, Hannover	100
Solvay Fluor und Derivate GmbH, Hannover	100
Solvay Interox GmbH, Hannover	100
Solvay Kali-Chemie Holding GmbH, Hannover	100
Solvay Management Support GmbH, Hannover	100
Solvay Pharmaceuticals GmbH, Hannover	100
Solvay Salz Holding GmbH, Hannover	100
Solvay Salz Beteiligungs GmbH & Co KG, Hannover	100
Solvay Soda Deutschland GmbH, Hannover	100
Solvay Verarbeitung Holding GmbH, Hannover	100
Solvay Verwaltungs-und Vermittlungs GmbH, Hannover	100
SPAIN	
Alkor Draka Iberica S.A., Barcelona	100
Electrolisis de Torrelavega A.E.I., Torrelavega	100
Solvay Benvic Iberica S.A., Barcelona	100
Solvay Iberica S.L., Barcelona	100
Solvay Fluor Iberica S.A., Tarragona	100

Solvay Interox S.A., Barcelona	100
Solvay Pharma S.A., Barcelona	100
Solvay Quimica S.L., Barcelona	100
SWITZERLAND	
Solvay (Schweiz) AG, Zurzach	100
Solvay Pharmaceuticals Marketing & Licensing AG, Allschwil	100
Solvay Pharma AG, Bern	100
Soltraco AG, Allschwil	100
PORTUGAL	
Solvay Farma Lda, Lisboa	100
Solvay Interox - Produtos Peroxidados Lda, Lisboa	100
Solvay Portugal - Participações (SGPS) Lda, Lisboa	100
Solvay Portugal - Produtos Quimicos S.A., Lisboa	100
Solvay Portugal Serviços Lda, Lisboa	100
AUSTRIA	
Solvay Österreich GmbH, Wien	100
Solvay Pharma GmbH, Klosterneuburg	100
GREAT BRITAIN	
Alkor Draka Ltd, Watford	100
Argentinian Stocks Investments Ltd, St Peter Port	100
Brazilian Stocks Investments Ltd, St Peter Port	100
Cova Products Ltd, Cramlington	100
Global Stocks Investments Ltd, St Peter Port	100
Solvay Chemicals Ltd, Hemel Hempstead	100
Solvay Finance (Jersey) Ltd, St Helier	100
Solvay Healthcare Ltd, Southampton	100
Solvay Interox Ltd, Warrington	100
Solvay UK Holding Company Ltd, Hemel Hempstead	100
Solvay Speciality Chemicals Ltd, Hemel Hempstead	100
IRELAND	
Solvay Healthcare Ltd, Dublin	100
Solvay Finance Ireland Ltd, Dublin	100
DENMARK	
Alkor Draka Nordic K/S, Albertslund	100
FINLAND	
Oy Finnish Peroxides AB, Voikkaa	75
BULGARIA	
Solvay Bulgaria AD, Devnya	100
CZECH REPUBLIC	
Solvay Alkor Folie Spol sr.o., Most	100

UNITED STATES	
Solvay America, Inc., Houston, TX	100
Ausimont Industries, Inc., Wilmington, Delaware	100
Ausimont USA, Inc., Wilmington, Delaware	100
Hedwin Corporation, Baltimore, MD	100
Montecatini USA, Wilmington, Delaware	100
Research Polymers International, Inc., Grand Prairie, TX	100
Solvay Advanced Polymers, Inc., Alpharetta, GA	100
Solvay Alkalis, Inc., Houston, TX	100
Solvay America Funding Company, Houston, TX	100
Solvay America Holdings, Inc., Houston, TX	100
Solvay Automotive Plastics & Systems, Inc., Troy, MI	100
Solvay Compounding, Inc., Houston, TX	100
Solvay Draka, Inc., Commerce, California	100
Solvay Engineered Polymers, Grand Prairie, TX	100
Solvay Finance (America) Inc., Houston, TX	100
Solvay Fluorides, Inc., Greenwich,	100
Solvay HDPE, L.P., Houston, TX	100
Solvay Information Technologies, Inc., Houston, TX	100
Solvay Interox, Inc., Houston, TX	100
Solvay Management Services, Inc., Houston, TX	100
Solvay Minerals, Inc., Houston, TX	100
Solvay Olefins L.P., Houston, TX	100
Solvay PE, Inc., Houston, TX	100
Solvay Petrochemicals, Inc., Houston, TX	100
Solvay Polyolefins, Inc., Houston, TX	100
Solvay Pharmaceuticals, Inc., Marietta, GA	100
Solvay Polymers, Inc., Houston, TX	100
Solvay Soda Ash Joint Venture, Houston, TX	80
Solvay Soda Ash Expansion JV, Houston	80
Unimed Pharmaceuticals Inc., Deerfield, ILL.	100
CANADA	
Solvay Engineered Polymers (Canada), Inc., Concord	100
Solvay Pharma, Inc., Scarborough	100
Solvay Pharma Canada, Inc., Scarborough	100
MEXICO	
Solvay Fluor Mexico S.A. de C.V., Ciudad Juarez	100
Solvay Mexicana S. de R.L. de C.V., Monterrey	100
Solvay Quimica Y Minera S.A. de C.V., Monterrey	90

LIST OF FULLY CONSOLIDATED COMPANIES

BRAZIL	
Solvay Farma Ltda, São Paulo (ex. Laboratorios Sintofarma)	100
Solvay do Brasil Ltda, São Paulo	100
Solvay Quimica Ltda, São Paulo	100
ARGENTINA	
Solvay Argentina S.A., Buenos Aires	100
Solvay Quimica S.A., Buenos Aires	100
AUSTRALIA	
Solvay Interox Pty Ltd, Banksmeadow	100
JAPAN	
Ausimont KK, Minato Ku-Tokyo	100
Nippon Solvay KK, Tokyo	100
Solvay Advanced Polymers KK, Tokyo	100
Solvay Seiyaku KK, Tokyo	100
THAILAND	
Peroxythai Ltd, Bangkok	83.9
SINGAPORE	
Ausimont Singapore Ltd, Singapore	100
Solvay Asia Pacific Pte Ltd, Singapore	100
CAYMAN	
Solvay Finance (Cayman) Ltd, Georgetown	100
Blair International Insurance (Cayman) Ltd, Georgetown	100

List of Group companies consolidated under the proportional consolidation method

BELGIUM	
Inergy Automotive Systems (Belgium) N.V., Herentals	50
Pipelife Belgium S.A., Kalmthout	50
Inergy Automotive Systems Research S.A., Bruxelles	50
ESCO Benelux S.A., Bruxelles	38
Solvic S.A., Bruxelles	75
Solvin S.A., Bruxelles	75
NETHERLANDS	
Frisia Zout B.V.	38
Inergy Automotive Systems Netherlands Holding B.V., Weesp	50
Pipelife Nederland B.V., Enkhuizen	50
Solvay Indupa Nederland B.V., Weesp	51.2
FRANCE	
Inergy Automotive Systems S.A., Paris	50
Inergy Automotive Systems France S.A., Compiègne	50
Inergy Automotive Systems Management S.A., Paris	50
Pipelife France S.A., Déols-Châteauroux	50
Saline Cerebos et de Bayonne S.A., Paris	38
ESCO France S.A., Paris	38
Solvin France S.A., Paris	75
ITALY	
Solvin Italia S.p.A., Ferrara	75
GERMANY	
Inergy Automotive Systems (Germany), Karben	50
Pipelife Deutschland GmbH, Bad Zwischenahn-Ekern	50
ESCO International Gmbh, Hannover	38
ESCO GmbH & Co KG, Hannover	38
Solvin GmbH & Co KG, Hannover	75
Solvin Holding GmbH, Hannover	50
SPAIN	
ESCO España S.L., Barcelona	38
Hispavic Iberica S.L., Barcelona	75
Inergy Automotive Systems (Spain) S.L., Vigo	50
Inergy Automotive Systems Valladolid S.L., Gava	50

Pipelife Hispania S.A., Barcelona	50
Vinilis S.A., Barcelona (ex-Hispavic Industrial)	48.75
PORTUGAL	
Pipelife Portugal-Sistemas de Tubagens Plasticas Lda, Nogueira Da Maia	50
Vatel Lda, Lisboa	38
AUSTRIA	
Flexalen Trading GmbH & Co KG, Wien	25
Pipelife International GmbH, Wiener Neudorf	50
Pipelife Austria GmbH & Co KG, Wiener Neudorf	50
Solvay Sisecam Holding AG, Wien	57.5
GREAT BRITAIN	
Inergy Automotive Systems (UK), Telford	50
SWEDEN	
Pipelife Sverige A.B., Göteborg	50
Pipelife Hafab A.B., Haparanda	50
Pipelife Nordic A.B., Göteborg	50
NORWAY	
Pipelife Norge AS, Oslo	50
FINLAND	
Pipelife Finland OY, Oulu	50
Pipelife M-Plast OY, Kaavi	50
POLAND	
Pipelife Polska Sp. z.o.o., Zarnowiec	50
Inergy Automotive Systems Poland Sp. z o.o., Warszawa	50
ROMANIA	
Pipelife Romania S.R.L., Cluj-Napoca	25
SLOVENIA	
Pipelife Cevni Sistemi D.O.O., Ljubljana, Trzin	50
ESTONIA	
Mabo Aumek AS, Tallinn	50
EPS-Plast AS, Tallinn	35
LITHUANIA	
Pipelife Lietuva UAB, Vilnius	50
LATVIA	
Pipelife Latvia SIA, Riga	50
BULGARIA	
Solvay Sodi AD, Devnya	57.5
CROATIA	
Pipelife Hrvatska Republika d.o.o., Karlovac	50

HUNGARY	
Pannonpipe Müanyagipari KFT, Budapest	25
CZECH REPUBLIC	
Pipelife Fatra Spol sr.o., Otrokovice	33.3
SLOVAKIA	
Inergy Automotive Systems Slovakia, Bratislava	50
Pipelife-Fatra Slovakia sr.o., Piestany	33.3
GREECE	
Pipelife Hellas S.A., Athènes	50
TURKEY	
Arili Plastik Sanayii AS, Pendik	50
UNITED STATES	
Inergy Automotive Systems Holding (USA), Troy (mini conso 5752)	50
Inergy Automotive Systems (USA) LLC, Troy	50
Pipelife Jet Stream, Inc. Siloam Springs, Arkansas	50
CANADA	
Inergy Automotive Systems (Canada), Inc., Blenheim (mini conso 5752)	50
MEXICO	
Inergy Automotive Systems (Mexico) S.A. de C.V., Ramos	50
BRAZIL	
Dacarto Benvic S.A., Santo André	50
Peroxidos do Brasil Ltda, São Paulo	69.4
Inergy Automotive Systems Brazil Ltda, São Paulo	50
Solvay Indupa do Brasil S.A., São Paulo	51.2
ARGENTINA	
Inergy Automotive Systems Argentina S.A., Buenos Aires	50
Solvay Indupa S.A.I.C., Bahia Blanca	51.2
CHINA	
Chengdu Chuanlu Plastic Packaging & Service Co. Ltd, Chengdu	25.5
Sichuan Chuanxi Plastic Co. Ltd, Chengdu	25.5
Chengdu Chuanwei Plastic Pipe Co. Ltd, Chengdu	45
Changzhou Pipelife Reinforced Plastic Pipe C° Ltd, Changzhou	32.5
Wienerberger (Panuy Nansha) Plastic Pipe Mfg Co. Ltd, Nansha	50
Shanghai Wienerberger Plastic Pipe Co Ltd, Shanghai (coquille vide)	50
THAILAND	
Inergy Automotive Systems Thaïland Ltd, Bangkok	50
Vinythai Public Company Ltd, Bangkok	46.4

LIST OF GROUP COMPANIES CONSOLIDATED UNDER THE PROPORTIONAL CONSOLIDATION METHOD

SOUTH KOREA	
Daehan Specialty Chemicals C° Ltd, Seoul	60
Hanwha Advanced Materials C° Ltd, Seoul	50
Inergy Automotive Systems (Korea), Kyungju	50
JAPAN	
Inergy Automotive Systems KK, Tokyo	50
SOUTH AFRICA	
Inergy Automotive Systems (South Africa), Brits	50
BRITISH VIRGIN ISLANDS	
Pipelife Holding (HK) Ltd.	50

List of Group companies – Equity accounted

BELGIUM	
BP Solvay Polyéthylène (Belgique)	50
Solvay Polyolefins Europe - Belgium S.A., Bruxelles	100
FRANCE	
BP Solvay Polyéthylène (France)	50
Solvay Polyolefins Europe - France S.A., Paris	100
ITALY	
BP Solvay Polyéthylène (Italie)	50
Solvay Polyolefins Europe - Italy S.p.A., Rosignano	100
GERMANY	
BP Solvay Polyethylene (Deutschland) GmbH, Hannover	100
SPAIN	
BP Solvay Polyethylène Iberica S.L., Barcelona	50
GREAT BRITAIN	
BP Solvay Polyethylene (UK) GCAS, Grangemouth	50
BP Solvay Polyethylene (UK), Sunbury	50
Solvay Polyolefins (UK) Ltd, Hemel Hempstead	100
UNITED STATES	
BP Solvay Olefins, LP, Houston, TX	51
BP Solvay Polyethylene North America, Houston, TX	51
BRAZIL	
Solvay Polietileno Ltda, São Paulo	100

Changes in the scope of consolidation in 2002

The Group consists of Solvay S.A. and a total of 398 subsidiaries and associated companies in 50 countries.
Of these, 155 are fully consolidated, 84 are proportionally consolidated, 14 are accounted for using the equity method, whilst the other 145 do not meet the criteria of significance.

The changes in the consolidation scope in 2002 relate primarily to the setting up the ESCO joint venture (38% consolidated) with our Kali und Salz partner, in the field of salt, to the sale of our Air Intake Systems activity to Mann & Hummel and to the sale of 25% of our PVC activity in Spain (Hispavic) to BASF.

Valuation rules

The following are the valuation rules adopted for these statements:

1. START-UP EXPENSES
Start-up expenses are amortized over a maximum period of five years. In all cases, redemption discounts and premiums on borrowings are amortized over the life of the corresponding borrowings.

2. INTANGIBLE ASSETS
Intangible fixed assets are valued at acquisition cost.
To the extent that their duration is limited in time, intangible fixed assets acquired from third parties are amortized on a straight-line basis over their expected period of utilisation.
Research costs are charged to expenses in full in the year in which they are incurred.
Costs related to applications for or the issuance or utilization of a patent or trademark are recorded as assets at cost, to the extent that this does not exceed a reasonable estimate of the future value of utilization of or return on the patent or trademark.

3. CONSOLIDATION DIFFERENCES
At the time of consolidation of a new subsidiary or at the time of proportional consolidation of an interest in a new associated company, or on acquisition of the remainder of an interest in an entity, the book value of the shares or interests in such companies is compared to the portion they represent of the net assets of the company, taking into account, if necessary, any revaluation of assets and liabilities.
A consolidation difference is established in this way; it is recorded under the heading “consolidation differences”, under liabilities if it is negative and under assets if it is positive.
A positive difference is amortized over its anticipated economic life in accordance with a method adopted by the Board of Directors. Amortization charges are accelerated if changes in circumstances indicate that the asset may be overvalued.

4. TANGIBLE ASSETS
Tangible fixed assets are recorded at acquisition cost, which is revalued as required by law.

Tangible fixed assets with a limited useful life are depreciated on a straight-line basis over their estimated lives.

5. FINANCIAL ASSETS AND AMOUNTS RECEIVABLE AFTER MORE THAN ONE YEAR
Participating interests which are neither consolidated nor recorded using the equity method, as well as amounts receivable after more than one year, are recorded at acquisition cost.

6. INVENTORIES
Inventory values are generally determined using weighted-average-cost or LIFO methods.

Cost of goods sold includes, in addition to costs of production directly attributable to products, those which are indirectly attributable, as well as depreciation and amortization.
When products from inventory are transferred within the Group, their inventory value is carried at the cost of goods sold, as if these transfers were effected at cost price.

7. ORDERS IN PROGRESS
Orders in progress are valued at cost, without any financial charges.

8. RECEIVABLES AND LIABILITIES
These are recorded on the balance sheet at face value.

Receivables are written down if their payment at maturity is, in whole or in part, uncertain

9. PROVISIONS FOR RISKS AND CHARGES

1) Provisions for pensions and similar obligations
Provisions for pensions and similar obligations are estimated in accordance with actuarial procedures, using standard mortality tables and interest rates in each country.

2) Provisions for taxes
This provision is intended to cover taxes that may result from adjustments to the taxable base or the calculation of tax.

3) Provisions for major repairs and maintenance
This lump-sum provision is intended to cover expenses of this type.

4) Provisions for other liabilites and charges
At the close of the fiscal year, there is a review of risks that could justify the creation of new provisions or the discounting use of existing provisions.

10. CONVERSION INTO EUROS OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES AND ASSETS AND LIABILITIES EXPRESSED IN FOREIGN CURRENCIES

In the statements of branches and subsidiaries, monetary assets and liabilities recorded in foreign currencies are converted at the exchange rate in effect at the end of the year; the exchange differences realized in transactions in foreign currencies are recorded in the income statement, as are unrealized exchange losses, while unrealized exchange profits are recorded in accruals and deferrals on the balance sheet.

At the time of consolidation, the statements of companies located in high-inflation countries are subject to preliminary adjustments required or permitted by local authorities.

The recorded assets and liabilities (other than shareholders' equity), rights and commitments of such companies are then converted into euros at year-end rates.

Shareholders' equity of subsidiaries is maintained at historical value and conversion differences on such values are recorded in a separate entry.

Income and expenses of branches and subsidiaries abroad are converted into euros at the average exchange rate for the year. The principal exchange rates used for conversions in the accounts are as follows:

EXCHANGE RATES

		Year end rate		*Average rate*	
1 Euro =		*2001*	**2002**	*2001*	**2002**
Pound Sterling	GBP	0.6085	0.6505	0.6219	0.6287
US Dollar	USD	0.8813	1.0487	0.8957	0.9453
Argentinian Peso	ARS	1.4981	3.5286	0.8963	3.5286
Brazilian Real	BRL	2.0473	3.7124	2.1047	2.7765
Thai Bath	THB	38.9879	45.3104	39.8331	40.5844
Japanese Yen	JPY	115.3300	124.3900	108.7064	118.1119
Korean Won	KRN	1161.4402	1243.7811	1155.0263	1175.7790

Annual Financial Statements of the Solvay Group

STATUTORY ANNEXES

Solvay Group - Consolidated Balance Sheet

Assets

EUR million			2000	2001	2002
FIXED ASSETS			**5 591**	**6 223**	**5 532**
I	**Start-up expenses**		**5**	**9**	**4**
II	**Intangible assets**		**488**	**518**	**373**
III	**Consolidation differences (goodwill)**		**298**	**261**	**198**
IV	**Tangible assets**		**3 904**	**4 273**	**3 814**
	A	Land and buildings	945	1 165	1 023
	B-C	Plant, machinery, equipment, furniture and rolling stock	2 517	2 664	2 418
	D	Financing leases and similar rights	101	55	29
	E	Other tangible fixed assets	15	23	17
	F	Construction-in-progress and prepaids	326	366	327
V	**Financial assets**		**896**	**1 162**	**1 143**
	A	Companies accounted for using the equity method	269	407	451
		1 Investments	269	407	322
		2 Receivables			129
	B	Other companies	627	755	692
		1 Investments, shares and equity certificates	483	571	465
		2 Receivables	144	184	227
CURRENT ASSETS			**3 587**	**4 777**	**3 613**
VI	**Receivables maturing in more than one year**		**56**	**26**	**11**
	A	Trade receivables	4	1	1
	B	Other receivables	52	25	10
VII	**Inventories and orders in progress**		**1 157**	**1 151**	**1 096**
	A	Inventories	1 148	1 131	1 074
		1 Supplies	417	451	416
		2 Work in progress	103	115	84
		3-4 Finished goods and merchandise	614	548	560
		5 Real estate to be sold			
		6 Down payments	14	17	14
	B	Orders in progress	9	20	22
VIII	**Receivables maturing within one year**		**1 927**	**2 774**	**1 861**
	A	Trade receivables	1 582	1 551	1 484
	B	Other receivables	345	1 223	377
IX	**Short-term cash investments**		**161**	**577**	**373**
	A	Treasury shares	28	92	101
	B	Other investments	133	485	272
X	**Cash and cash equivalents**		**171**	**138**	**147**
XI	**Deferred charges and accrued income**		**115**	**111**	**125**
TOTAL ASSETS			**9 178**	**11 000**	**9 145**

Liabilities

EUR million			2000	2001	2002
TOTAL EQUITY			**3 974**	**3 939**	**3 796**
SHAREHOLDERS' EQUITY			**3 733**	**2 995**	**2 887**
I	**Capital**		**1 265**	**1 267**	**1 269**
	A	Issued Capital	1 265	1 267	1 269
	B	Unpaid issued Capital (-)			
II	**Issued premiums**		5	7	14
III	**Revaluation surplus**		61	61	61
IV	**Reserves**		2 087	2 297	2 566
V	**Consolidation differences (goodwill)**		32	25	20
Vbis	**Positive consolidation differences offset**			–944	–944
VI	**Currency translation differences**		265	267	–112
VII	**Capital subsidies**		18	15	13
MINORITY INTERESTS					
VIII	**Minority interests**		**241**	**944**	**909**
PROVISIONS AND DEFERRED TAXES			**1 615**	**1 857**	**1 689**
IX	A	Provisions for risks and expenses	1 450	1 537	1 441
		1 Pensions and similar obligations	576	661	674
		2 Taxes	41	47	36
		3 Major repairs and maintenance	26	25	22
		4 Other	807	804	709
	B	Deferred taxes	165	320	248
CREDITORS			**3 589**	**5 204**	**3 660**
X	**Liabilities payable after one year**		**627**	**1 218**	**1 141**
	A	Financial debts	583	1 165	1 086
		1 Subordinated loans	21	1	1
		2 Non-subordinated debentures	315	379	891
		3 Financing leases and similar debts	96	57	29
		4 Credit institutions	125	703	112
		5 Other loans	26	25	53
	B	Trade liabilities			
		1 Trade liabilities			0
		2 Notes payable			0
	C	Down payments			0
	D	Other liabilities	44	53	55
XI	**Liabilities due within one year**		**2 836**	**3 765**	**2 328**
	A	Current portion of long-term debt	88	92	128
	B	Financial liabilities	841	508	359
		1 Credit institutions	409	435	347
		2 Other loans	432	73	12
	C	Trade liabilities	1 188	1 180	1 109
		1 Trade payables	1 139	1 124	1 077
		2 Notes payable	49	56	32
	D	Down payments	18	19	33
	E	Taxes, wages, salaries and benefits payable	256	297	305
		1 Taxes	31	67	85
		2 Wages, salaries and benefits payable	225	230	220
	F	Other liabilities	445	1 669	394
XII	**Accrued charges and deferred income**		**126**	**221**	**191**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			**9 178**	**11 000**	**9 145**

Solvay Group - Consolidated Income Statement

From 01/01 through 31/12

		EUR million	*2000*	*2001*	*2002*
I	**Sales**		**8 863**	**8 725**	**7 918**
II	**Cost of sales**		**–6 418**	**–6 281**	**–5 275**
III	**Gross margin**		**2 445**	**2 444**	**2 643**
IV/V	**General and sales overheads**		**–1 351**	**–1 419**	**–1 433**
VI	**R&D expenditures**		**–360**	**–341**	**–397**
VII	**Other operating income**		**115**	**120**	**99**
VIII	**Other operating charges**		**–190**	**–197**	**–180**
IX	**Operating earnings**		**659**	**607**	**732**
X	**Financial income**		**91**	**109**	**141**
	A	Income from financial assets	28	36	47
	B	Income from current assets	28	28	30
	C	Other financial income	35	45	64
XI	**Financial expenses**		**–167**	**–178**	**–169**
	A	Borrowing costs	–111	–122	–110
	B	Write-offs of current assets other than inventories, others in progress and trade receivables (increase –, decrease +)	– 5	5	0
	D	Other financial expenses	–51	–61	–59
XII	**Earnings before taxes and extraordinary items of consolidated companies**		**583**	**538**	**704**
XIII	**Extraordinary income**		**90**	**235**	**136**
	A	Reversals of depreciation and write-offs of intangible and tangible assets	23		
	B	Reversals of write-offs of financial assets			
	C	Reversals of provisions for extraordinary risks and expenses	21	33	45
	D	Gains from sale of assets	38	190	91
	E	Other extraordinary income	8	12	
XIV	**Extraordinary expenses**		**–98**	**–217**	**–230**
	A	Extraordinary depreciation, amortization and write-offs of consolidation differences, start-up expenses, intangible assets	–17	–41	–130
	B	Write-offs of financial assets		–6	–18
	C	Provisions for extraordinary risks and expenses	–40	–5	–74
	D	Loss on sale of assets	–24	–93	–2
	E	Other extraordinary charges	–17	–20	–6
XV	**Earnings, before taxes, of consolidated companies**		**575**	**556**	**610**
XVI	**Transfers to and withdrawals from deferred taxes**		**18**	**–33**	**16**
	A	Transfers to deferred taxes			
	B	Withdrawals from deferred taxes	18	–33	16
XVII	**Income tax**		**–133**	**–120**	**–91**
	A	Taxes	–130	–123	–106
	B	Tax adjustments and reversal of tax provisions	–3	3	15
XVIII	**Net income of consolidated companies**		**460**	**403**	**535**
XIX	**Share in earnings of companies accounted for using the equity method**		**–27**	**0**	**–38**
	A	Earnings			
	B	Losses	–27	0	–38
XX	**Consolidated net income**		**433**	**403**	**496**
XXI	**Minority interests**		**–11**	**5**	**28**
XXII	**Solvay's share of earnings**		**444**	**398**	**468**

Notes to the Consolidated Statements (in EUR million)

I. CRITERIA AND METHODS OF CONSOLIDATION

The consolidation criteria and methods are found on page 45.

II. LIST OF FULLY CONSOLIDATED GROUP COMPANIES

This list is found on page 60.

III. LIST OF PROPORTIONALLY CONSOLIDATED GROUP COMPANIES

This list is found on page 62.

IV. LIST OF GROUP COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

This list is found on page 64.

V. MAIN COMPANIES IN WHICH THE GROUP HOLDS BETWEEN 10 AND 20%

			Data from financial statements as of 12/31/2001	
Name and registered office	*VAT number*	*% control*	*Shareholders' equity*	*Net income*
Sofina SA	BE 403219397	12.60%	1 162	110

A complete statement of shareholdings of the Solvay group has been filed with the Belgian National Bank. It is also available on request from the Company's registered office.

VI. VALUATION CRITERIA APPLIED IN THE CONSOLIDATED STATEMENTS

The Group's valuation rules are found on page 65.

VII. STATEMENT OF START-UP EXPENSES (ITEM 1 – ASSETS)

EUR million	
Net book value at the end of the previous year	**9**
Changes during the year:	
– new expenses incurred	0
– amortization	–2
– currency translation differences	0
– changes in the scope of consolidation and other	–3
Net book value at the end of current year	**4**
– formation and capital increase expenses	0
– expenses of debt issues, reimbursement premiums and other start-up expenses	4
– reorganization expenses	0

NOTES TO CONSOLIDATED STATEMENTS
(following)

VIII. STATEMENT OF INTANGIBLE ASSETS (ITEM II – ASSETS)

	R&D expenses	*Concessions, patents, licences, etc.*	*Goodwill*	*Advance payments*	*Other*
a) Costs					
At the end of the previous year	**29**	**503**	**44**	**7**	**147**
Changes during the year:					
– acquisitions, including capitalized expenses	13	15	0	2	10
– transfers and disposals	0	–89	2	0	0
– transfers from one heading to another	0	22	9	–9	–2
– currency translation differences	–2	–44	2	0	–3
– changes in the scope of consolidation and other	–2	–3	0	0	–2
At the end of current year	**38**	**404**	**57**	**0**	**150**
b) Depreciation and write-downs					
At the end of the previous year	**–28**	**–145**	**–8**	**0**	**–31**
Changes during the year:					
– recorded	–6	–108	–15	0	–5
– acquired from third parties	0				
– cancelled	0	88	0	0	0
– transfers from one heading to another	24	–46	–6	0	–1
– currency translation differences	0	10	– 2	0	0
– changes in the scope of consolidation and other	0	2	0	0	1
At the end of current year	**–10**	**–199**	**–31**	**0**	**–36**
c) Net book value at the end of the year (a) – (b)	**28**	**205**	**26**	**0**	**114**

IX. STATEMENT OF TANGIBLE ASSETS (ITEM IV – ASSETS)

	Land buildings	*Plant, machinery, equipment, furniture and rolling stock*	*Financing leases and similar rights*	*Other tangible assets*	*Construction in progress down payments*
a) Cost					
At the end of the previous year	**2 081**	**7 745**	**81**	**47**	**366**
Changes during the year:					
– acquisitions including Capitalized expenses	41	148	0	3	304
– transfers and disposals	–107	–642	–4	–8	–12
– transfers from one heading to another [1]	171	687	–14	13	–302
– currency translation differences	–103	–452	–20	–3	–19
– changes in the scope of consolidation and other	–50	–269	0	0	–10
At the end of current year	**2 033**	**7 217**	**43**	**52**	**327**
b) Revaluation surpluses					
At the end of the previous year	**7**	**–2**			
Changes during the year:					
– recorded surpluses					
– acquired from third parties					
– cancelled		0			
– transfers from one heading to another [1]	12				
– currency translation differences	0	0			
– changes in the scope of consolidation and other	0	0			
At the end of current year	**19**	**–2**			
c) Depreciation and write-downs					
At the end of the previous year	**–924**	**–5 079**	**–26**	**–24**	
Changes during the year:					
– recorded	–70	–355	–3	–4	0
– reversed		0		0	
– acquired from third parties		0			
– cancelled	99	598	4	8	0
– transfers from one heading to another [1]	–207	–377	4	–17	
– currency translation differences	41	233	7	2	
– changes in the scope of consolidation and other	32	183	0	0	
At the end of current year	**–1 029**	**–4 797**	**–14**	**–35**	
d) Net book value at the end of the Year (a) + (b) – (c)	**1 023**	**2 418**	**29**	**17**	**327**
Breakdown of financing leases and similar rights between:					
– land and buildings					
– other					

1. Reclassification of Ausimont's assets following our items

NOTES TO CONSOLIDATED STATEMENTS
(following)

X. STATEMENT OF FINANCIAL ASSETS

	Companies accounted for Under the equity method	Other
1. INVESTMENTS, SHARES AND EQUITY CERTIFICATES		
a) Cost		
At the end of the previous year	**407**	**604**
Changes during the year:		
– acquisitions	–2	90
– transfers and disposals		–145
– transfers from one heading to another	4	14
– currency translation differences	–38	–9
– changes in the scope of consolidation and other [1]	–4	–77
At the end of current year	**367**	**477**
b) Revaluation surpluses		
At the end of the previous year		
Changes during the year:		
– recorded		
– reversed		
– acquired from third parties		
At the end of current year	**0**	**0**
c) Write-downs		
At the end of the previous year		**–30**
Changes during the year:		
– recorded		–8
– reversed		2
– acquired from third parties		
– cancelled		38
– transfers from one heading to another		11
– currency translation differences		1
– changes in the scope of consolidation and other [1]		–24
At the end of current year	**0**	**–10**
d) Increases and reductions resulting from the application of the equity method	**–45**	
e) Amounts subscribed, not paid		
At the end of current year		**–2**
Changes during the year		
At the end of current year	**–45**	**–2**
f) Net book value at the end of the year (a) + (b) – (c) + / – (d) – (e)	**322**	**465**

	Companies accounted for Under the equity method	Other
2. RECEIVABLES		
Net book value at the end of the previous year		**184**
Changes during the year		
– additions	129	493
– reimbursements		–602
– write-downs booked and reverses		2
– currency translation differences		–41
– changes in the scope of consolidation and other [1]		191
Net book value at the end of the current year	**129**	**227**
Cumulative write-down at the end of current year		

XI. STATEMENT OF RESERVES

Book value at the end of the previous year	**2 297**
Solvay Share in Group's earnings	468
Dividend payable	–199
Book value at the end of current year	**2 566**

XII. STATEMENT OF CONSOLIDATION AND EQUITY METHOD DIFFERENCES (ITEM III UNDER ASSETS AND ITEM V UNDER LIABILITIES)

	Positive consolidation differences (goodwill)	Negative consolidation differences (negative goodwill)	Positive method differences	Negative method differences
a) Net book value at the end of the previous year	**261**	**20**	**–**	**5**
b) changes during the year:				
– changes due to an increase in the percentage held	10	4		
– changes due to a decrease in the percentage held		–2		
– amortization	–35			
– changes due to currency translation differences	–47			
– changes in the scope of consolidation and other variations	9	–7		
c) Net book value at the end of current year	**198**	**15**	**–**	**5**

1. Reclassification of Ausimont's assets following our items

XIII. STATEMENT OF LIABILITIES

A. Breakdown of liabilities originally due in more than one year, listed according to due dates

	Maturing within the year (item XI A)	*Maturing in between 1 and 5 years*	*Maturing in more than 5 years*
Financial liabilities	**128**	**1 064**	**22**
1 Cubordinated loans		1	
2 Non-subordinated debentures		891	
3 Financing leases and similar obligations		27	2
4 Credit institutions		107	5
5 Other loans	128	38	15
Trade liabilities	**0**	**0**	**0**
1 Trade payables			
2 Notes payable			
Down payments received			
Other liabilities		**55**	
TOTAL	**128**	**1 119**	**22**

B. Secured liabilities

Liabilities guaranteed by pledges, given or irrevocably committed, on assets of companies included in the consolidation

Financial liabilities	**145**
2 Non-subordinated debentures	133
4 Credit institutions	2
5 Other loans	10
Trade liabilities	**0**
1 Trade payables	0
Taxes, payroll and benefits payable	**3**
1 Taxes	2
2 Payroll	1
Other liabilities	
TOTAL	**148**

XIV. ANALYSIS OF INCOME

%	*2000*	*2001*	*2002*
Net sales			
Geographic distribution of sales by customer location			
EUROPE	**58.8**	**59.5**	**61.6**
BELGIUM AND LUXEMBURG	4.2	4.3	4.4
NETHERLANDS	2.2	2.4	2.4
FRANCE	12.5	12.5	12.6
ITALY	7.1	7.4	9.8
GERMANY	11.3	10.4	10.3
SPAIN	6.5	6.8	6.3
UNITED KINGDOM	3.8	4.0	3.8
AUSTRIA	1.3	1.3	1.3
SWITZERLAND	1.3	1.3	1.2
PORTUGAL	1.2	1.3	1.3
OTHER EUROPEAN COUNTRIES (Central European + Scandinavia)	7.4	7.8	8.2
AMERICA	**35.2**	**34.0**	**30.4**
UNITED STATES	25.0	24.9	22.5
BRAZIL	4.7	3.6	3.0
OTHER AMERICAN COUNTRIES	5.5	5.5	4.9
ASIA-PACIFIC	**4.4**	**4.5**	**6.5**
AFRICA + MIDDLE EAST	**1.6**	**2.0**	**1.5**
TOTAL	**100**	**100**	**100**
Breakdown by product sector			
PHARMACEUTICALS	17.5	20.3	23.5
CHEMICALS	29.2	31.5	33.3
PLASTICS	33.9	30.1	24.5
PROCESSING	19.4	18.1	18.7
TOTAL	**100**	**100**	**100**

EUR million	*Average headcount 2002*	*Personnel expenditure 2002*
Companies consolidated		
Full consolidation		**1 562**
Workers	8 863	
Clerical	9 705	
Management personnel	5 287	
Other		
Proportional consolidation		**271**
Workers	3 734	
Clerical	2 210	
Management personnel	958	
Other		

NOTES TO CONSOLIDATED STATEMENTS
(following)

- Extraordinary items

- Breakdown of other extraordinary income (Item XIII.E): miscellaneous;
- Breakdown of other extraordinary expenses (Item XIV.E): various items relating to the costs of restructuring small sites, voluntary withdrawal of Luvox, amortization of goodwills and assets having lost any economical interest.

- Income tax (Item XVII)

- Difference between the tax to be charged to the statement of consolidated income for the year and previous years and the tax already paid or to be paid for these year: **none**;
- Effect of extraordinary income on the amount of income tax for the year: credit of **EUR 94 million**.

XV. RIGHTS AND COMMITMENTS NOT REFLECTED ON THE BALANCE SHEET (SEE NOTES P. 58)

EUR million			*2002*
A	1	Liabilities and commitments of third parties guaranteed by the company	
		– Outstanding negotiable instruments endorsed by the company	73
	2	Pledges given or irrevocably committed by Group companies with their own assets as security for liabilities and commitments. whether their own or third parties	83
	3	Forward contracts	
		– Currencies bought (to be received)	1 176
		– Currencies sold (to be delivered)	1 150
B		Litigation and other important commitments	
C		Group company commitments in the area of pension and survivor benefits in favor of personnel or executives	36
D		In relation to the divestment of activities the Group has made certain commitments to provide for possible risks. Under these conditions and given the care taken in this regard, the company considers these commitments should be recorded pro mem	(PM)
E		Other commitments	931

XVI. RELATIONS WITH AFFILIATED COMPANIES AND COMPANIES LINKED BY PARTICIPATING INTERESTS, NOT INCLUDED IN THE CONSOLIDATION

Not significant.

XVII. FINANCIAL RELATIONS WITH THE DIRECTORS OF THE CONSOLIDATING COMPANY

A. Compensation for their services in the consolidating company, its subsidiaries and affiliated companies, including pensions for former directors: **EUR 4.75 million**.

B. Advances and loans granted by the consolidating company, by a subsidiary or by an affiliated company: **nil**.

Auditor's report on the financial statements for the financial year ending on December 31, 2002, presented to the General Shareholders' Meeting of S.A. Solvay: see page 80.

XVIII. FINANCIAL STATEMENTS OF SOLVAY S.A. (SUMMARY)

The annual financial statements of Solvay S.A. are presented in an abridged form below. In accordance with the law governing commercial corporations, the management report and annual financial statements of Solvay S.A. as well as the report of the External Auditor, have be deposited with the National Bank of Belgium. These documents are available on request from:
Solvay S.A.
Rue du Prince Albert 33
B - 1050 Brussels

The External Auditor has given an unqualified report on the annual financial statements of Solvay S.A.

EUR million at December 31	*2000*	*2001*	*2002*
ASSETS			
Fixed assets	**4 931**	**5 019**	**4 848**
Start-up expenses and intangible assets	44	54	54
Tangible assets	123	96	70
Financial assets	4 764	4 869*	4 724
Current assets	**432**	**968**	**1 057**
Inventories	63	49	43
Trade receivables	219	206	175
Other receivables	120	271*	234
Short-term investments and cash equivalents	30	442*	605
TOTAL ASSETS	5 363	5 987	5 905
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	**3 492**	**3 508**	**3 539**
Capital	1 265	1 267	1 269
Other equity	1 919	1 919	1 927
Net earnings carried forward	308	322	343
Capital subsidies			
Provisions and deferred taxes	**362**	**305**	**253**
Financial liabilities	**992**	**1 366**	**1 683**
– Due in more than one year	802	1 030*	1 520
– Due within one year	190	336*	163
Trade liabilities	**241**	**210**	**138**
Other liabilities	**276**	**598**	**292**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5 363	5 987	5 905

** Some reclassifications have been made in the 2001 accounts in order to better reflect the economic reality, without impact on the total balance.*

Financial Statements summary

EUR million	*2000*	*2001*	*2002*
Operating income	**1 375**	**1 307**	**1 228**
Sales	979	803	672
Other operating income	396	504	556
Operating expenses	**–1 333**	**–1 325**	**–1 251**
Operating earnings	**42**	**–18**	**–23**
Financial expenses and income	**165**	**81**	**148**
Earnings before extraordinary items and taxes	**207**	**63**	**125**
Extraordinary items	**–14**	**114**	**87**
Earning before taxes	**193**	**177**	**212**
Taxes	**4**	**25**	**8**
Net income for the year	**197**	**202**	**220**
Transfer to (-) / from (+) untaxed reserves			
Net income available for distribution	**197**	**202**	**220**

XIX. STATEMENT OF CAPITAL

	Amounts (EUR million)	*Numbers of share*
A. Capital		
1. Issued capital		
– At the end of the previous year	1 267	84 445 033
– Changes during the year	2	155 600
2. Capital representation		
Shares without par value	1 269	84 600 633
Registered or bearer share		
– Registered		31 395 876
– Bearer		53 204 757

During the year 2002, 15 560 options granted to the directors of the worldwide Group were exercised, each giving rise to the issue of 10 new shares.

The number of subscription rights in circulation is made up of 24 000 000 subscription rights for one share and of 10 050 subscription rights for 10 shares.

An exercise period took place between February 10 and 28, 2003. No option was exercised during that period.

NOTES TO CONSOLIDATED STATEMENTS
(following)

	Amount of capital held (EUR million)	Number of shares
D. Commitments to Issue Shares		
2. Pursuant to subscription rights		
– Amount of subscription rights outstanding		24 010 050
– Amount of capital to subscribe	362	
– Maximum number of corresponding shares to be issued		24 100 500
E. Authorized, Unissued Capital (excl. Outstanding subscription rights)	17	

G. Declaration Received in Compliance with the Legislation of March 2, 1989

On December 15, 1998, the Company received from Solvac S.A. a statement in addition to that of July 3, 1989, to the effect that it holds:
- 21.334.320 Solvay shares, entitling it to 25,36% of the voting rights;
- together with Deutsche Bank AG, Fortis Banque S.A. and Sofina S.A., 24 million subscription rights corresponding to the 24 million warrants mentioned below.

The Extraordinary Meeting of Shareholders of June 4, 1998 approved a private issue of 24 million warrants representing the issue of 24 million new class C shares.

Their exercise would be based on the highest of two averages:
- the average futures market rate for the 30 days prior to the issue of the warrant;
- the average futures market rate for the 30 days prior to the exercise of the warrant, less a discount of 15% justified by the limited transferability of the new share. They would be at least 25% paid up (plus 100% of the share premium).

The warrants were divided equally between Solvay S.A., Deutsche Bank AG, Fortis Banque S.A. and Sofina S.A. at the price of 1 BEF (or EUR 24789 per million warrants).

They may be exercised over a period of five years, from October 15, 1998 to October 14, 2003.

The 24 000 000 subscription rights can be exercised only at the request of a college of five ad hoc mandated agents, consisting of Baron Janssen, Chevalier Guy de Selliers de Moranville, Mr Denis Solvay, Baron José del Marmol and Mr Edouard de Royère.

In principle, and subject to the exercise of the warrants, the Extraordinary Shareholders' Meeting of June 4, 1998 adopted the principle of a capital increase of up to maximum EUR 360 000 000 represented by up to maximum 24 million new shares.

The entire stock issued would represent 22.2% of the increased capital, which would be divided equally among the current warrant-holders. Solvac S.A.'s interest in Solvay would remain above 25%.

XX. SUMMARY OF COMPANY POLICIES USED IN ASSET VALUATION PURSUANT TO ARTICLE 7 OF THE LAW OF JULY 17, 1975

1. Start-up expenses
Start-up expenses are amortized over a maximum period of five years. In all cases, redemption discounts and premiums on borrowings are amortized over the life of the corresponding borrowings.

2. Intangible assets
Research and development expenditures are capitalized only if capitalization is a necessary condition for obtaining tax or other advantages.

They are amortized at the fastest allowable rate.

Expenses related to registration, filing or utilization of a patent or trademark are recorded under assets at cost, to the extent this does not exceed a prudent estimate of the value of utilization or future profitability of the trademark.

When their use is limited in time, the intangible assets acquired from third parties are amortized on a straight-line basis over their estimated life.

3. Tangible assets
Tangible fixed assets, the use of which is limited in time, are depreciated on a straight-line basis over their estimated life; however, anticipated, accelerated or retarded depreciation may be used. Tangible fixed assets may be revalued under applicable law.

For assets located abroad, if on the closing date, as a result of the decline of a foreign currency against the euro, the residual value to be depreciated in euros exceeds the residual in the currency converted into euros at the exchange rate prevailing on the closing date, the excess is amortized over a remaining period.

4. Financial assets and amounts receivable after more than one year

Write-downs are recorded on financial fixed assets and on receivables maturing in more than one year when valuation shows that they are permanently worth less than their carrying value.

5. Inventories

The value of raw materials, work in progress, finished products, goods for sale and packaging material inventories is determined by the LIFO method or by the weighted-average-cost method.

The cost of finished goods includes both direct production costs and indirect production costs, as well as depreciation where national legislation requires this to be included in the value of stocks.

6. Contracts in progress

Contracts in progress are valued at cost, excluding all financial expenses.

7. Provisions for liability and charges

At the close of the year, existing risks are examined to determine whether to set up new reserves or update existing reserves.

8. Conversion into euros of assets and liabilities in foreign currencies

The following are converted into euros at the historical exchange rate:

- tangible assets and reserves recorded in foreign branches;
- shares with variable dividends expressed in foreign currency, representing financial fixed assets.

The other assets and liabilities, abroad as well as in Belgium, are converted into euros at the year-end exchange rate.

Income and expenses of foreign branches are converted at the average exchange rate for the year.

When currency translation differences resulting from the application of this rule, derived currency by currency, or by group of currencies linked economically, correspond to deferred losses, they are recorded in the income statement. Those relating to deferred gains are kept in transitory accounts.

Exchange-rate differences realized on foreign currency transactions are recorded in the income statement.

Statutory Auditor's Report
on the Consolidated Financial Statements for the Year ended December 31, 2002

To the shareholders,

In accordance with the legal and statutory requirements, we report on our audit assignment which you have entrusted to us.

We have examined the consolidated annual accounts for the year ended December 31, 2002, which have been prepared under the responsibility of the Board of Directors and which show a balance sheet total of € 9 145 million and an income statement resulting in a profit, for the year of € 468 million (Group's share). Financial statements of subsidiaries included in the consolidated financial statements which contribute for € 3 110 million and € 3 688 million to the consolidated balance sheet and revenue, respectively, have been audited by other auditors. We relied on their opinions. In addition, we have performed specific procedures with respect to the Directors' report.

UNQUALIFIED AUDIT OPINION ON THE FINANCIAL STATEMENTS

Our examination has been conducted in accordance with the auditing standards of the "Institut des Reviseurs d'Entreprises/ Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free of material misstatement and are in compliance with the Belgian legal and regulatory requirements.

In accordance with these standards we have taken into account the administrative and accounting organization of your company as well as the procedures of internal control. The responsible officers of the company have clearly replied to all our requests for information and explanations. We have examined, on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the accounting policies used, the significant estimates made by the company and the overall presentation of the consolidated annual accounts. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated annual accounts present fairly the financial position of the company as of December 31, 2002, and the results of its operations for the year then ended taking into account the legal and regulatory requirements, and the supplementary information given in the notes is adequate.

Additionally, the Directors' report includes the information required by the Companies Code and is in accordance with the consolidated financial statements.

Brussels, March 26, 2003
The Statutory Auditor,

DELOITTE & TOUCHE
Company Auditors SC s.f.d. SCRL
Represented by Michel Denayer

Information for Shareholders

SHARE PERFORMANCE

In the past year's difficult stock market, in which many share prices plunged, the Solvay share fell by just 3%. In so doing it outperformed both the Bel 20 and Euronext 100, which shed 25% and 33% respectively, whilst over the same period, the MSCI (Morgan Stanley Capital International) sector indexes for Chemicals and Pharmaceuticals declined by 22% and 31% respectively.

In 2003 (until 04.04.2003) the Solvay share has moved slightly better than the Bel 20 and Euronext 100 indexes.

This relatively good share performance reflects the strategic directions that Solvay has taken, the value-creating potential of its expanding Pharmaceuticals Sector and Specialties products, the competitiveness of its Essentials, and its stronger leadership in every activity. The EUR 1.3 billion acquisition of Ausimont in the fluorinated specialties field, is certainly a major factor in this development.

In addition, the velocity [1] of the Solvay share has risen from 23.3% at the end of 2001 to 30.9% at the end of 2002, and has continued to improve at the beginning of 2003.

The Group wishes to thank its shareholders, and all others, in particular financial journalists and analysts, for the confidence they have expressed in the Group.

The Solvay share price can be consulted directly on 2 internet sites:

- Solvay: **www.solvay-investors.com**
- EURONEXT BRUSSELS: **www.stockexchange.be**

ACTIVE FINANCIAL COMMUNICATION

Throughout the year the Investor Relations Team has been available to meet shareholders and investors to explain to them the Group's short and long-term potential. It also answers questions e-mailed to **investor.relations@solvay.com**.

A MUCH-APPRECIATED INTERNET SITE

A specially dedicated Internet site, **www.solvay-investors.com**, has been launched to provide shareholders and investors with up-to-date Group financial and strategic information. In addition to press releases and management presentations, the site gives the Solvay share price in real time.

SHAREHOLDER AND INVESTOR CLUBS

For many years the Group has maintained very close relations with Investor Clubs, both by taking part in fairs and conferences and by providing regular information on the life of the Group (such as press releases, the annual report, etc.) on request. A recently created **Solvay shareholders and investors club** **(www.solvay-investors.com)** today has over 2,300 members.

ROADSHOWS AND MEETINGS FOR PROFESSIONALS

Roadshows and meetings with senior Group management are organised regularly for professionals, both on the EURONEXT stock market (Brussels, Paris, Amsterdam), and in the USA, the UK, Germany and Switzerland. A detailed and expanded programme for 2003 is available on the Internet.

QUARTERLY EARNINGS PUBLICATION

In order to provide ever more finely tuned and regular communication, the Group will begin in 2003 to publish its results quarterly, in accordance with International Financial Reporting Standards (IFRS).

LISTING AND HOLDING OF SOLVAY SHARES

The total number of Solvay shares is 84 600 633 at March 31, 2003.

These are either bearer shares (in denominations of 1, 10, 100 or 1 000 shares) or registered shares. Shareholders may convert their bearer shares into registered shares, and vice versa, on request. Conversion is undertaken on simple request to the company, accompanied by the share certificate. (Service des Actionnaires, rue du Prince Albert 33, B-1050 Bruxelles (Belgium), Tel.: +32-2-509.63.09).

As mentioned below ("success of stock options"), the Group held, at the end of March 2003, 1 886 460. million of its own shares.

LISTING OF SOLVAY SHARES

Solvay is highly visible on financial markets:

- on EURONEXT BRUSSELS (formed by the merger of the Paris, Amsterdam and Brussels stock exchanges) – Reuters (code SOLBt.BR) and Bloomberg (code SVYSY);
- in London via SEAQ INTERNATIONAL (Reuters code SOLtq.LT);

1. Coefficient expressing the number of shares traded over a 12-month period as a percentage of the total number of shares.

INFORMATION FOR SHAREHOLDERS

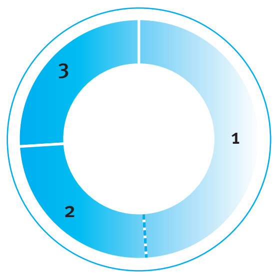
- in the United States in the form of AMERICAN DEPOSITARY RECEIPTS (ADRs) - REUTERS code SVYSY – each representing one share "sponsored" by Morgan Guaranty Trust New York (n°834437-10-5) and traded over-the-counter.

SHAREHOLDING STRUCTURE

Shareholding structure (in%)

1. + **2.** Free Float = 74%
  1. Individual Investors = 48%
  2. Institutional Investors = 26%

3. Solvac S.A. = 26%



Solvac S.A., listed on EURONEXT BRUSSELS, holds approximately 26% of all Solvay shares. Solvac is a stable shareholder. 48% of Solvay shares are held by individual shareholders and 26% by institutional shareholders, giving a free float of 74%.

Apart from Solvac, no shareholder has declared a holding of more than 3% in the company.

THE SUCCESS OF THE STOCK OPTIONS

Stock options (exercisable from February 15, 2006 to December 15, 2010) were offered at the end of 2002 to 300 senior Group managers, at an exercise price of EUR 63.76 per share. 98.4% of the stock options offered were subscribed.

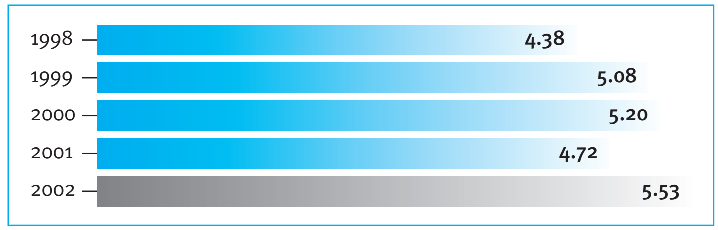
As authorised by the General Shareholders' Meeting, the stock option programme is covered at the end of March 2003 by 1 886 460 million shares, bought on the market, for EUR 114.2 million.

Therefore, the Group should not book any charge when these options are exercised.

FINANCIAL INFORMATION PER SHARE

In 2001, net earnings per share were EUR 5.53 (+17%), after amortization of goodwill.

Net earings per share* (in EUR/Share)

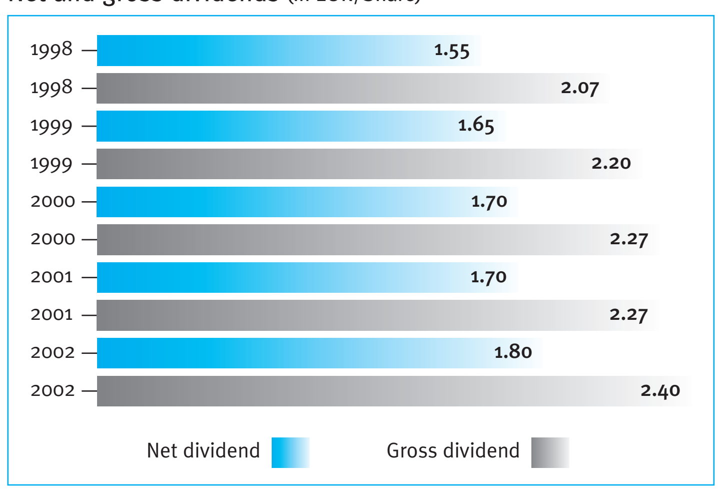


* After amortisation of goodwill.

DIVIDEND

The net dividend for 2002 proposed to the General Shareholders' Meeting of June 5, 2003 is EUR 1.80 per share. Given the interim dividend of EUR 0.70 per share (coupon no. 71) paid on January 13, 2003, a balance of EUR 1.10 per share will be paid on June 12, 2003 (coupon no. 72).

Net and gross dividends (in EUR/Share)



Stock option programmes

Issue date	*Stock options subscribed*	*Exercise price (in EUR)*	*Exercise dates*	*Acceptance rate*
1999	475 400	76.14	02/2003-12/2007	99.2%
2000	522 900	58.21	02/2004-12/2008	98.9%
2001	503 000	62.25	02/2005-12/2009	98.6%
2002	495 600	63.76	02/2006-12/2010	98.4%

The dividend is payable at the following institutions:

- Fortis Bank S.A., Montagne du Parc 3 -1000 Brussels;
- ING Belgium South WestEurope, Cours Saint Michel 60 – 1040 Brussels;
- KBC Bank N.V., Havenlaan 2 -1080 Brussels;
- Banque Générale du Luxembourg S.A., Boîte Postale 1906 - L-2951 Luxembourg;
- Crédit Suisse, Paradeplatz 8 - CH-8021 Zürich;
- Deutsche Bank, Taunusanlage 12 - D-60262 Frankfurt am Main;
- Lazard Frères & Cie, Boulevard Hausmann 121 - F-75008 Paris Cedex;
- ABN Amro B.V., Foppingsdreef 22/AA 3330 - NL-1102 BS Amsterdam.

For ADRs the dividend is payable by Morgan ADR Service Center, P.O. Box 8205 – USA-Boston, MA 02266-8205.

The Group Annual Report, the detailed consolidated accounts of Solvay S.A., the Audit Committee charter and detailed information by Sector and market are available on the Internet **www.solvay-investors.com**, or on request from:
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

For further information on the ADRs, a hotline is also available at 1-800-997-8970 (from the United States and Canada) and at 1-781-575-4328 (from other countries).

Consolidated figures per share

	1998	*1999*	*2000*	*2001*	***2002***
Capital and reserves after distribution *	36.21	40.54	44.25	35.46	**34.12**
Cash-Flow (EUR)	10.12	11.12	11.39	10.82	**12.63**
Net earnings before extraordinary items (EPS) (EUR)	4.38	5.08	5.20	4.72	**5.53**
Gross dividend (EUR)	2.07	2.20	2.27	2.27	**2.40**
Net dividend (EUR)	1.55	1.65	1.70	1.70	**1.80**
Number of fully-paid up shares (in thousands) at 31 December	84 138	84 290	84 365	84 445	**84 601**
Highest price (EUR)	78.83	82.75	83.90	67.65	**78.00**
Lowest price (EUR)	54.54	48.20	53.05	52.65	**58.70**
Price at December 31 (EUR)	64.20	82.00	59.40	67.65	**65.70**
Price/earnings at December 31	14.70	16.14	11.40	14.30	**11.88**
Net dividend yield at December 31 (%)	2.4%	2.0%	2.9%	2.5%	**2.7%**
Gross dividend yield at December 31 (%)	3.2%	2.7%	3.8%	3.4%	**3.7%**
Annual volume (in thousands of shares)	24 916	21 045	18 212	18 837	**25 672**
Annual volume (in EUR millions)	1 613	1 402	1 276	1 113	**1 790**
Market capitalization at December 31 (in EUR billions)	5.4	6.9	5.0	5.7	**5.6**
Velocity (in%)	29.7	24.9	21.9	23.3	**30.9**
Velocity adjusted by Free Float (74%) (in%)	39.9	33.4	29.4	31.0	**41.2**

** Capital and reserves per share fell significantly at the end of 2001, as the Banking and Finance Commission allowed the goodwill from the integration of BP's special polymers and Ausimont to be deducted from capital and reserves. Without this deduction, capital and reserves would have amounted at the end of 2001 to EUR 44.93 per share.*

INFORMATION FOR SHAREHOLDERS

Solvay Share Performance since January 1, 2002

Evolution	*During year 2002*	*From January 1, 2003 until April 4, 2003*
Solvay	– 3%	– 11%
Euronext 100	– 33%	– 12%
MSCI Chemicals	– 22%	– 9%
MSCI Pharmaceuticals	– 31%	– 0%

MSCI = Morgan Stanley Capital International.

SHAREHOLDERS' DIARY

- April 30, 2003: Announcement of 1st quarter 2003 earnings and annual analysts' and investors' meeting,
- June 5, 2003, 10.00 a.m.: Annual General Meeting at the Solvay S.A. head office in Brussels,
- June 12, 2003: Payment of the balance of the 2002 dividend (coupon no. 72),
- July 31, 2003: Announcement of 2nd quarter 2003 earnings,
- October 31, 2003: Announcement of 3rd quarter 2003 earnings,
- December 17, 2003: Announcement of the interim dividend for 2003 (payable in January 2004, coupon no. 73),
- Early February 2004: Publication of provisional results for 2003.

Solvay S.A.
Rue du Prince Albert, 33
1050 Bruxelles, Belgique
t: 32 2 509 6111
f: 32 2 509 6617
www.solvay.com

Germany
Solvay Deutschland GmbH
Hans Böckler-Allee, 20
D-30173 Hannover
t: 49 511 8570
f: 49 511 282126
www solvay.de

Austria
Solvay Osterreich GmbH
Stättermayergasse, 28
1150 Wien
t: + 43 1 716 88 0
f: + 43 1 710 24 26

Benelux
Solvay S.A.
Rue du Prince Albert , 44
B-1050 Bruxelles
t: 32 2 5096111
f: 32 2 5096624

Brazil (+Argentina)
Solvay do Brasil Ltda
Rua Urussui, 300 – 5 andar –
04542-903 São Paulo – Brasil
t: 55 11 3708 5000
f: 55 11 3708 5287
e-mail:
grupo-solvay.mercosul@solvay.com

Bulgaria
Solvay Sodi AD
BG-9160 Devnya
t: 359 52 68 5000
f: 359 52 68 5006

Spain
Solvay Iberica S.L.
Calle Mallorca, 209
E-08008 Barcelona
t: 34 93 4847400
f: 34 93 4847656
www.solvayiberica.es
e-mail: solvayiberica@solvay.com

United States
(+Canada and Mexico)
Solvay America, Inc.
3333 Richmond Avenue
Houston, TX-77098-3009
USA
t: 1 713 5256000
f: 1 713 5257887

France
Solvay S.A.-France
12, Cours Albert 1er
75383 Paris – Cedex 08
t: 33 140758000
f: 33 145635728

Great Britain
Solvay UK Holding Co Ltd
Grovelands Business Centre
Boundary Way
Hemel Hempstead (Herts)
HP2 7TE
t: 44 1442 236555
f: 44 1442 238770

Italy
Solvay S.A.-Italie
Via Filippo Turati, 12
I-20121 Milano MI
t: 39 02 290921
f: 39 02 6570581

Portugal
Solvay Portugal –
Produtos Químicos S.A.
Av. Marechal Gomes Da Costa, 33
P-1800-255 Lisboa
t: 351 218316100
f: 351 218316250

Singapore
(+South East Asia and Australia)
Solvay Asia Pacific Pte Ltd
8 Cross Street 24-01
PWC Building
SPG-048424
t: 65 4388886
f: 65 4388777
e-mail: lana.lim@solvay.com

Switzerland
Solvay (Schweiz) AG
Zürcherstrasse, 42
CH-5330 Zurzach
t: 41 56 2696161
f: 41 56 2696363

Ce rapport est également disponible en français.
Het jaarverslag is ook beschikbaar in het Nederlands.

Layout and production:
Olympe/Paris,
Tél.: + 33 1 43 80 03 16

Cover concept:
Com fi & Publishing/Bruxelles

Headline cover:
www.concerto.be

Printing:
Imprimerie Weissenbruch/Bruxelles

Coordination:
Solvay Secrétariat Général -
Corporate Communications
Tél.: + 32 2 509 70 46
Fax: + 32 2 509 72 40

Photos:

Solvay/Getty Images:
Fox Photos, Hulton Collection,
Bob Thomas, Bert Hardy, Tony Anderson

Photonica: Tadashi Ono, IPS

Corbis: Bettmann, J-N Reichel, J Henley

140 years of future expressed in 140 actions

Imagine • search • experiment • invent • test • find • patent • master • project • risk •
cooperate • undertake • calculate • create • venture • apply • innovate • construct •
transpose • start • organize • explore • know • manufacture • acquire • quantify •
complete • evaluate • prospect • distribute • convince • discuss • question • serve •
sell • respond • select • study • commit • enthuse • make responsible • involve • listen •
believe • understand • stimulate • communicate • dynamize • advise • orientate • solve •
modernize • motivate • delegate • humanize • explain • budget • harmonize • valorize •
respect • recognise • manage • analyse • conclude • develop • record • check • assess •
clarify • foresee • measure • compare • anticipate • surpass • economise • negotiate •
securitize • progress • grow • secure • change • enrich • accelerate • evolve • improve • target •
direct • dialogue • advance • join • equip • acquire • merge • steer • renovate • recycle •
activate • strengthen • integrate • gather • balance • consolidate • refocus • deploy • see •
optimize • plan • multiply • diversify • rely • participate • shape • structure • promote •
create loyalty • systematize • disseminate • convert • regenerate • invest • protect •
identify • perfect • specialize • automate • exceed • transport • watch • exchange • yield •
implant • preserve • validate • interest • gratify • inform • want • finalise • succeed • win.

SOLVAY

a Passion for Progress®