

An aerial photograph of a solar farm and wind turbines. A large blue solar panel array is visible on the left side, extending towards the top. Below it, several white wind turbines with three blades are scattered across a brown, arid landscape. The text is overlaid on the right side of the image.

# Strategic refocus, Pharmaceuticals divestment

28<sup>th</sup> September 2009



# Strategic review completed

- **Decision to sell the entire Pharmaceuticals Business**
- **Signed sale & purchase agreement with Abbott**
- **Enterprise Value of the transaction for Solvay about EUR 5.2 billion**
- **Closing of the transaction expected by Q1/2010 pending approval by the relevant competition authorities**

# Why divest Pharmaceutical Business?

## ● External factors

- Pharmaceutical industry is changing rapidly
  - Complex and costly approval processes
  - Increasing pressure on cost of public health
  - Priority to innovative therapies
  - Personalized medicine
- Pharmaceutical industry under rapid consolidation

## ● Internal factors

- Significant investments are needed in all three Solvay Sectors
- Need to improve sustainability profile of Chemicals & Plastics portfolio
- Solvay Pharmaceuticals is below critical size needed to appropriately address changing environment



**Strategic analysis of future of Pharmaceuticals Business**



**Divestment selected as best option to secure growth of both Solvay businesses (Pharma and non-Pharma)**

# Other considered strategic options for Solvay Pharmaceuticals

- **Keep the status quo**

- Requires significant change in business model to secure long term product sourcing needed for critical size

- **Going public**

- Requires similar changes in business model without clear perspective regarding size & competitiveness
- Solvay would lack resources needed to face Sustainable Development challenges of Chemical and Plastic Industries

- **Acquisition**

- Transforming acquisition out of reach for Solvay Group

- **Partnership / Merger**

- No significant merger opportunities identified that would address the strategic challenges

# The transaction with Abbott

- **Constitutes a full valuation**
- **Is a recognition of strengths, performance and competences of Pharmaceuticals Business and its people**
- **Pharmaceuticals Business will further reinforce Abbott as a leader in the healthcare industry**
- **Proceeds to be used for significant strategic refocus of Solvay**

# Why Abbott?

- **Abbott has a long history of success and is a highly respected corporation in the healthcare industry**
- **Successful long term partnership in dyslipidemia franchise and in-depth knowledge of our products**
- **Several factors were considered, including price and long term strategic intent**
- **Our criteria included the selection of a potential buyer with a solid and committed position in pharmaceutical industry**

# Transaction valuation

- **Enterprise Value of the transaction for Solvay about EUR 5.2 billion**

- Acquisition of 100% of Solvay's pharmaceuticals business
- Up-front cash payment of EUR 4.5 billion
- Up to EUR 300 million in additional milestones
- Assumption of certain liabilities, mainly pensions

- **Corresponds to**

- EV/LTM<sup>(\*)</sup> Sales of 1.9
- EV/LTM<sup>(\*)</sup> REBITDA of 9

(\*) EV : Enterprise Value - LTM : Last Twelve Months, ie H208 + H109

# Employment aspects

- **All Pharmaceuticals Sector employees will be transferred to Abbott in accordance with applicable legislation**
- **Continuity or substantially equivalent terms and conditions of employment**

# The new Solvay

- **A new industrial benchmark based on**
  - Two existing strong pillars with clear leadership positions
  - World scale facilities
  - Global presence with significant Asian and Latin American exposure
  - Strong product development culture
  - Very strong financial structure
- **With global ambition, aimed at improving Solvay's sustainability profile by focusing on**
  - High value added activities
  - Low energy footprint
  - Significant reduction of the cyclicity of the portfolio
  - Contribution to the geographic expansion
  - Sustainability targets of the Group

# The new Solvay (2)

**Solvay is experienced and well-positioned to execute dynamic portfolio management and successfully integrate new acquisitions**

- Refocus will improve capital allocation and execution of growth opportunities
- Meaningful operating leverage after substantial restructurings in 2007-2009
- Opens new avenues for internal and external growth

# Use of proceeds

- **Excluding Pharmaceuticals, Solvay is a EUR 6.8 billion sales Group with EUR 819 million REBITDA (2008) and EUR 4.5 billion additional cash (after closing)**
- **Strategic refocus of Solvay will accelerate implementation of sustainable and profitable growth strategy**
- **Investment in sizeable external growth, focused on long term value creation**
- **Reinvestment in internal growth, however tight capital management for existing activities will be maintained**
- **Studies of opportunities well advanced, with objective to create long term shareholder value**

# Solvay financial strategy

- **Solvay's long term financial discipline to remain unchanged**
  - Strong financial position key to long term value creation: leverage targets will
    - remain conservative
    - be reassessed in function of the characteristics of the reinvestments
  - Profitability and growth targets versus cost of capital to be defined in function of the use of proceeds
  - Dividend policy unchanged :  
"increase whenever possible  
and if possible never decrease"

# First priority is to close the transaction and ensure smooth transition

- Transaction expected to be completed by Q1/2010, pending approval by the relevant competition authorities
- Transition plan to be elaborated in collaboration with Abbott

# Conclusions

- **New strong home for Pharmaceuticals Business**
- **Building a new refocused Group on today's strong foundations, with the financial means to further accelerate sustainable growth**
- **Unchanged philosophy :**  
**sustained growth with leading positions;**  
**commitment to a conservative financial structure**
- **Divestment proceeds from Pharmaceuticals Business will be reinvested in internal and external growth, focused on long term value creation**

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