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## Solutia Inc. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator instructions) Your first question comes from the line of Jason Miner with Deutsche Bank. Please proceed.

#### Jason Miner – Deutsche Bank

Thank you. Good morning. Can you hear me?

#### Jeffry Quinn

Yes. Good morning, Jason.

#### Jason Miner – Deutsche Bank

Hi, it's okay. Thanks for the helpful detail. One of the players in carbon black was out this morning with some volume declines in Asia. So – and I think you mentioned in Tech Specialties some, in line with the market declines in Crystex. Also, with potential for raw materials to maybe ease going forward, I wonder if you could just talk about how you see pricing in Technical Specialties evolving given the margin improvement we saw this quarter?

#### James Sullivan

Jason, this is Jim Sullivan. I think we clearly expect to see some pricing pressure in the antidegradant product line. As we talked about, we did benefit from having some competitor disruption in the third quarter. We will see pricing in that business, we think, come down. Crystex is different. As we have talked about many times, it's really one of a kind, and we would expect for the most part to be holding prices where they are at and enjoying some of the raw material benefits as sulfur comes down. In the other rubber chemicals businesses, we are basically going to be out of those businesses by the end of the year and as I indicated in my commentary we have been very aggressive in pricing our way out of that market.

#### Jason Miner – Deutsche Bank

Okay. Just focusing on Crystex, have you seen volume pressures in Asia in Crystex?

#### James Sullivan

Yes, indeed, we have. I think what we are seeing there is very much in line with what the overall market is. And it was about down 5% in the third quarter.

**Jason Miner – Deutsche Bank**

Okay. Just shifting, but still focusing on Asia for a moment, looking at the construction charts you guys have. Could you just talk about the selling cycle for Saflex in Asia, in general, but particularly, how sort of long your lead times are if we expect a downturn to bottom in '08 for construction, when will you see that? I gather there is a relatively long lead time there.

**Jeffrey Quinn**

Yes, I think, Jason, in general, in the Saflex business, the lead time on the architectural side is a bit longer than it is on the automotive side. I think the architectural side, the lead time generally is probably, three months to six months depending on the project, obviously. Maybe a bit longer lead time on the larger projects, obviously. So I think as we move forward, we are looking now at sort of the projects that are beginning in 2009. So I think that any volume impact that moves forward, we should be seeing some of it now. And that probably will continue as we move into '09. So I think there is not a big bullet to come. I think we are starting to see that and the business is managing through that well to this point.

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