asking more from chemistry

SOLVAY

Annual Report 2012

As an international chemical group, Solvay assists industry in finding and implementing ever more responsible and value-creating solutions. The Group is firmly committed to sustainable development and focused on innovation and operational excellence. Solvay serves diversified markets, generating 90% of its turnover in activities where it is one of the top three worldwide. In 2012 the Group achieved net sales of EUR 12.4 billion. Solvay SA (SOLB.BE) is listed on NYSE Euronext Brussels and Paris (Bloomberg: SOLB.BB - Reuters: SOLBt.BR).

EUR 12.4 billion net sales

111 sites and presence in **55** countries

29 100 employees

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SOLVAY

asking more from chemistry®

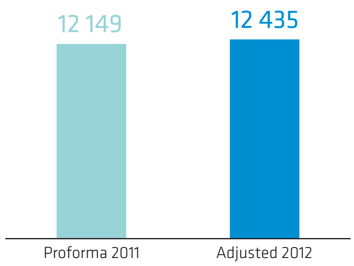
Choosing to be a pioneer in a changing world

"Asking more from chemistry": our new signature affirms our commitment to meeting high expectations in terms of safety, quality and innovation. We also assert loudly and clearly our pride in belonging to an industry that is determined to meet the challenges facing it and whose progress is also that of society at large. We believe that chemistry will help provide the long-term answers that industry, consumers and society are waiting for, and in so doing, contribute to the progress of mankind.

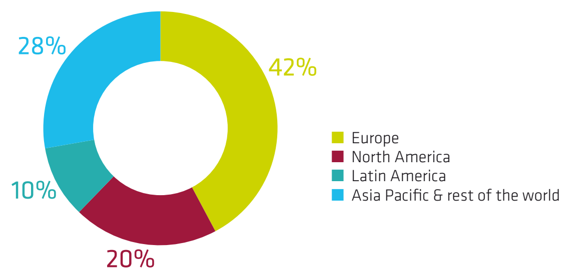
In 2013, Solvay begins a new chapter in its history. Affirming the Group's historical roots while also oriented toward the future, its new graphic identity and signature reflect Solvay's ambition, to become a reference for sustainable chemistry, with a solid culture of operational excellence and innovation.

key figures

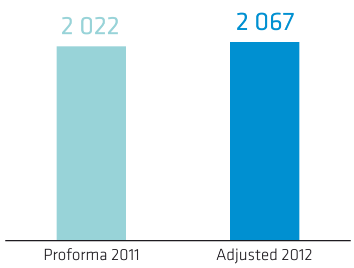
Net sales
EUR million



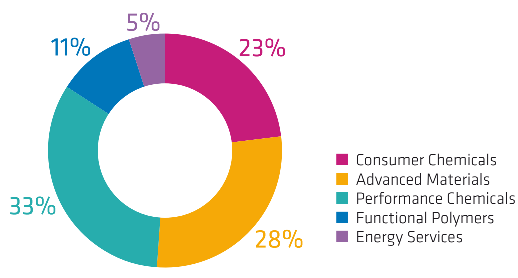
Net Sales by region in 2012



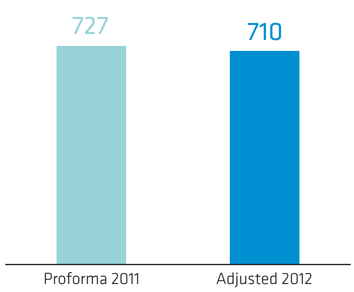
REBITDA
EUR million



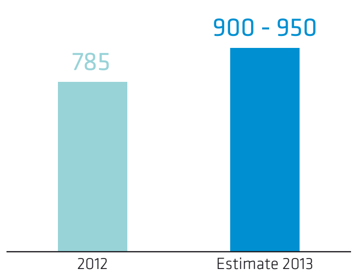
Adjusted REBITDA by Operating Segment in 2012
(Organization effective as from January 1, 2013 – Excluding Corporate & Business Services)



Net Income Solvay Share
EUR million

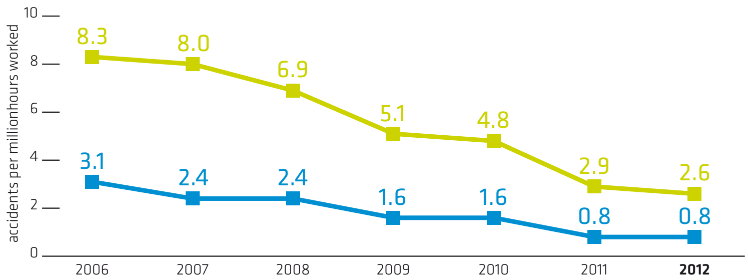


Capital expenditures
EUR million



Note applicable to the entire document referring to 2012 and comparable 2011 figures:
Solvay Indupa, Vinyls South America activity is reported as "Assets held for sale" as from Q4'12. As a consequence and for comparability purposes, historical references for 2012 and 2011 within this report has been restated to present Solvay Indupa as discontinued activities and as "Assets held for sale". Net sales comprise the sales of goods and value-added services corresponding to Solvay's know-how and core business. Net sales exclude other revenues primarily comprising commodity and utility trading transactions and other revenue deemed as incidental by the Group. Adj. REBITDA: Operating result before depreciation and amortization, non-recurring items, financial charges and income taxes. Adjusted Profit & Loss indicators exclude non-cash Purchase Price Allocation (PPA) accounting impacts related to the Rhodia acquisition. All references to year-on-year (yoy) evolution must be understood on a pro forma basis for 2011, as if the acquisition of Rhodia had be-come effective from the 1st of January 2011. On a pro forma basis Solvay 2011 historical figures were restated in order to harmonize accounting policies among the two Group Legacies. Pro forma results exclude impacts from i) purchase price allocation entries; ii) non-recurring acquisition costs related to the Rhodia transaction and iii) financial revenues on cash deposits and investments.

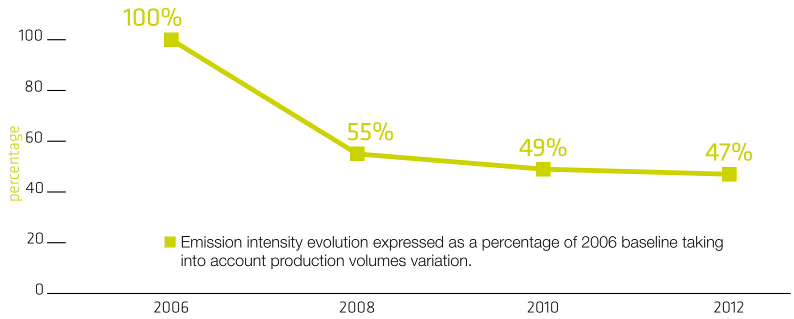
Occupational accidents at the Group's* sites



The Group aims at achieving the highest safety level for the Solvay's personnel and equally for contractors working on the Solvay sites. In 2012, the LTAR reached again a record value of 0.8 year for the Group's employees and contractors.

■ LTAR (Lost Time Accident Rate - number of work.accidents with absence from work more than 1 day / 1 million working hours) employees and contractors.
■ MTAR (Medical Treatment Accident Rate - number of work accidents leading to medical treatment (other than first aid) / 1 million working hours) employees and contractors.
* New Solvay group with Rhodia included as from 2011

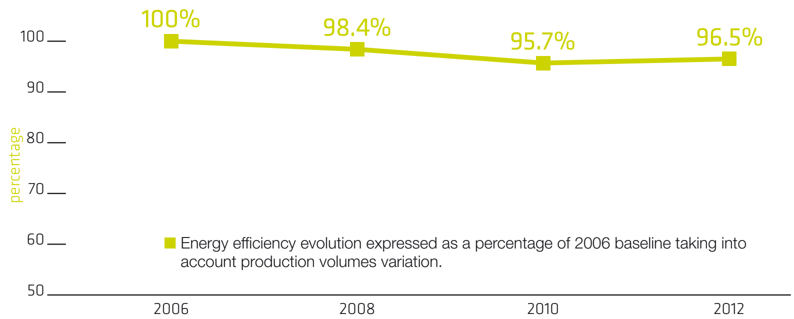
Greenhouse gas emissions



	2006	2008	2010	2012
Mt CO_2 equivalent	33.2	17.9	16.0	14.9

Emissions related to manufacturing activities of fully consolidated operations at end 2012 recalculated for the previous years to include Rhodia as from 2006.

Energy consumption



	2006	2008	2010	2012
Petajoules	251	231	227	222

Energy consumption related to manufacturing activities of fully consolidated operations at end 2012 recalculated for the previous years to include Rhodia as from 2006

2012 Highlights

INVESTMENTS

February
Solvay commissions a world-scale plant to produce bio-sourced epichlorohydrin based on its proprietary EPICEROL® technology at Map Ta Phut (Thailand).

April
Serving the European electronics market, Solvay launches the production of high purity phosphoric acid for semiconductors at its Bernburg (Germany) plant.

June
Construction begins of a world-scale plant at Taixing (China) to produce epichlorohydrin using the EPICEROL® process.

July
Commissioning of a specialty polymers compounding plant at Changshu (China) to meet growing local demand.

September
Doubling of production capacity for specialty fluorinated aliphatic derivatives at the Salindres plant in France.

September
70% capacity increase at the Indian site specializing in polyetheretherketones (PEEK) and polyaryletherketones (PAEK) production.

September
Creation of two rare-earth recycling units in France.

ACQUISITIONS

September
Acquisition of Sunshield Chemicals, an Indian company, specializing in surfactants, from the Amit Choksey group.

PARTNERSHIPS

January
Solvay partners with the Air Liquide group in a joint venture with global ambitions in fluorinated gases.

August
Multi-year contract with the Bolloré group to supply lithium salt for LMP batteries.

October
Creation of a 50/50 joint venture with Sibur to produce surfactants and formulations for the oil extraction industry.

INNOVATION

February
The world's largest fuel cell is commissioned at the SolVin site at Lillo (Antwerp, Belgium), demonstrating this technology's ability to produce clean energy on an industrial scale.

April
Agreement with the National Bioethanol Science and Technology Laboratory (CTBE) in Brazil to recycle sugarcane biomass.

May
A new research, development and innovation center is opened at Savli in Gujarat State, India. Creation of three research grants on sustainable chemistry, nanotechnology and polymer science at the Maharaja Sayajirao University in Vadodara (Gujarat State, India).

October
Launch of GOVANIL™, a new generation of vanillin with enhanced properties.

GROUP

January
Double listing of the Solvay shares on the Brussels and Paris Stock Exchanges.

February
Solvays sells its stake in Pipelife to Wienerberger for EUR 172 million.

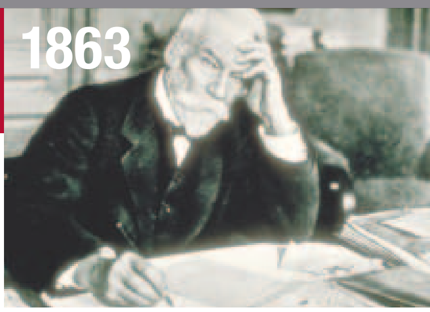
April
At the Capital Markets Day, Solvay presents its ambition to achieve a REBITDA of EUR 3 billion by 2016.

September
The Solvay share joins the French CAC 40 stock index.

2013
A new logo, a new signature for Solvay.

Launch of Solvay Way, the Group's sustainable development policy.

150 YEARS



Founded in 1863 by industrialist and researcher Ernest Solvay, Solvay celebrates its 150th anniversary in 2013 and affirms its position as one of the world's leading chemical groups.

"We have always operated by imposing on our minds a duty of continuous progress." Ernest Solvay

INVENTING A NEW MODEL OF SUSTAINABLE CHEMISTRY

Sustainability, responsibility: never have these issues been so crucial for mankind. All of us are looking for answers to the questions raised by an evolving world. How to respond to climate change? How to produce more with increasingly scarce resources? How to meet the needs of more than one billion new consumers? And how to achieve our aspirations for health and well-being?

For Solvay, chemistry is a part of the answer. It proves this by imagining and producing increasingly innovative solutions that meet the sustainable development challenges facing its stakeholders. Proud of chemistry, an expert in its businesses, welded into highly qualified teams, the Group combines operational excellence and continuous improvement to blaze a creative path of shared value.

In this way Solvay affirms itself as a committed and strong leader, ready to play its part in reshaping the global chemical industry.

growth activities responsibility

"WE ARE PROUD OF SOLVAY'S HISTORY AND WE LOOK TO ITS FUTURE WITH CONFIDENCE."

The global economy in 2012 presented a highly contrasting picture.

Against this background the Group achieved in 2012 a REBITDA of EUR 2 067 million and generated EUR 787 million of Free Cash Flow. This excellent performance was made possible by the strong and committed efforts of our teams, the successful deployment of the integration programs and by capturing the resulting synergies. This enables us to offer our shareholders a dividend that is 4.3% higher than for 2011.

These achievements, despite an economic climate unfavorable for our cyclical activities, highlight the quality and potential of our highly diversified and balanced portfolio of activities. In 2012, nearly 40% of our net sales were generated in the high-growth regions of the world where we are strengthening our production capacity to fully exploit this dynamic. Brazil, China, Thailand, Korea and Russia are important investment territories for us. We have also continued our growth in India, an undoubted priority in the coming years. We have consolidated our leadership in all our market segments and have speeded up the Group's growth in our Consumer Chemicals and Advanced Materials Operating Segments.

These successes were achieved at the same time as the Group was pursuing its fast-paced transformation. Following the Rhodia acquisition, we decided to integrate the two groups rapidly to start 2013 on a new foundation. We defined a clear strategic vision, specified the contribution of each of the businesses to this vision, developed a management model for implementing it and structured a decentralized, agile organization, serving our ambition of creating value.

Few groups are capable of such major change in so short a time and we thank all of our teams for their hard work.

With Rhodia on board, Solvay joins the front runners in the chemistry world. We are determined to strengthen this position and to play a leading role in transforming the sector. This we will achieve by continuing to optimize our business portfolio and manufacturing structures. We will accelerate deployment of our operational excellence initiatives, continue our selective investment policy and move our strategy of innovation forward with levers that together will help us reach our goal of EUR 3 billion REBITDA by 2016.

The new organization will fully serve our ambition of creating value. Our concern has been to simplify and decentralize decision-making and provide our Global Business Units with all the tools they need to implement their strategies. Acting in a collegial way, the

Executive Committee steers the Group with the mission of building a strategy for the mid- and long term.
Two Operating Segments, Consumer Chemicals and Advanced Materials constitute our growth engines. They already represent 50% of our 2012 REBITDA. The goal of Performance Chemicals, which this year posted very good results, is to generate cash on a continuous basis. We are also working to improve the performance and strategic positioning of the activities grouped in the Functional Polymers Segment.

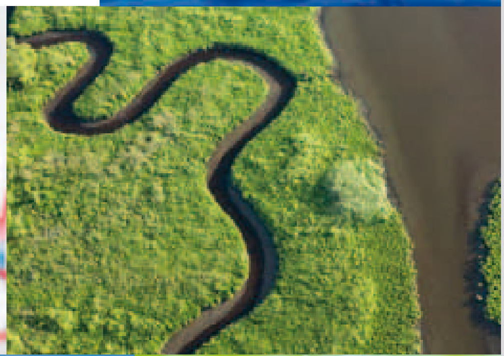
Innovation will play a key role in achieving our growth objectives. We invested EUR 300 million in research in 2012. Our projects are aligned with the challenges of sustainable development, aimed at developing solutions and processes that answer certain of the challenges facing the planet. For example, we have developed a process to recycle rare earths that will significantly increase our competitiveness in Europe, secure our supplies and reduce our consumption of non-renewable raw materials.

Solvay very early made concrete commitments on social and environmental responsibility. We confirmed these commitments at the start of this year by introducing our “Solvay Way” approach, aimed at developing a strong culture of responsibility within the Group and backing up our demanding quest for progress. All teams are involved in its deployment.

We are constantly working to improve our practices in all areas. Our key watchwords are operational excellence and continuous improvement. Our tools are cost control, reduced energy consumption, improved processes and procedures and optimum use of our industrial plant. All employees at all levels of the organization are involved. In the industrial area, the first results from our pilot sites are conclusive and give us a clear vision of potential of these approaches. For example, by introducing an improvement drive we raised the capacity of our Spinetta, Italy, Specialty Polymers plant by 30%.

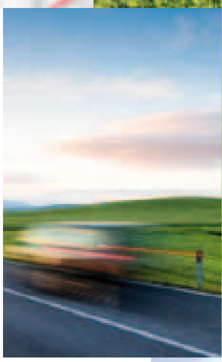
We need, in 2013, to continue to build an enterprise culture based on performance, excellence and responsibility, serving our strategic objectives. This culture change needs to be embraced by the entire organization. This means our 29 000 employees sharing these objectives and all pulling in the same direction. It is equally important that, in response to this commitment which we are asking for, our managers show the way and develop their teams. This is the fundamental thrust of the balanced management model, respectful of the men and women in the Group, that we are working constantly to build.

As our new logo and our vision reflect, we are proud of the history of Solvay and we look to the future with confidence. The stability of our shareholder structure is an asset here, allowing us to



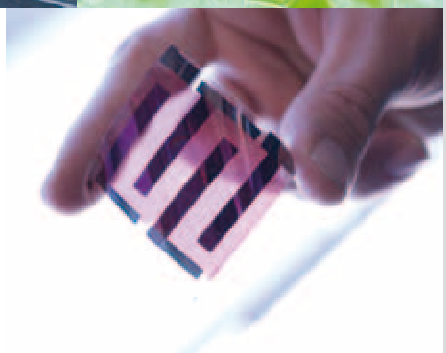
dare to take difficult corners, sometimes before the others and in any case with greater confidence, and transform ourselves while enriching and preserving our values.

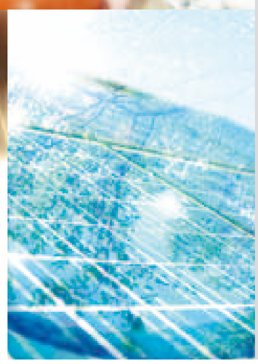
It is with the awareness that a chemical leader is not built in a day that we open with confidence, in this 150th year in the life of Solvay, a new chapter in our story.

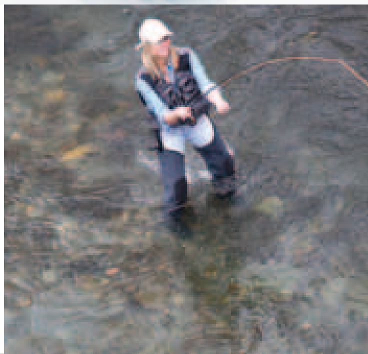


Nicolas Boël
Chairman of the Board of Directors

Jean-Pierre Clamadieu
Chairman of the Executive Committee and CEO







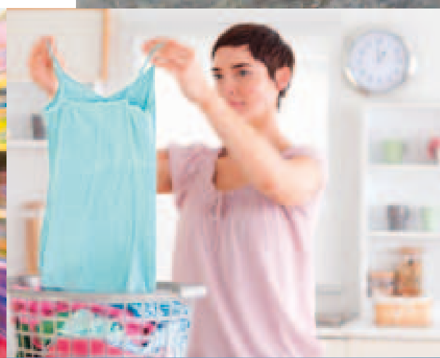
PROVIDING INDUSTRY WITH AN INCREASING NUMBER OF SUSTAINABLE SOLUTIONS

Solvay develops high added-value, innovative and competitive solutions, tailored to the present and future demands of end users.

CONSUMER GOODS

Solvay offers consumers increasingly more comfort in daily life, through a wide range of fibers, plastics, flavors and various solutions. Solvay products and applications are used in particular in cleaning, personal care, nutrition and human health products, textiles and sports equipment.

28%
of net sales



AUTOMOTIVE

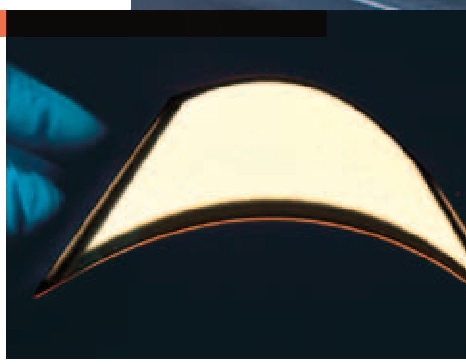
Solvay supports manufacturers as they advance toward sustainable mobility with a wide and varied range of high-performance products and applications. Its silicas make tires more energy-efficient, while its engineering plastics and specialty polymers lighten the weight of vehicles. The Group also develops materials based on rare earths that reduce polluting emissions.

15%
of net sales

ENERGY

For its industrial customers, Solvay devises cutting-edge solutions to increase energy efficiency in industrial installations or the amount of energy stored in lithium batteries. Its products are used to generate energy from renewable resources (solar and wind), and in fuel cells, gas-diffusion membranes and heat transfer.

6%
of net sales



ENVIRONMENT

Solvay develops specific solutions that help protect the environment in daily life and in industry. These are used in air-emission control, soil remediation, water supply and treatment, gas-separation membrane technologies and water-purification membranes.

5%
of net sales

CONSTRUCTION

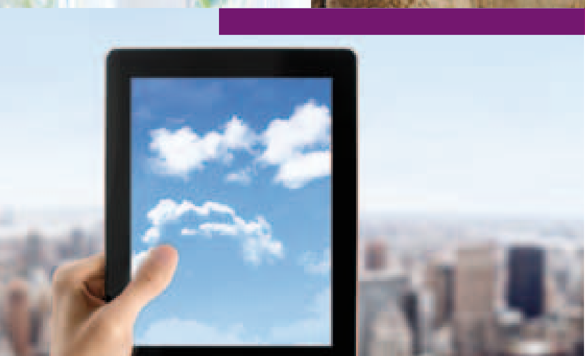
The quality and reliability of Solvay solvents, fibers meet the needs of manufacturers of paints and coatings, thermal insulation, window frames, electrical wiring, cabling, and pipes and fittings for heating and cooling systems, as well as blowing agents and flame retardants.

14%
of net sales

AGRICULTURE

For pesticides manufacturers, Solvay develops substitutes for conventional additives that are safe, easy to use, environmentally-friendly and effective. Its silica and sodium bicarbonate are used in the manufacture of animal feed and animal-care products.

4%
of net sales



ELECTRICITY AND ELECTRONICS

Solvay's high-performance products support the progress of these industries. Its formulations and solutions are used in conductive and photovoltaic materials, coatings for flat-panel displays, semiconductors, medical imaging, digital cameras, optimizing the energy efficiency of electric lighting, electrical insulation components and organic electronics.

7%
of net sales

PAPER

Solvay is a leading supplier to the world's paper industry. Its products are used at different stages of production: hydrogen peroxide for bleaching paper pulp, caustic soda for pulp production and soda ash for preparing the paper (opacification, coating formulation).

2%
of net sales

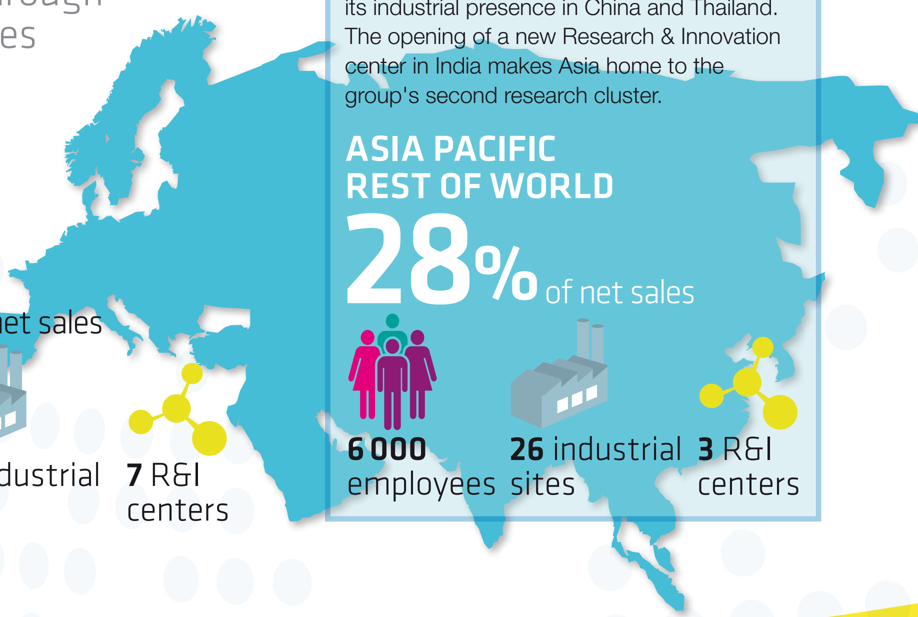
OTHER INDUSTRIES

Providing environmental performance while remaining competitive is a major challenge for advanced industries. Solvay supplies them with process agents and intermediates for numerous applications.

19%
of net sales

STRENGTHENING OUR PRESENCE IN GROWTH AREAS

With a well-balanced geographic presence and solid positions in growth regions, Solvay is accelerating its geographic expansion through production capacity increases and targeted acquisitions.



EUROPE

42% of net sales

15 900 employees

47 industrial sites

7 R&I centers

In 2012, Solvay significantly expanded its production capacity in the region, by increasing capacity in India and consolidating its industrial presence in China and Thailand. The opening of a new Research & Innovation center in India makes Asia home to the group's second research cluster.

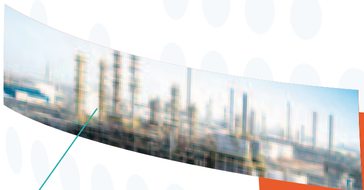
ASIA PACIFIC
REST OF WORLD

28% of net sales

6 000 employees

26 industrial sites

3 R&I centers

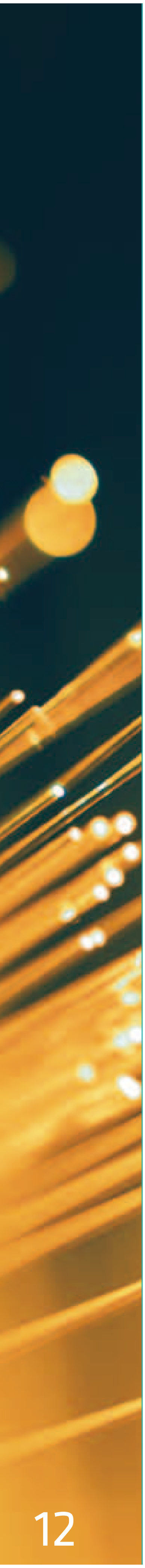


Almost

40%

of net sales are realized in high-growth countries, accounting for 1/3 of the workforce.

50% of growth investments are being made in the world's strongest-growing countries (Russia, China, India, Korea, Thailand, Middle East, etc.).



INNOVATION, THE KEY LEVER OF GROWTH

Solvay's Research & Innovation today has a critical mass that will enable it to accelerate its development and enhance its leadership in its areas of expertise. Research and Innovation's missions: to contribute to the Group's operational excellence, strengthen its leadership positions, identify future trends, and develop new technologies with which to expand the existing activities portfolio and open new markets for existing activities.

12 major global R&I centers

1900 researchers

300 new patents

EUR **85** million investment in shareholdings[1]

EUR **261** million net R&I investment

1. In risk capital and start-up funds.

INNOVATION FOCUSED ON SUSTAINABLE DEVELOPMENT

Research & Innovation carries Solvay's ambition to be a model for sustainable development. The demanding SPM (Sustainable Portfolio Management) methodology is applied to R&I projects right from the design stage to measure their environmental and societal impact.

SIX INNOVATION THRUSTS ALIGNED WITH MEGATRENDS

Scarcity of resources, fight against climate change, soaring consumption in high-growth parts of the world, new demands for environmental care, health and well-being, these are the trends that determine the main thrusts of our R&I policy.

> Coming up with new materials that are more effective and eco-efficient, less resource-intensive, safer and lighter, by exploring the possibilities offered by the Group's expertise in plastics, soft matter and nanotechnologies;

Supporting innovative SMEs in emerging sectors

In 2012, Solvay invested EUR 5 million in Sofinnova Green Seed Fund to finance European SMEs that are innovating in industrial biotechnologies. We will be making our network of technology and market experts available to the fund and to the selected projects.

- > Developing renewable **chemistry,** opening the way for technologies that promote the use of renewable raw materials: new bio-based compounds, recycling processes;

- > Contributing to the creation of sustainable energy solutions such as photovoltaics and fuel cells as well as the development of new components for more efficient, lower environmental-impact batteries;

- > Producing more efficiently and responsibly: reducing the environmental impact of our activities and optimizing resource utilization, increasing competitiveness and reducing the capital intensity of our industrial activities;

- > Supporting the growth of expanding markets, for example in organic electronics;

- > Developing ever more responsible consumer products, meeting consumer expectations and adapted to local needs for sustainable, healthier, safer and more efficient products.

MAJOR RESOURCES TO POWER THE GROUP'S AMBITIONS

Our global network combines 12 R&I centers, eight advanced laboratories and 35 laboratories researching business-specific applications. Accelerated lead times for new products, reduced costs and compliance with societal and regulatory expectations. These are some of the objectives that we share with our customers.

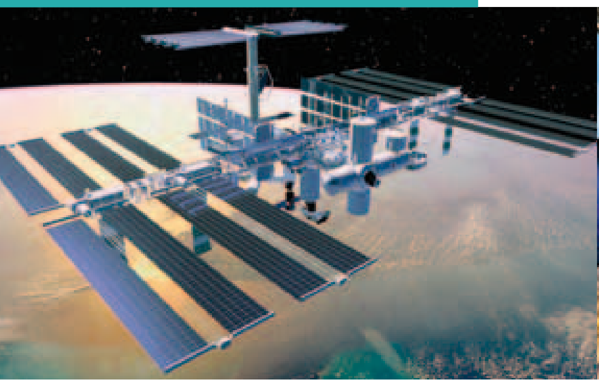
In 2012, the Group introduced new resources to support customers in growth regions. Solvay also is strengthening its resources in Asia, expanding the research center in Shanghai, China, opening a laboratory and starting cooperation with the EWHA Women's University of Seoul (Korea), and setting up a new Research & Innovation and Technology center in India. In Brazil a new laboratory is under construction on the Paulinia site.

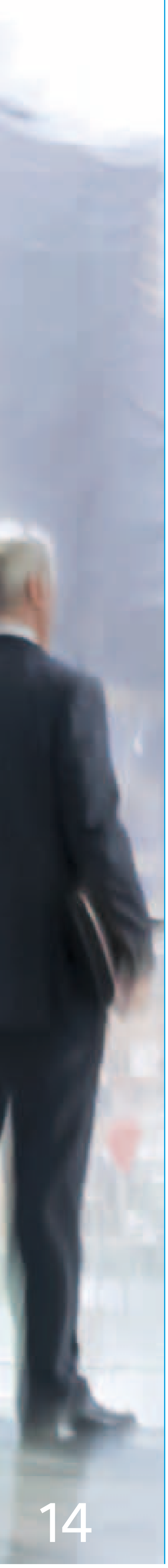
"OPEN INNOVATION" ACCELERATOR OF PROGRESS

Solvay strongly believes that innovation is thinking differently, but also and increasingly, listening to and working with others. This openness allows it to be attentive to the megatrends of society, to identify new areas of growth, and to track down and analyze the breakthrough projects that deserve to be prioritized and accelerated.

This open innovation is based on close collaboration with the academic world. In France, Solvay partners with the Centre National de Recherche Scientifique (CNRS) and universities in several programs in joint laboratories. In Brazil, in 2012 Solvay initiated a partnership with the National Bioethanol Science and Technology Laboratory (CTBE). In Korea, the agreement with EWHA provides for the future joint research center to cooperate with the university's Center for Intelligent Nanobiomaterials.

Solvay is also developing its innovation potential by investing in leading-edge start-ups in biotechnology, photovoltaics and advanced materials. In addition, Solvay also invests in venture capital funds that provide seed money in specific sectors.





A GROUP COMMITTED TO SUSTAINABLE DEVELOPMENT

In 2013, the Group published a more robust social and environmental policy, with newly defined goals. Its ambition is to become a reference in global sustainable chemistry thanks to its practices recognized as among the best and its innovative solutions incorporating the requirements of sustainable development.

Historically a leader with its safety culture and at the forefront in social matters, Solvay has taken on board, from the start, demands for development that is respectful of both humans and the planet. Social and environmental responsibility is enshrined in its processes and is a major driver of value creation.

SOLVAY WAY, A STRUCTURED AND AMBITIOUS SUSTAINABLE DEVELOPMENT POLICY

The new 'Solvay Way' Sustainable Development policy defined in January 2013 integrates the advances and best practices of Solvay and Rhodia, and sets ambitious goals for the new Group. Supported by strong governance, all our employees are today enlisted in deploying it.

FIVE PRIORITY OBJECTIVES

> To achieve excellence in safety, health and occupational hygiene for everyone on the sites;

> To realize an increasing share of sales in markets or with an activities portfolio meeting the requirements of sustainable development;

> To continuously improve the performance of technologies, processes and products, so as to avoid injuries and limit their environmental impact throughout product lifecycles;

> To reduce greenhouse gas emissions, energy and water consumption, and negative impacts on soil, water and air quality, as well as the use of resources, especially non-renewable ones;

> To develop rich and balanced social dialogue with employee representatives at national and international levels.

AN APPROACH TO PROGRESS BACKED BY A DEMANDING REFERENCE FRAMEWORK

The Solvay Way is an integral part of a dynamic of continuous progress, based on a reference framework of practices that enables all Group entities to self-assess their sustainable development progress annually on the basis of 47 good practices. The approach integrates the requirements of ISO 26000.

CONCRETE COMMITMENTS

The Group maintains an ongoing dialogue with its stakeholders to identify areas for improving its processes and practices.

Customers
To industrial customers facing increasingly stringent regulations and ever more demanding consumers, Solvay offers controlled-impact solutions that are the fruit of collaborative innovation.

Employees
The Group is committed to its employees in terms of safety and health at work, professional

development, fair treatment of employees, and respect of human rights.

Our planet

The Group seeks to reduce the environmental footprint of its manufacturing processes and to improve energy efficiency.

Investors

By publishing the Group's modes of governance, its results and its vision in a regular and open fashion, Solvay meets the requirements of transparency and rigor demanded by market regulators and expected by investors. It wishes to be recognized as a reference responsible industrial investment.

Suppliers

The Group wishes to involve its suppliers in relationships of trust, based on shared ethical principles established with the goal of creating sustainable value for all.

Local communities

The Group has established relationships of trust with its site neighbors, through dialogue, clear information and strict processes for controlling of risks and nuisances.

PUBLIC COMMITMENTS

Wanting to bring its approach into conformity with the most demanding global benchmarks, Solvay adheres to the OECD Guidelines for Multinational Enterprises, to the UN Global Compact and to the commitments of the "Responsible Care®" World Charter, a program of continuous improvement initiated by the chemical industry.

THE GLOBAL AGREEMENT ON RESPONSIBILITY

In similar approaches, Solvay and Rhodia each cleared the way to open and responsible dialogue with their employees. In 2008 Solvay and its European works council in 2008 signed a Sustainable Development and Social Responsibility Charter. In turn, back in 2005, Rhodia signed a social and environmental responsibility accord with ICEM, an international trade union federation, now merged with the IndustriALL federation (50 million workers in 140 countries). In 2013, based on these converging experiences, Solvay intends to create a new framework of dialogue with its partners at global level.

SOLVAY way

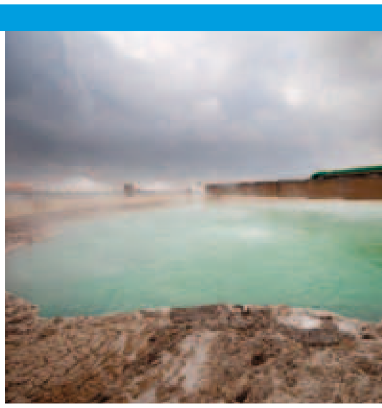
External recognition

Solvay is included in the CDP Benelux, STOXX and ASPI indexes.

Member 2012/2013 STOXX ESG LEADERS INDICES

ASPI

CARBON DISCLOSURE PROJECT



ORGANIZING AND MOBILIZING AROUND A COMMON VISION

To adjust its management structure to the diversity of its businesses, Solvay has redrawn its organization, with a focus on simplifying and decentralizing its decision-making. Thanks to these changes, the Group is closer to its customers, more agile and better placed to seize opportunities and realize its growth ambitions.

FIVE OPERATING SEGMENTS SERVING THE STRATEGY

Effective January 1, 2013, Solvay is organized into five Operating Segments, focused on the key success factors of the fields of activity. Each Segment brings together, with a specific business model, GBUs sharing common characteristics and similar competitive, technological and/or regulatory dynamics.

The new organization favors an entrepreneurial approach focused on value creation. Close to its customers and markets, each GBU has the requisite operating resources to implement its strategy.

> **Consumer Chemicals** serves the consumer products markets. Its growing product offering is directed at societal megatrends: demographic growth, the increasing purchasing power of emerging markets, the appearance of new modes of consumption, and a demand for safer, more sustainable products and renewable materials-based solutions.

> **Advanced Materials** offers ultra high-performance applications for aerospace, high-speed trains, health, low-energy tires, automotive emission control, smartphones and hybrid vehicle batteries.

> **Performance Chemicals** operates in mature and resilient markets, where success is based on economies of scale, competitiveness and quality of service.

> **Functional Polymers** brings together the chlorovinyls chain and the polyamide activities to serve mainly the construction, infrastructure, automotive and electrical/electronics markets.

> **Corporate & Business Services** includes the Energy Services GBU and Corporate Functions such as Business Services and the Research & Innovation Center. Energy Services' mission is optimize energy consumption and reduce emissions.

Starting with Q1 2013, the Group's results will be presented in these five Operating Segments.

AN EXECUTIVE COMMITTEE SUPPORTING BUSINESS AND GROWTH

Solvay's culture of delegation is based on two-level decision-making: the Executive Committee (Comex) builds the Group's vision and its mid- and long-term strategy, which the GBUs implement.

Acting as a collegial body, Comex supervises the achievement of objectives and optimizes resource allocation across GBUs. It is collectively responsible for overall performance and for protecting the Group's interests.

It is supported in its mission by transverse functions, which define common policies, ensure their implementation and ensure compliance with them.

PROMOTING CULTURE CHANGE

Based on the principles of empowerment and delegation, the Solvay organization is structured to encourage initiative at each decision level. In order to anchor these principles in managerial reality and on the ground, the Group has transformed its culture model. The fruit of a collective effort and a vision by its teams, the new Solvay culture defines itself as one of responsibility and results. Reflecting the Group's tradition of excellence, it is built on two pillars: a management model and a "social" contract. Having employees take ownership represents a major challenge.

OPERATING SEGMENTS[1]

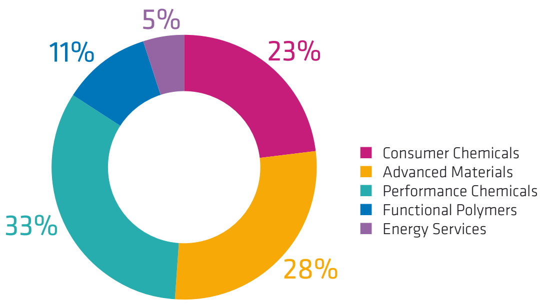
consumer chemicals	advanced materials	performance chemicals	functional polymers	corporate & business services
Novecare	Specialty Polymers	Essential Chemicals	*Polyamide* Polyamide & Intermediates Engineering Plastics Fibras	Energy Services
Aroma Performance	Silica	Acetow	*ChloroVinyls* SolVin Chlor-Chemicals	Corporate Functions
Coatis	Rare Earth Systems	Eco Services		
	Special Chemicals	Emerging Biochemicals		
Net sales: EUR 2 565 million	Net sales: EUR 2 743 million	Net sales: EUR 3 162 million	Net sales: EUR 3 808 million	Net sales: EUR 157 million
REBITDA: EUR 518 million	REBITDA: EUR 627 million	REBITDA: EUR 750 million	REBITDA: EUR 251 million	REBITDA: EUR (79) million

TALENTS TO MATCH THE GROUP'S AMBITIONS

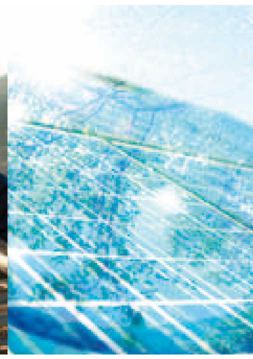
The development of its employees – the driving force of its success – is a priority for Solvay. An annual assessment and performance interview allows all employees to evaluate their contributions with their managers and to construct development plans to maximize their potential. Training, mobility and international exposure are all for building a career.

In 2012, to strengthen its attractiveness and its talent pool, the Group redefined its employer identity.

Adjusted REBITDA by Operating Segment



1. Restated figures as per new organization effective as from January 1st, 2013. Under the new organization, there are changes in the allocation criteria of formerly non-allocated elements and other structure costs between Corporate Functions and Operating Segments.



consumer chemicals

The consumer goods market is experiencing soaring growth in all areas, supported by strong demand from emerging countries and the desire of consumers around the world for sustainable, safer and healthier products. Key drivers of Solvay's growth, the Consumer Chemicals activities support this forward movement through geographical expansion, the strengthening of their value-creating technological expertise and innovation focused on sustainable development.

NOVECARE

- > World leader in specialty surfactants.
- > Major player in the polymers, guar and phosphorus derivatives markets.
- > 2012 net sales: EUR 1 684 million

Novecare creates formulations that provide specific functionalities to consumer products and to advanced industrial applications. These formulations affect the behavior of fluids, delivering cleansing, softening, moisturizing, gelling, texturizing, penetrating or dispersing properties. They are found in shampoos, detergents, paints, lubricants, plant protection, mining and oil extraction. Novecare relies on a global network of 25 manufacturing sites and seven R&I centers to be the preferred partner of its customers in high-growth countries and to develop sustainable solutions through innovation.

As a front-runner in a vibrant and diversified specialty market, Novecare has since 2010 deployed an ambitious strategy to achieve double-digit annual growth, based on organic growth in emerging countries and a highly dynamic innovation policy. The GBU is also reinforcing its development through targeted acquisitions. Following the successful integration of the cosmetics and detergents activities of the McIntyre Group (USA) and the acquisition in 2011 of Feixiang Chemicals, China's leading producer of amines and surfactants, Novecare acquired in 2012 the Indian company Sunshield Chemicals. This operation enables it to consolidate its leadership in Asia and benefit from the growth of a booming Indian market.

Novecare is also investing in the dynamic and fast-growing markets of Eastern Europe, with the creation of Ruspav, a new leader in specialty surfactants in Russia, in partnership with the petrochemical company Sibur. The latter offers Ruspav privileged access to raw materials, while Novecare provides technological expertise, market knowledge and its network of global customers.

In 2012, a year of strong demand for guar-based products, Novecare stood out with its customers for the exceptional quality of its integrated offering. In response to the growing use of guar, Solvay increased its production capacity by 40%.

25 industrial sites[1]

3 340 employees

A strong presence in a booming Indian market

Sunshield Chemicals, acquired from the Amit Choksey group, produces and exports surfactants, wetting agents and anti-oxidants, which are used for various applications including plant protection, paints, lubricants, plastics and metal processing. Based in Mumbai, Sunshield Chemicals is listed on the Bombay Stock Exchange and achieved a turnover of EUR 13.5 million in its last financial year ended March 31, 2012.

Surfactants and polymers are compounds that transform the behavior of fluids, delivering emulsifying, dispersing, penetrating, fluidizing, rheological, cleaning, wetting and other properties. Used in all kinds of manufacturing processes, they are found in products or applications as diverse as shower gels, detergents, paint, metal processing, oil and gas extraction.

1. Number of sites where the GBU operates. A single site may be shared by several GBUs.

COATIS

> Largest Latin American producer of phenol derivatives.
> Leader in oxygenated solvents.
> 2012 net sales: EUR 506 million

Coatis utilizes several levers to expand its business: substitute products that meet the current challenges of sustainable development, a historical presence in Latin America, a portfolio of competitive products and privileged access to bio-sourced raw materials (ethanol and glycerol).

Phenols and derivatives produced at the Paulinia site in southeast Brazil are used in the production of synthetic resins employed in foundries, construction and abrasives. The expansion of its production facilities, completed in May 2012, enables the GBU to meet strong global demand and increase its market share in Latin America.

Coatis' oxygenated solvents, another flagship product, are used as a substitute for chlorinated solvents, owing to their low toxicity and impact on the ozone layer, their biodegradability and their high solvent power.

In 2012, Coatis continued to develop its range of bio-sourced solvents by expanding the AUGEO® range of innovative solvents produced from glycerin (a renewable feedstock derived from biodiesel). The GBU has also launched a project to produce bio n-butanol from bagasse, a renewable by-product from the crushing of sugarcane.

1 industrial site[1]

650 employees

LAUNCH OF BIOREFINERIES IN LATIN AMERICA

In Brazil, Coatis has joined forces with Cobalt Technologies to manufacture bio n-butanol at lower cost using sugarcane residues. Following a feasibility study, in 2012 the partners began building a pilot plant using the proprietary biocatalysts and the advanced bioreactors developed by Cobalt. Their medium-term ambition is to build several biorefineries alongside sugar plants in Brazil and in other Latin American countries. They are also keen to capture new markets with chemical companies and fuel producers.

AROMA PERFORMANCE

- > World's largest producer of diphenols and derivatives (vanillin, inhibitors).
- > Number three producer of trifluoric acid.
- > 2012 net sales: EUR 376 million

As one of the leading global providers of fluorinated intermediates, Aroma Performance is the partner of choice for producers of aroma and fragrances. The GBU also produces synthesis intermediates for the pharmaceutical, agrochemical and electronics markets, as well as monomer stabilizers for petrochemicals.

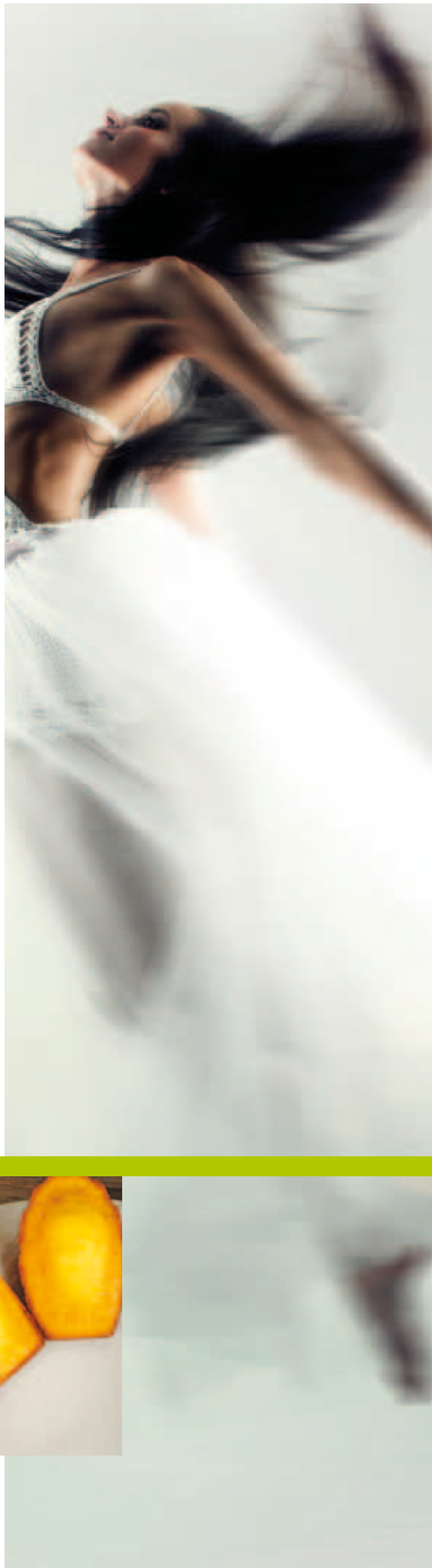
Its leadership in the vanillin market is based on its ability to meet strict food-safety and environmental-protection regulations. Another differentiating factor is that Aroma Performance is the only player in the sector to produce diphenols worldwide. With a manufacturing presence in North America, Europe and Asia, it offers its customers, in particular major food processors, a geographic proximity that promotes quality service and collaborative partnerships.

5
industrial sites[1]

770
employees

Its innovativeness is a further factor in its success: in 2012, the GBU consolidated its position by launching the GOVANIL™ range of new-generation vanillins.

Aroma Performance is also very active in fast-growing niche markets such as energy storage, electronics, and the pharmaceutical industry, with their continuously rising need for specialty fluorinated derivatives. The GBU has decided to invest more than EUR 10 million in its Salindres plant (France) in order to double capacity by the second half of 2013. Fluorochemicals are increasingly used in electronics applications (antistatic applications for, among other things, flat screens, liquid electrolytes and liquid crystals), while lithium salts are also an essential component of Li-ion batteries for electric vehicles.



1. Number of sites where the GBU operates. A single site may be shared by several GBUs.

advanced materials

Advanced Materials designs solutions to meet the sustainable development concerns of high-performance industries. Sustaining its growth is the demand for less energy consuming and less polluting functionalities.

15 industrial sites[1]

2 700 employees

SPECIALTY POLYMERS

> World leader in specialty polymers and high-performance polymers.
> 2012 net sales: EUR 1 348 million

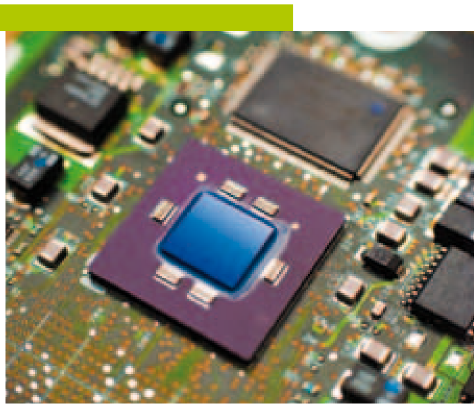
Specialty Polymers produces the widest range of specialty polymers in the world: more than 1 500 very high added-value products[2] and 35 brands for high-growth markets such as energy, medical applications, water, advanced transportation and communication devices. Innovations directed at sustainable development and geographic expansion are the main thrusts of its strategy.

In 2012, Specialty Polymers made significant investments at its European and Asian sites. In France, the capacity increase at the Tavaux (Jura) unit permitted a 50% increase in our local production of polyvinylidene fluoride (SOLEF® PVDF). In Asia, where it generates more than 30% of its sales, the GBU inaugurated its new compounds facility in Changshu (China). It has also announced a 70% increase in the capacity of its Indian site specializing in the production of innovative PEEK and PAEK polymers, which are at the top of the plastics performance pyramid. Parallel with this, Specialty Polymers launched a major research center at Savli (Gujarat State), India.

2. Fluoropolymers, fluoroelastomers, fluorinated fluids, semi-aromatic polyamides, sulfonated polymers, aromatic ultra-polymers, high-barrier polymers and high-performance cross-linkable compounds.

MEMBRANES AT THE HEART OF CLEAN ENERGIES

Membranes developed by Specialty Polymers are at the heart of two major advances: the use of hydrogen fuel cells for “zero-emission” cars and a one-megawatt proton-exchange membrane (PEM) fuel cell able to convert a factory's hydrogen production into electricity. This process, operational at the SolVin plant in Antwerp (Belgium), has generated more than 500 megawatts in 800 operating hours, equivalent to the electricity consumption of 1 370 homes during the same period.



SILICA

> Inventor of highly dispersible silica and world leader in this market.
> 2012 net sales: EUR 382 million

Silica is the reference supplier to manufacturers of energy-saving tires. The GBU also serves other markets like oral hygiene, animal nutrition, and manufacturing (battery separators and high-performance rubber).

Driving this activity is organic growth achieved by increasing production capacity for highly dispersible silicas and developing value-creating partnerships with global customers.

In the sustainable mobility market, innovation is a strategic lever of the GBU, which is developing solutions to provide tires that are safer and permit greater energy savings. Since November 2012, the GBU has benefited from the entry into force of the new EU tire labelling.

Over a two-year period, anticipating growing demand, the GBU increased by 40% its global production capacity: 2012 investments in France (Collonges-au-Mont-d'Or, Rhône) complemented those made in 2011 in the United States (Chicago Heights, Illinois) and in 2010 in Asia (Qingdao, China).
With nine manufacturing sites worldwide, Silica is the only manufacturer of highly dispersible silicas to have production sites providing products of identical specifications in America, Europe and Asia.

9 industrial sites[1]

650 employees

RARE EARTH SYSTEMS

> World's number one supplier of formulations based on rare earths, with a global market share of nearly 30%, in particular in automotive catalysis and the luminescence and electronics markets.
> 2012 net sales: EUR 434 million

Rare earths are particularly prized for their exceptional catalytic, magnetic, luminescent or abrasive qualities.

Rare Earth Systems has the broadest portfolio of activities in the sector, with its advanced applications contributing to the strong growth of its markets. Its strategic development thrusts are automotive catalysis, electronics and recycling. In September 2012, the GBU opened its first rare earths recycling plant in France dedicated to light bulbs. Apart from light bulbs, it is actively developing technology for recycling batteries and magnets.

Rare Earth Systems is recognized as a strategic partner by its customers. A particular strength is the diversity and reliability of its sources of supply. It also offers them a unique level of support with its technological innovation capacity, manufacturing expertise, global presence, and R&I proximity.

5 industrial sites[1]

1120 employees

SPECIAL CHEMICALS

> Among the world leaders in fluorine chemistry.
> 2012 net sales: EUR 579 million

Special Chemicals operates in many markets: energy conservation and storage, semiconductors, electronics, food processing, health and high-performance materials. The GBU is particularly known for its solutions for high-end applications such as heat-exchanger fluids and Li-ion batteries. These developments are based on its mastery of an innovative technology for producing fluorinated gas: used as a substitute for nitrogen trifluoride gas, this cleaning gas provides significant benefits for the environment and undeniable productivity gains for its users.

Favoring a strategy focused on its customers' needs, Special Chemicals continues to grow in high value added niches, working with partners that are leaders in their markets. In January 2012, for example, it set up a joint venture with Air Liquide to operate modular fluorine-gas production units at customer sites worldwide (producers of flat panel displays and thin film silicon photovoltaic panels).

Geographic expansion is another driver of growth, and Special Chemicals will increase its production capacity in Asia to better serve the rapidly expanding automotive and semiconductor industries, especially in China.

RARE EARTH SYSTEMS RECEIVES THE ICIS SUSTAINABLE INNOVATION PRIZE

Solvay's rare earths recycling technology was declared “Best Sustainable Innovation” by ICIS, a leading worldwide provider of content and information on the chemical and energy sectors. The process involves extracting and separating the luminophorous powders contained in spent low-energy light bulbs. These are collected, sorted and processed by specialist companies that recycle the different components (glass, metals, etc.). Once recycled and reformulated in the Group's plants, the rare earths are sent back to manufacturers and reused in the production of new bulbs.
In September 2012, Solvay opened in France its first rare earths recycling plant dedicated to light bulbs. Apart from light bulbs, the GBU is actively developing the recycling of batteries and magnets.

21 industrial sites[1]

2 300 employees

1. Number of sites where the GBU operates.
A single site may be shared by several GBUs.

performance chemicals

Performance Chemicals operates in cyclicality-resistant niche markets, where the main success factors are economies of scale, competitiveness and quality of service. Its leadership here is based on marketing and logistics excellence; its markets find their dynamics in the constantly updated product offerings.

ESSENTIAL CHEMICALS

- > World's largest producer of sodium carbonate, sodium bicarbonate and hydrogen peroxide.
- > 2012 net sales: EUR 1 811 million

Essential Chemicals relies on the technological innovation of its processes and on its operating excellence to develop its activities.

Sodium carbonate and bicarbonate

A product of inorganic chemistry, sodium carbonate serves the world's glass and detergents industries. In Europe Solvay's synthetic process based on sodium, limestone and ammonia; in the United States (Wyoming) it operates a natural sodium carbonate (trona) mine that is one of the largest of its kind in the world. Essential to the food, health (hemodialysis) and detergent industries, sodium bicarbonate is also used by many developing markets such as flue-gas acid neutralization and animal nutrition.

In December 2012, the Group announced the launch of a project to optimize its global industrial footprint. In Southern Europe and the Mediterranean, the Group is adapting to its evolving environment and adjusting its production capacity. Throughout the world, the Group is undertaking operating excellence initiatives to strengthen its positions.

Peroxydes[2]

Solvay is the leading global provider of hydrogen peroxide, used especially for bleaching paper pulp. More generally, peroxides serve the chemicals, mining industry, disinfection, detergents, textiles and environmental products markets. The GBU has the world's largest hydrogen peroxide plant at Map Ta Phut (Thailand).

In 2012, Essential Chemicals significantly increased its hydrogen peroxide production capacity in the world's growth regions (Asia and Latin America) and committed to a project to build a mega-plant in Saudi Arabia (Sadara). Parallel with this, it has launched an innovative technology for setting up small low-cost units at its customers' sites. Finally, the GBU is multiplying its innovations in order to diversify into niche markets, such as disinfection or aquaculture or developing specialty derivatives.

25 industrial sites[1]

6 290 employees

1. Number of sites where the GBU operates. A single site may be shared by several GBUs.
2. Hydrogen peroxide, calcium and magnesium peroxides, peracetic acid, persalts...

ACETOW

- > World number three producer of cellulose acetate.
- > Number 1 in the CIS and Latin America, number 2 in Western Europe.
- > 2012 net sales: EUR 616 million

From plants on four continents, Acetow is the reference supplier for cigarette filter manufacturers and a leading provider of cellulose acetate flake to the textile industry. The GBU is also developing new applications for packaging cosmetics, food (Europe) and computer peripherals and telephones (Asia). In 2012, Acetow signed a license agreement to manufacture and distribute the ACCOYA™ acetylation technology which is used to make ultra-resistant wood.

4 industrial sites[1]

1 350 employees

ECO SERVICES

- Number 1 in sulfuric acid regeneration in the United States.
- 2012 net sales: EUR 314 million

Eco Services produces and regenerates the sulfuric acid used in refineries, chemicals manufacturing and other industrial applications.
The GBU is a reference supplier to the largest refineries of the US West Coast, Midwest, the Gulf of Mexico and Canada.
Its performance is based on reliability and quality of service, operating efficiency and logistics expertise.
Since 2007, Eco Services has been restructuring its sites under a pioneering agreement with the Environmental Protection Agency in order to reduce sulfur dioxide emissions by 90% by 2014.

7 industrial sites[1]

520 employees

EMERGING BIOCHEMICALS

- 2012 net sales: EUR 421 million

Created to develop green chemistry, the Emerging Biochemicals GBU operates via the Thai subsidiary Vinythaï Public Company Ltd, which is responsible for the chlorovinyl and epichlorohydrin activities in Asia.

Using the innovative EPICEROL® technology patented by Solvay, Vinythai produces epichlorohydrin, a key raw material for manufacture of epoxy resins. In 2012, the first epichlorohydrin production unit, with an annual capacity of 100 kilotons, started operation at the Map Ta Phut (Thailand) industrial complex. A second EPICEROL® unit of the same capacity is currently under construction in Taixing (China) and will start up in 2014.

1 industrial site[1]

470 employees

EPICEROL®, BIO-SOURCE PROCESS

A fruit of Solvay's drive for innovation, EPICEROL® is a new technology based on the processing of glycerin, a coproduct generated during the production of biodiesel from vegetable oils. More competitive than the conventional method based on propylene, it requires less capital investment, produces 60% less CO_2, and reduces by a factor of eight the volume of chlorinated by-products.

SOLVAIR®: bicarbonate for clean air

Sodium bicarbonate neutralizes the acids present in gases, in particular hydrochloric acid, sulfur dioxide and hydrofluoric acid. To help industrial companies meet their emission limits, Solvay has created a range of solutions – SOLVAIR® Solutions – using bicarbonate to control air emissions and associated waste. This large and promising market responds to the Group's mission to develop innovative chemical solutions to reduce the impact of industrial activities on the environment.

functional polymers

Functional Polymers groups the chlorovinyl and polyamide activities. Its strategy is based on optimizing its production facilities and exploiting its industrial integration.

POLYAMIDE CLUSTER

> 2012 net sales: EUR 1 688 million

The Polyamide cluster covers the activities of the polyamide 6.6 value chain. Solvay is one of the few players to control the entire chain, both upstream (adipic acid and HMD intermediates) and downstream (polymers).

POLYAMIDE & INTERMEDIATES

> Among the world's leading producers of polyamide 6.6 (nylon) and its intermediates.

Polyamide and Intermediates meets the challenges of widely varying markets. In 2012, the GBU expanded its range of products and invested heavily in improving productivity and energy efficiency at its sites.

ENGINEERING PLASTICS

> A global specialist in polyamide-based engineering plastics.

Engineering Plastics develops, manufactures and sells a full range of high-performance materials under the TECHNYL® brand. The GBU also develops a wide range of fireproof products, as well as powders for three-dimensional printing.
In 2012, the GBU structured its approach to its major customers and strengthened its R&I facilities in China and South Korea.

FIBRAS

> Number one manufacturer of polyamide (nylon) in Latin America.

Fibras manufactures and markets yarns and fibers for textile and industrial applications such as smart textiles (through its EMANA® and AMNI® brands). In 2012 the business began bringing its product range to Europe.

15 industrial sites[1]

4 110 employees

CHLOROVINYLS CLUSTER

> World's third-largest player in the PVC (polyvinyl chloride) market.
> 2012 net sales: EUR 2 120 million

The new Chlorovinyls cluster consists of several activities:

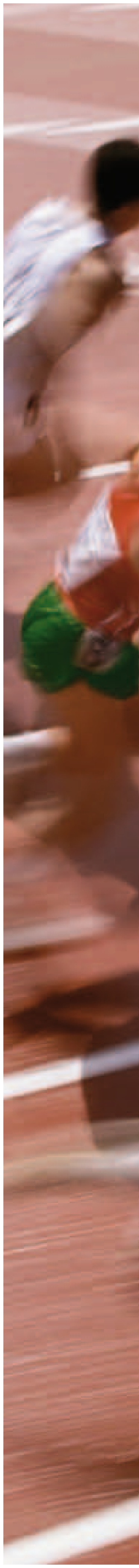
Europe's leading vinyls company **SOLVIN** covers the entire chlorine production chain including SOLVIN® PVC polymers and VINYLOOP® recycled PVC, from seven production sites. In 2012, SolVin continued work on a new world-class integrated plant in Russia co-owned with the Sibur group.

The new **CHLOR CHEMICALS** GBU was created in 2013 to exploit chlorinated products, such as allyls and chloromethanes, that are not linked to PVC.

Plastics Integration produces high-performance PVC compounds for the European, Russian and Brazilian construction markets. In 2012, this activity continued to enhance its expertise in PVC recycling, now a major focus of its growth.

12 industrial sites[1]

1 690 employees



1. Number of sites where the cluster operates. A single site may be shared by several GBUs.

The Corporate & Business Services Operating Segment houses those activities that serve the specific Group objectives involving operational excellence, efficiency and collaborative innovation. These are Energy Services, Business Services and the Corporate functions, charged with defining the overall policies that ensure the Group's consistency and with supporting the GBUs in implementing them.

ENERGY SERVICES

> 2012 net sales: EUR 154 million

Created on January 1, 2012, Energy Services combines the Solvay, Rhodia and Orbeo teams, 250 persons in 15 countries, to serve the aim of reducing the Group's energy consumption and its greenhouse gas emissions. The GBU operates Group-owned energy production facilities representing an installed capacity of 1 000 MW.

Energy Services has a two-fold mission:

> To optimize the Group's energy purchases and consumption and its CO_2 emissions. In addition the GBU offers third-party customers innovative solutions to help them reduce both their energy costs and their environmental footprints. For example, its Energy & CO_2 Management Services (ECMS) offers energy management, energy efficiency (including the SOLWATT™ program) and CO_2 management services;

> To develop renewable energies and biofuels projects. In this context, an innovative project is being conducted in partnership with the Brazilian company Paraiso to develop a cogeneration plant fuelled by biomass from an ethanol and sugar plant. While the Paraiso site benefits from the electricity and steam generated by this unit, the objective is to sell the greater part of the electricity production to the grid. On November 10, 2012, the power plant was connected to the Brazilian national grid. In 2013 it will demonstrate its full capacity.

BUSINESS SERVICES

> 2012 net sales: EUR 3 million

This internal structure develops shared value-adding services for the Group in Human Resources, Accounting and IT. Its mission is to ensure business continuity, optimize costs, create value and contribute to the customer's satisfaction with superior performance.

SOLWATT™: an essential tool for reducing energy consumption

SOLWATT™, an original program developed by Energy Services to reduce the Group's energy consumption, operates on two levels:

> optimizing energy consumption at constant activity in the production units;
> optimizing the economic exploitation of the in-house energy generation tools (boilers, gas turbines).

This program is also included in the service offering to the Group's external customers.

EXECUTIVE COMMITTEE*

The Executive Committee is composed of six members; each of them supervises a certain number of Global Business Units, Functions or Zones. The Chairman of the Executive Committee and the Chief Financial Officer also assume such supervisor role in addition to their respective specific responsibilities.

JEAN-PIERRE CLAMADIEU (CHAIRMAN OF THE EXECUTIVE COMMITTEE AND CEO)

BERNARD DE LAGUICHE (CHIEF FINANCIAL OFFICER)

GILLES AUFFRET

VINCENT DE CUYPER

ROGER KEARNS

JACQUES VAN RIJCKEVORSEL

GENERAL MANAGERS

CÉCILE TANDEAU DE MARSAC (GROUP GENERAL MANAGER HUMAN RESOURCES)

JEAN-PIERRE LABROUE (GROUP GENERAL COUNSEL)

MICHEL DEFOURNY (GROUP CORPORATE SECRETARY & GENERAL MANAGER COMMUNICATION)

* 01/01/2013

governance


Jean-Pierre Clamadieu


Bernard de Laguiche


Gilles Auffret


Vincent De Cuyper

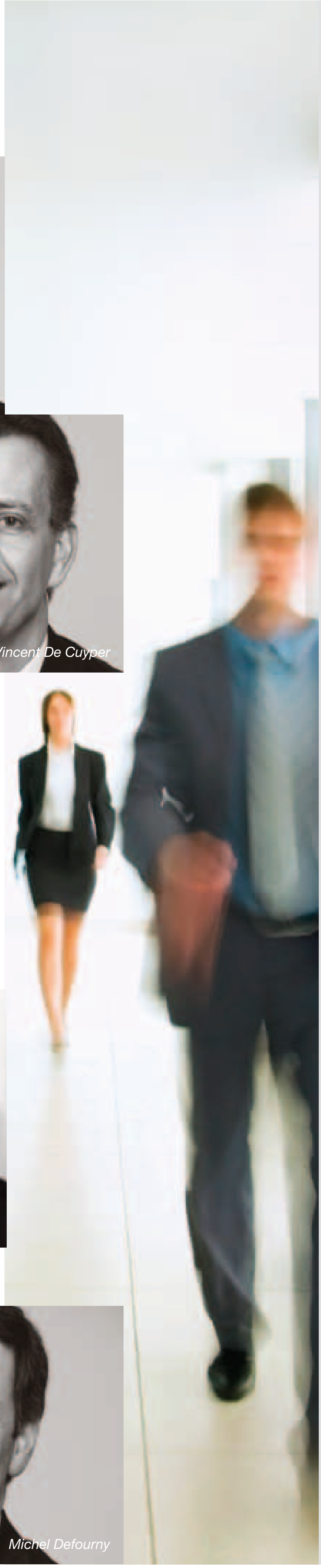

Roger Kearns

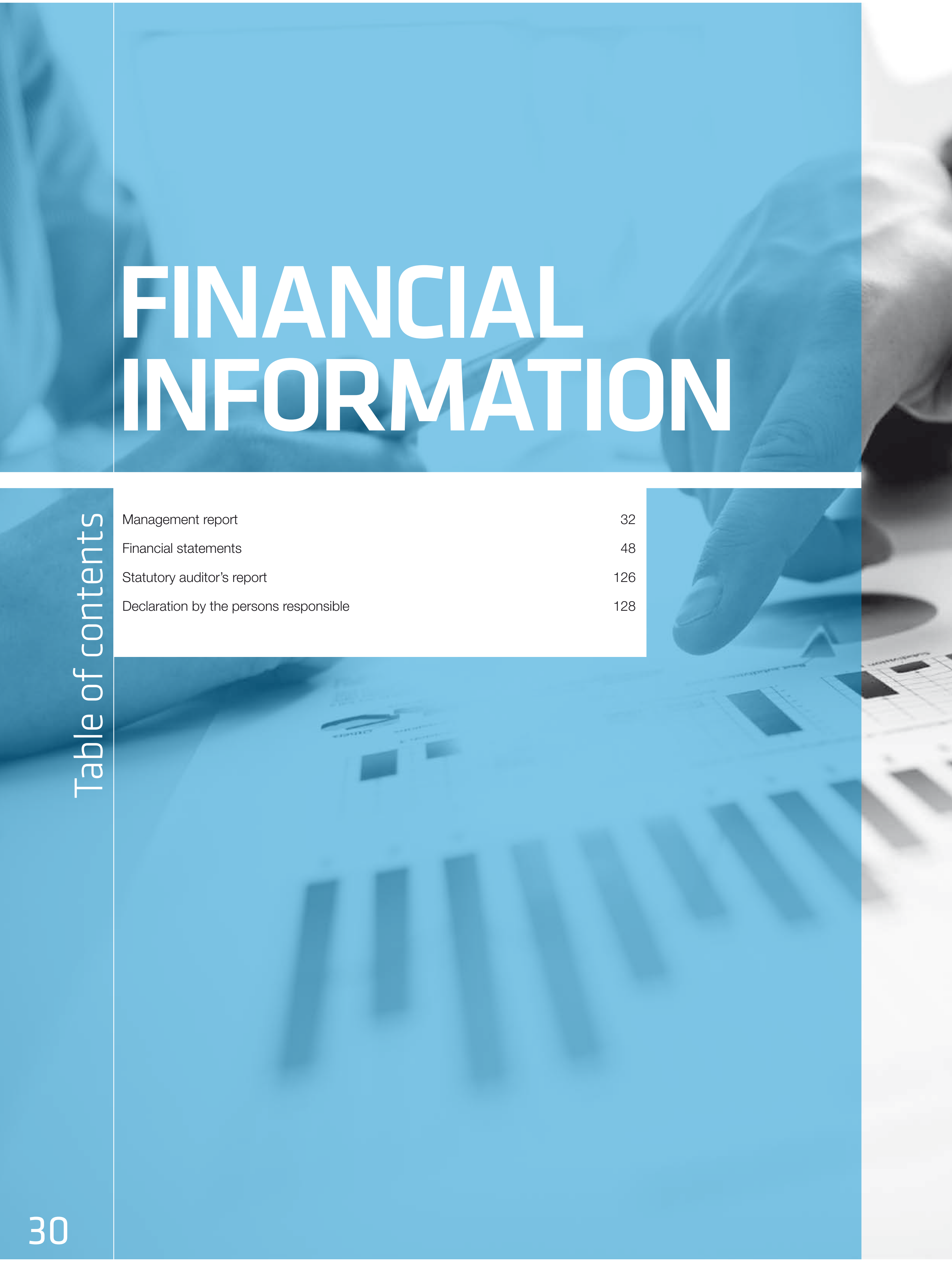

Jacques van Rijckevorsel


Cécile Tandeau de Marsac


Jean-Pierre Labroue


Michel Defourny





FINANCIAL INFORMATION

Table of contents

This Chapter primarily presents the Group's financial information and analysis based on Solvay's business management organization and reporting segments outstanding during the reference year ending on December 31, 2012 and therefore, is not reflecting the new business organization that became effective on January 1, 2013, which is described in the previous chapters of this Annual Report.

Financial data

EUR million	2008	2009	IFRS 2010	2011	2012	Pro forma 2011	Adjusted 2012
Net sales	9 490	8 485	5 937	7 455	12 435	12 149	**12 435**
REBITDA[1 (*)]	1 436	1 439	930	1 004	2 022	2 022	**2 067**
REBITDA as % of sales	15%	17%	16%	13%	16%	17%	**17%**
REBIT[2 (*)]	965	969	571	579	1 227	1 399	**1 403**
Total depreciation and amortization[3]	417	496	607	419	794	622	**663**
EBIT	985	864	254	555	1 275	1 420	**1 451**
Net income, Solvay share	405	516	1 776	247	584	727	**710**
Earnings per share (basic)	4.92	6.28	21.85	3.04	7.10	8.95	**8.63**
Research expenditure	564	555	125	156	261	218	**261**
Capital investments[4]	1 320	567	457	4 765	826	1 026	**826**
Free Cash flow[5]	531	789	117	371	787	656	
Financial data							
Shareholders' equity	4 745	5 160	6 708	6 653	6 596		
Net debt[6]	1 597	1 333	-2 993	1 760	1 125		
Net debt / shareholders' equity	34%	26%	n/a	26%	17%		
Gross dividend per share (EUR)	2.93	2.93	3.07	3.07	3.20		
Gross distribution to Solvay shareholders	241	241	250	250	271		
Personnel data							
Persons employed at 31 December[7]	29 433	28 204	14 720	29 121	29 103		
Personnel costs	1 981	2 016	1 281	1 375	2 302		

1. REBITDA: Operating result before depreciation and amortization, non-recurring items, financial charges and income taxes.
2. REBIT: Recurring operating result.
3. Including impairments of EUR +54 million in 2008, EUR -25 million in 2009, EUR -248 million in 2010, EUR +5 million in 2011 and EUR +149 million reversal of impairment in 2012.
4. Capital expenditures and investments in participations.
5. Cash flow from operating activities (including dividends from associates and joint ventures) + cash flow from investing activities (excluding acquisitions and sales of subsidiaries and other investments).
6. Short and long-term financial debt less cash and cash equivalents and other current receivables – financial instruments.
7. In full time equivalents on December 31.

(*) The cost of discounting provisions for continuing operations (EUR 43 million in 2008, EUR 54 million in 2009, EUR 52 million in 2010 and EUR 72 million in 2011) has been transferred from operating to financial charges given the financial nature of this item.

Management Report

Table of contents

The Management Report for the accounting period ending on December 31, 2012, consisting of pages 32 to 47, 130 to 140 (Management of Risks) and 141 to 167 (Corporate Governance Statement), has been prepared in accordance with article 119 of the Belgian Companies' Code and was approved by the Board of Directors on February 13, 2013. It covers both the consolidated accounts of the Solvay group and the statutory accounts of Solvay SA.

Business performance and analysis

MANAGEMENT ANALYSIS CONVENTION

In addition to the consolidated IFRS accounts for 2011 and 2012 provided in pages 48 to 128 (Financial Statements) in this report, Solvay is disclosing “Pro forma” and “Adjusted” Profit & Loss information and analysis in order to provide a more meaningful appreciation of the economic and financial performance of the Group and its business segments between periods.

On a pro forma basis Solvay 2011 historical figures were restated in order to account for Rhodia’s results as if the acquisition had become effective from January 1st, 2011. Likewise, historical figures were restated to harmonize accounting policies among the two former legacy Groups, aligning policies along those currently used by the new Solvay. Furthermore, pro forma results exclude impacts from i) purchase price allocation entries; ii) non-recurring acquisition costs related to the Rhodia transaction and iii) financial revenues on cash deposits and investments.

Adjusted Profit & Loss indicators referring to 2012 exclude non-cash Purchase Price Allocation (PPA) accounting impacts related to the Rhodia acquisition.

Solvay Indupa, the Group’s Vinyls South America activity, is reported as “Assets held for sale” as from from the fourth quarter 2012. As a consequence and for comparability purposes, the historical references for 2011 and 2012 within this report has been restated to present Indupa as discontinued activities and as “Assets held for sale”.

All references to year-on-year (yoy) evolution must be understood on a pro forma basis for 2011 and on an Adjusted basis for 2012 (with Indupa discontinued), unless otherwise stated.

The term “Net sales” refers to the sales of goods and value-added services corresponding to Solvay’s know-how and core business. Net sales exclude other revenues primarily comprising commodity and utility trading transactions and other revenues deemed as incidental by the Group (for example temporary).

Furthermore, Solvay uses for its analysis and financial communications non-GAAP[1] indicators, the definitions of which are the following:

> REBITDA is defined as operating result before depreciation and amortization, non-recurring items, financial charges and income taxes;

> Non-recurring items mainly include:
  – gains and losses on the sale of subsidiaries, joint-ventures, associates accounted for under the equity method that do not qualify as discontinued operations, available-for-sale investments;
  – gains and losses on the sale of real estate not directly linked to an operating activity;
  – major restructuring charges;
  – impairment losses resulting from the shutdown of an activity or a plant;
  – impairment losses resulting from testing Cash-Generating Units for impairment (a CGU includes tangible assets, intangible assets and allocated goodwill if any);
  – the impact of significant litigation;
  – the remediation costs not generated by on-going production facilities (shut-down sites, discontinued activities…);
  – other material operating income or expenses resulting from unusual events and likely to distort the analysis and comparability of the Group’s performance;

> Free Cash Flow is calculated as Cash flow from operating activities (including dividends from associates and joint ventures) + cash flow from investing activities (excluding acquisitions and sales of subsidiaries and other investments);

> Net debt is defined as short and long-term financial debt less cash and cash equivalents and other current receivables - Financial instruments.

Solvay believes that these measurements are useful tools for analyzing and explaining changes and trends in its historical results of operations, as they allow performance to be compared on a regular basis. They are not, however, subject to audit and are not performance measurements with regard to IFRS. The methods of calculating changes used by Solvay may differ from those used by other companies.

1. Generally accepted accounting principles.

Highlights of 2012

> Net sales up 2% yoy to EUR 12 435 million, with volumes -4%, prices +2%, forex +3% and scope +1%;

> Adjusted REBITDA at EUR 2 067 million, up 2% yoy;

> Confirmed pricing power[1];

> Integration completed and faster delivery of cost efficiencies (EUR 170 million in 2012 and EUR 400 million anticipated to 2014, vs 2010 cost base);

> Adjusted EBIT at EUR 1 451 million compared to EUR 1 420 million last year;

> Adjusted Net Income (Group Share) of EUR 710 million compared to EUR 727 million in 2011 pro forma;

> Free Cash Flow of EUR 787 million and improved Net Debt to EUR 1.1 billion versus EUR 1.8 billion in 2011.

Dividend proposed: EUR 3.20 gross per share, +4.3% compared to 2011.

IFRS measures (non-PPA adjusted)

PPA charges relate to the impacts from the step-up of inventories and the Depreciation & Amortization from Rhodia's revalued assets upon the acquisition. Overall net after-tax PPA impact amounted to EUR -126 million in 2012.

> EBIT: FY'12 at EUR 1 275 million vs EUR 555 million in 2011;

> Net Income (Group Share): FY'12 at EUR 584 million vs EUR 247 million in 2011.

1. Pricing power impact in REBITDA of the year-on-year evolution of selling prices versus evolution of raw material and energy costs in Cost of Goods Sold.

ANALYSIS OF THE CONSOLIDATED RESULTS FOR THE ACCOUNTING PERIOD ENDING DECEMBER 31, 2012

Forenote applicable to the IFRS financial statements: Following the consultation of ESMA (European Securities and Markets Authority) experts, namely EECS (European Enforcers Coordination Sessions) on the application of IAS 1 § 103, IAS 2 § 38, the FSMA requested the reclassification of the adjustment relating to Rhodia revalued inventories (EUR 160 million) with the corresponding indication, to the line "Cost of goods sold". 2011 has been adjusted in accordance with IAS 8.

ANALYSIS OF GROUP OPERATIONAL PERFORMANCE

EUR Million	IFRS		Adjusted	Pro forma
	2012	2011	2012	2011
Sales	**12 831**	**7 564**	**12 831**	**12 535**
Other non-core revenues	395	108	395	386
Net sales	**12 435**	**7 455**	**12 435**	**12 149**
Cost of goods sold	-10 270	-6 204	-10 225	-9 838
Gross margin	**2 560**	**1 360**	**2 605**	**2 697**
Commercial and administrative costs	-1 131	-641	-1 131	-1 109
Research and development costs	-261	-154	-261	-216
Other operating gains and losses	-124	-47	7	-51
Earnings from associates and joint ventures accounted for using the equity method	183	60	183	77
REBITDA	**2 022**	**1 004**	**2 067**	**2 022**
Total depreciation and amortization	-794	-425	-663	-622
REBIT	**1 227**	**579**	**1 403**	**1 399**
Non-recurring items	48	-24	48	21
EBIT	**1 275**	**555**	**1 451**	**1 420**

The table hereafter reconciles IFRS results (which include PPA impacts related to the Rhodia acquisition) with Adjusted results (which exclude non cash PPA impacts) for the FY 2012.

EUR Million	IFRS FY 2012	PPA impacts	Adjusted FY 2012
Net Sales	**12 435**		**12 435**
REBITDA	**2 022**	**-45**	**2 067**
REBIT (a)	**1 227**	**-176**	**1 403**
Non-recurring items (b)	48		48
EBIT	**1 275**	**-176**	**1 451**
Net financial expenses	-356		-356
Result before taxes	**919**	**-176**	**1 095**
Income taxes (c)	-278	50	-328
Net result from continuining operations	**640**	**-126**	**767**
Net result from discontinued operations	**-40**		**-40**
Net income	**601**	**-126**	**727**
Non controlling interests	-17		-17
Net income, Group share	**584**	**-126**	**710**

PPA impacts concerned (a) depreciation of PPA on fixed assets of EUR -131 million in 2012; (b) residual depreciation in Q1'12 of Rhodia inventory step-up of EUR -45 million; and (c) EUR 50 million of associated tax impacts on the aforementioned items in 2012.

Net sales

Change in net sales EUR Million	**Pro forma net sales 2011**	**Volume**	**Price**	**Forex***	**Scope**	**Net sales 2012**	**YoY evolution**
Solvay	**12 149**	**-424**	**241**	**407**	**65**	**12 435**	**287**
Plastic Sector	**3 141**	**-102**	**35**	**93**	**126**	**3 292**	**151**
Specialty Polymers	1 251	7	32	59	-3	1 345	94
Vinyls	1 889	-109	3	35	129	1 948	59
Chemicals Sector	**2 836**	**15**	**62**	**75**	**-1**	**2 987**	**151**
Essential Chemicals	2 237	37	68	55	-38	2 358	121
Special Chemicals	599	-21	-7	21	37	629	30
Rhodia Sector	**6 171**	**-346**	**146**	**240**	**-54**	**6 156**	**-15**
Consumer Chemicals	2 311	30	81	119	6	2 548	237
Advanced Materials	891	-168	59	44	0	826	-65
Polyamide Materials	1 802	-83	-41	21	4	1 702	-100
Acetow & Eco Services	868	-43	51	53	0	929	61
Energy Services	207	-61	-3	1	22	166	-41
Not allocated Rhodia	92	-21		1	-87	-15	-107

* Foreign exchange effects include conversion effects as well as transactional effects on selling prices.

In 2012, net sales reached EUR 12 435 million, up by 2.4% versus last year. Net sales increased by 5% in the Plastics and Chemicals sectors, whilst remained stable in Rhodia. For the Group, the -3.5% lower sales volumes were more than compensated by average selling price increases of +2%, favorable currency effects of +3% and scope changes of +0.5%. The volume decline was to be ascribed to Plastics and Rhodia, primarily due to the global economic slowdown and the demanding last year's comparison basis for Rare Earths. Overall volume at Chemicals increased slightly + 0.5%. Favorable forex impacts were fairly spread across the Group.

Operating expenses

Costs of goods sold

The cost of goods sold on an adjusted basis amounted to EUR -10 225 million, up 3.9% compared to the pro forma 2011 cost of goods sold level. This rise was superior to the increase in net sales over the period of 2.4%, causing consequently an erosion in gross margin. Thus, adjusted gross margin in 2012 stood at EUR 2 605 million or 21% on net sales versus EUR 2 697 million or 22% on net sales reported in 2011 on a pro forma basis. The margin erosion was to be fully ascribed to the Group's cycle sensitive segments exposed to challenging competitive pressures in a context of weak demand and supply overcapacity.

Cost of goods sold in 2012 IFRS accounts amounted to EUR -10 270 million, or an EUR -45 million difference with the 2012 Adjusted accounts and corresponding to the residual inventory step-up impact relative to the Rhodia's acquisition.

Commercial and administrative costs

Commercial and administrative costs of EUR -1 131 million in 2012 rose by EUR -22 million or a 2.0% compared to pro forma level in the prior year. The increase is primarily related the inflation experienced over the different regions where the Group operates.

Research and development costs

Research and development costs of EUR -261 million in 2012 or a 2.1% on net sales rose by EUR -45 million or a 21% increase compared to 2011 pro forma basis.

Other operating gains and losses

Other operating gains and losses in 2012 amounted to EUR 7 million on an adjusted basis, compared to EUR -51 million in 2011 on a pro forma basis. This caption included miscellaneous income for which significant changes may occur from one year to another. 2012 included EUR 15 million one-time gains related to the monetization of an old litigation.

On an IFRS basis, other operating gains and losses amounted to EUR -124 million, or a EUR -131 million difference with the adjusted accounts and corresponding to the depreciation of PPA on fixed assets relative to Rhodia's acquisition. Please refer to note 6 to the consolidated financial statements.

Earnings from associates and joint ventures accounted for using the equity method

Earnings from associates and joint ventures accounted for using the equity method both on an adjusted and an IFRS basis amounted to EUR 183 million compared to EUR 77 million on a pro forma basis in 2011. The most important contributors in 2012 were Hindustan, Solvay Sodi, Basip Silent partner and Peroxidos Do Brasil.

The increase of EUR 106 million is mainly to be ascribed to the exceptional pricing conditions enjoyed by our Indian native-guar Joint venture Hindustan.
To have a comprehensive view of the equity affiliates, please refer to note 7 to the consolidated financial statements.

Depreciation and Amortization charges

Depreciation and Amortization charges amounted in 2012 to EUR -663 million on an adjusted basis versus EUR -622 million in 2011 on a pro forma basis.

Depreciation and Amortization charges in 2012 IFRS accounts amounted to EUR -794 million or a EUR -131 million difference with the period adjusted accounts and corresponding to the depreciation of PPA on fixed assets relative to Rhodia's acquisition

Non recurring items

Non-recurring items amounted to EUR 48 million both, on an IFRS and on an adjusted basis. They primarily comprised a EUR 149 million partial reversal of impairments relating to Soda Ash & Derivatives cash generating unit (after the anticipated improvement following our intended global industrial footprint rationalization), EUR 98 million capital gains relating to the sale of Pipelife and of corporate buildings, EUR -102 million charges related to restructuring actions in the framework of the ongoing integration and cost savings programs, and EUR -40 million additional Environmental and Litigation provisions.

EBIT

EBIT amounted in 2012 to EUR 1 451 million on an adjusted basis, an increase of 2% compared to last year. On an IFRS basis, EBIT amounted to EUR 1 275 million.

The difference between IFRS and Adjusted EBIT of EUR 176 million related to the non-cash PPA accounting impacts of EUR -45 million for Rhodia-related inventory step-up and EUR -131 million for depreciation and amortization charges on Rhodia's mark-to-market revalued assets upon the acquisition.

ANALYSIS OF OPERATIONAL PERFORMANCE BY SECTOR

EUR Million	Adjusted[1] 2012	Pro forma 2011	YoY evolution %
Net sales	**12 435**	**12 149**	**2.4%**
Plastics	3 292	3 141	4.8%
Chemicals	2 987	2 836	5.3%
Rhodia	6 156	6 171	-0.2%
REBITDA	**2 067**	**2 022**	**2.2%**
Plastics	552	545	1.3%
Chemicals	575	491	17%
Rhodia	1 112	1 119	-0.6%
New Business Development	-56	-47	19%
Corporate and Business Support	-117	-85	37.7%
EBIT	**1 451**	**1 420**	**2.2%**
Plastics	435	376	16%
Chemicals	545	356	53%
Rhodia	694	827	-16%

1. Adjusted figures exclude Purchase Price Allocation (PPA) non-cash accounting impacts related to the Rhodia acquisition.

REBITDA

Changes in Adjusted REBITDA EUR million	**2011**	Structure	Foreign exchange conversion	Volume & mix	Price	Raw materials & energy	Fixed costs	Others including equity affiliates	**2012**
Group	**2 022**	2	85	-156	380	-345	-55	134	**2 067**

Adjusted REBITDA amounted to EUR 2 067 million, up by 2% despite a difficult trading context and despite the demanding comparable of last year in the Plastics and Rhodia sectors. The adverse impact from the overall volume decline of EUR 156 million and the severe margin erosion at Solvay's cycle sensitive segments were compensated by the healthy dynamics of its growth engines and resilient businesses. The Group benefited from the faster delivery of savings from the integration-related synergies and other efficiency plans (Horizon), which amounted to EUR 170 million in the year (vs. the 2010 cost base reference). Synergies in the domain of purchases and logistics were well ahead of initial plans, allowing to offset difficult trading conditions at our cycle sensitive businesses. Hence, Solvay confirmed its pricing power: in an inflationary context, selling price increases of EUR 380 million compared to prior year, more than compensated rise in raw material and energy costs yoy of EUR -345 million, resulting in an overall EUR 35 million positive impact in REBITDA. By Sectors, the decline of -1 % in Rhodia reflects the margin squeeze reported in Polyamide Materials and the exceptional situation at Rare Earths in 2011, which was not fully compensated for by the good growth in Consumer Chemicals and Acetow & Eco Services. In Plastics, REBITDA increased by 1%, the strong results in Specialty Polymers more than compensated the demand decrease and margin erosion in Vinyls. REBITDA of the Chemicals sector came in at EUR 575 million, a 17% increase year on year explained by the resilient business dynamics of Essential Chemicals and improved pricing. Adjusted REBITDA amounted to EUR -56 million for NBD and to EUR -117 million for CBS, and combined included one-time items of EUR -30 million related to the Rhodia transaction and other exceptional charges like self-insured losses. CBS and NBD 2011 Adjusted REBITDA amounted to EUR -53 million and EUR -79 million, respectively.

The Group's adjusted REBITDA margin on net sales amounted to 16.6% compared with 16.7% in 2011.

On an IFRS basis, 2012 REBITDA amounted to EUR 2 022 million.

The difference between IFRS and Adjusted REBITDA of EUR 45 million is related to Rhodia inventory step up valuation upon the acquisition.

Adjusted EBIT

Plastic Sector's adjusted EBIT amounted to EUR 435 million, an increase of 16% compared to 2011. Depreciation and Amortization charges in the period stood at EUR -166 million, compared to EUR -156 million the year earlier. Non recurring items posted net revenues of EUR 49 million in 2012, principally related to the capital gain registered with the disposal of the Group's participation in Pipelife. In the year ago period, non recurring items amounted to EUR -13 million.

Chemicals Sector's adjusted EBIT amounted to EUR 545 million, compared to EUR 356 million in 2011. Depreciation and Amortization charges in the period stood at EUR -160 million, versus EUR -150 million the year earlier. Non recurring items posted net revenues of EUR 129 million in 2012, principally from a EUR 149 million partial reversal of the Soda Ash & Derivatives impairment. This reversal is motivated by the anticipated improvement to follow the Group's intended industrial footprint rationalization to take place in the Mediterranean basin. In 2011, nonrecurring items amounted to EUR 15 million.

Rhodia Sector's adjusted EBIT amounted to EUR 694 million, a decrease of 16% compared to 2011. Depreciation and Amortization charges in the period stood at EUR -329 million, compared to EUR -307 million the year earlier. Non recurring items posted net expenses of EUR -89 million in 2012 principally related to the restructuring actions in the framework of the ongoing integration and cost savings programs. In the year ago period, non recurring items amounted to EUR 15 million.

PLASTICS SECTOR

EUR Million	Adjusted 2012	Pro forma 2011	YoY evolution %
Net sales	**3 292**	**3 141**	**4.8%**
Specialty Polymers	**1 345**	**1 251**	**7.5%**
Vinyls	**1 948**	**1 889**	**3.1%**
Vinyls Europe	1 424	1 394	2.1%
Vinyls Asia	372	330	13%
Vinyls South America	-	-	-
Plastics Integration	152	166	-8.4%
REBITDA	**552**	**545**	**1.3%**
Specialty Polymers	401	365	9.9%
Vinyls	151	174	-13%

Specialty Polymers

Net sales

Net sales of Specialty Polymers increased by 7% yoy and reached EUR 1 345 million in 2012. Prices increased by 3% and volumes by 1%. 2012 benefited also from positive foreign exchange impacts of 4%. During the year, the most dynamic end markets were Smart Devices, Oil & Gas, Healthcare and Automotive. Advanced Transportation and Consumer Applications remained resilient, while Construction, Photovoltaic and Semicon suffered. Numerous operational excellence programs implemented over the year contributed to the results growth. The innovation development pool remains healthy with significant new promising projects to be launched in the following months.

REBITDA

Specialty Polymers recorded a strong performance over the year, delivering a REBITDA of EUR 401 million, up by 10% compared to 2011. The profitability of these activities was driven by favorable product mix and pricing power through strong alignment with customers' needs.

Vinyls

Net sales

Net sales of Vinyls amounted to EUR 1 948 million, up by 3% compared to last year. In Europe, Global PVC market was down by -6% impacted by the sluggish construction sector and the important ethylene price movements occurred during the year. Solvin's sales volumes in Europe were down by -2.5 %. In Thailand, volumes increased compared to last year, benefiting from a good demand in South East Asia. Vinythai operated at full capacity. The Latin America PVC was reported as "Assets held for sale" in 2012 accounts.

REBITDA

REBITDA amounted to EUR 151 million, a decrease of -13% compared to 2011. In Europe, SolVin's spreads continued to decrease. Vinythai delivered strong set of results. The REBITDA margin on net sales stood at 8%, versus 9% reached in 2011.

CHEMICALS SECTOR

EUR Million	Adjusted 2012	Pro forma 2011	YoY evolution %
Net sales	**2 987**	**2 836**	**5.3%**
Essential Chemicals	**2 358**	**2 237**	**5.4%**
EMEA[1]	1 473	1 429	3.1%
North America	514	474	8.4%
South America	156	131	20%
Asia Pacific	215	203	5.9%
Special Chemicals	**629**	**599**	**5 %**
REBITDA	**575**	**491**	**17%**
Essential Chemicals	520	419	24%
Special Chemicals	55	64	-14%

1. Europe, Middle-East and Africa

Essential Chemicals

Net sales

Net sales of Essential Chemicals amounted to EUR 2 358 million, up by 5% versus last year, due to volume growth of 2% (growth in Latin America and Asia more than compensated slightly lower volumes in Europe), pricing and forex.

> The demand for soda ash remained stable overall in 2012. The strong performance of the container glass sector offset the slowdown of the flat glass in construction and automotive. In the USA, strong production and sales were motivated by good export to Asia and Latin America. Demand in China somewhat weakened. Bicarbonate sales remained at a high level. Net sales of soda ash and its derived specialties also benefited from the price increases, both in Europe and in the USA;

> In hydrogen peroxide demand remained satisfactory over the year and selling prices rose globally. Lower demand from pulp and paper in Europe were more than compensated by a good performance in the other end markets such as chemicals, mining, alumina treatment and environmental applications;

> Demand for Caustic soda remained strong and continued benefiting from good volumes, coupled with higher selling prices over the year;

> Volumes in epichlorohydrin increased thanks to the new Epicerol® plant in Thailand but profitability was impacted by further declining selling prices and weak demand in epoxy resins.

REBITDA

REBITDA amounted to EUR 520 million, up by 24% versus the 2011. Overall strong selling prices, higher volumes, and operational performance accounted for the improved results. The REBITDA margin on net sales reached 22% versus 19% last year.

Special Chemicals

Net sales

Net sales amounted to EUR 629 million, up by 5% compared to last year. Volumes declined by -3% mainly due to PCC and Life Science. Refrigerants prices decreased versus the strong 2011 comparison base. Demand remained good in end-markets like Electronics, Agro/Food and Healthcare.

REBITDA

REBITDA amounted to EUR 55 million, compared to EUR 64 million in the 2011. Results were negatively impacted by pricing pressure in refrigerants and weak Life Science performance.

RHODIA SECTOR

EUR Million	Adjusted[1] 2012	Pro forma 2011	YoY evolution %
Net sales	**6 156**	**6 171**	**-0.2%**
Consumer Chemicals	2 548	2 311	10%
Advanced Materials	826	891	-7.3%
Polyamide Materials	1 702	1 802	-5.6%
Acetow & Eco Services	929	868	7%
Energy Services	166	207	-20%
Not allocated Rhodia	-15	92	-116%
REBITDA	**1 112**	**1 119**	**-0.6%**
Consumer Chemicals	531	352	51%
Advanced Materials	173	267	-35%
Polyamide Materials	99	196	-49%
Acetow & Eco Services	246	202	22%
Energy Services	131	163	-20%
Not allocated Rhodia	-67	-61	9.8%

1. Adjusted figures exclude Purchase Price Allocation (PPA) non-cash accounting impacts related to the Rhodia acquisition.

Consumer Chemicals

Net sales

Net sales amounted to EUR 2 548 million, up by 10% yoy. The strong performance was mainly driven by Novecare. The latters' differentiating integrated position in guar allowed to enhance its commercial offering in guar derivatives and enabled to benefit from soaring prices in native guar during the second and third quarters of 2012. Furthermore, all Novecare's business segments performed well and its re-pricing efforts bore fruit. Coatis posted lower net sales due to lowest phenol volumes and prices while Aroma Performance fully benefited from its strategic food safety repositioning and gained market shares.

REBITDA

REBITDA amounted to EUR 531 million, up by 51% yoy, This was mainly driven by Novecare's good dynamics across segments and its enhanced guar-derivative formulation business, coupled with the exceptional pricing conditions enjoyed by its Indian native-guar JV. The latter represented an improvement of about EUR 100 million versus last year that may not be sustained going forward as the new guar crop season has contributed to price normalization. Coatis posted lower REBITDA due to weak phenol demand while Aroma delivered a similar performance, volume growth offset by lower prices.

Overall, both volume and price increased and the REBITDA margin improved to 21% in 2012 compared to 15% in 2011.

Advanced Materials

Net sales

In 2012, Advanced Materials reported net sales of EUR 826 million, down by -7 % yoy, due to lower volumes and tough yoy comparisons after Rare earths price spikes in 2011. Overall volume decreased by -19% mostly to be ascribed to the Electronics business in Rare Earths whereas demand remained stable in catalysis applications. In Silica, somewhat lower volumes caused by lower activity in Europe were more than offset by better selling prices and positive FX conversion.

REBITDA

REBITDA amounted to EUR 173 million, down by -35% compared to a strong 2011 comparable. Silica pricing power was positive. Overall, REBITDA margin decreased to 21%, against the 30% achieved in 2011 under exceptional pricing conditions.

Polyamide Materials

Net sales

2012 net sales of EUR 1 702 million were down by -6% compared to 2011. Overall volumes dropped by -5% reflecting lower activity, mostly in the automobile industry and a very tough competitive environment.

REBITDA

REBITDA stood at EUR 99 million compared to EUR 196 million last year. Profitability erosion resulted from lackluster demand, deteriorated operating leverage, and poor pricing power.

Acetow & Eco Services

Net sales

Acetow & Eco Services reported net sales of EUR 929 million, up by 7% compared to 2011. While overall volume declined by -5%, the mix improved (less low value co-products). Selling prices were 6% higher and foreign exchange favorable of 6%. Acetow reported a strong performance driven by continuous solid demand. Eco Services reported good activity levels and benefited from favorable forex conversion.

REBITDA

REBITDA amounted to EUR 246 million, up by 22% compared to last year driven by strong pricing power and more positive mix in both segments. Within the cluster, Acetow posted record profitability and benefited from good take-off of innovative products with higher value added. Acetow & Eco Services REBITDA margin improved to 26% versus 23% last year.

Energy Services

REBITDA

Energy Services reported a REBITDA of EUR 131 million compared to EUR 163 million in 2011. The level of CER[1] volumes sold in 2012 reached 14 million tons as expected and were sold at an average price of EUR 11.1 per ton compared to EUR 11.5 per ton realized last year. CER volumes sold were significantly lower than last year by close to -30 %.

Going forward into 2013, 4.5 million tons of CERs are in the pipeline relative to 2012 industrial efforts and are already hedged at an average price of EUR 13.2 per ton.

SEGMENT INFORMATION

For reference purposes, here in after is represented the 2012 segment information corresponding to the Group's organization prevailing until the end of the year and the restated segment information reflective of the Group's organization effective as from January 1st, 2013 onwards.

EUR million

As per organization effective until December 31st 2012

	Segment	SALES	REBITDA
Rhodia	Consumer Chemicals	2 548	531
Plastics	Specialty Polymers	1 345	401
Chemicals	Essential Chemicals	2 358	520
Rhodia	Polyamide Materials	1 702	99
Rhodia	Energy Services	166	131
Rhodia	Advanced Materials	826	173
Rhodia	AES	929	246
Plastics	Vinyls	1 948	151
	Corporate & NBD[2]	n.m.	-240
Chemicals	Special Chemicals	629	55

Restated figures as per new organization[3] effective as from January 1st 2013

	SALES	REBITDA	
consumer chemicals	2 565	518	Novecare; Aroma Performance; Coatis
advanced materials	2 743	627	Specialty Polymers; Silica; Rare Earth Systems; Special Chemicals
performance chemicals	3 162	750	Essential Chemicals; Acetow; Eco Services; Emerging Biochemicals
functional polymers	3 808	251	Polyamide; ChloroVinyls
corporate[2] & energy	157	-79	Energy Services; Corporate Functions

1. Certified Emission Reduction.
2. Solvay CBS, Rhodia Corporate & Others & New Business Development.
3. Under the new organization, there are changes in the allocation criteria of formerly non-allocated element and other structure costs between corporate functions and operating segments.

ENERGY SITUATION

Energy costs are an important part of the Group's cost structure. Net energy costs represented about EUR 1.25 billion in 2012. Energy sources were spread over electricity and gas (circa 75%), coke, coal and anthracite (circa 15%) and steam (circa 10%). The Solvay group has pursued an active energy policy for many years now. In this context it operates an energy production park with a total installed capacity of 1 000 MW.

Within the Group, Solvay Energy Services focuses on optimizing the Solvay's energy purchase cost and carbon emissions.

Furthermore, Solvay Energy Services launched an important operating energy efficiency excellence initiative called Solwatt. It combines the program of legacy Solvay which mainly focused on energy consumption savings with the program of legacy Rhodia which mainly focused on production optimization of energy. Solwatt integrates also the medium and long term planning of energy consumption per site. It is gradually rolled out and will cover all the Group's manufacturing sites by 2015

ADDITIONAL COMMENTS ON THE GROUP CONSOLIDATED INCOME STATEMENT OF THE FY'12 (IFRS/ADJUSTED)

EUR Million	IFRS 2012	IFRS 2011	Adjusted[1] 2012	Pro forma 2011
EBIT	**1 275**	**555**	**1 451**	**1 420**
Net financial expenses	-353	-192	-353	-330
Income/loss from available-for-sale investments	-3	1	-3	-1
Result before tax	**919**	**365**	**1 095**	**1 089**
Income tax	-278	-22	-328	-254
Result from continuing operations	**640**	**343**	**767**	**836**
Result from discontinued operations	-40	-47	-40	-52
Net Income	**601**	**296**	**727**	**784**
Non controlling interests	-17	-50	-17	-57
Net income Solvay share	**584**	**247**	**710**	**727**

1. Adjusted figures exclude Purchase Price Allocation (PPA) non-cash accounting impacts related to the Rhodia acquisition.

Net financial expenses amounted to EUR -353 million on an Adjusted and an IFRS basis. The cost of borrowings amounted to EUR -171 million, which is a decrease compared to EUR -195 million in 2011 due to the reduction of the gross financial debt (EUR 3 652 million and EUR 4 168 million at YE'12 and YE'11, respectively). In 2012, it included EUR 17 million one-off non cash income effect related to the decision to exercise the 2014 call option of the EUR 500 million Rhodia High Yield senior bond maturing in 2018.

Interest income on available cash amounted to EUR 16 million in 2012 compared to EUR 28 million at the end of 2011, the decrease is explained by the very low interest yield on the available cash.

The cost of discounting provisions rose to EUR -191 million versus pro forma EUR -132 million last year. It included exceptional EUR -50 million charges caused by a reduction in discount rates for environmental provisions in Europe and Brazil versus the rates prevailing in December 2011.

Income/loss from available-for-sale investments amounted to EUR -3 million.

Income taxes amounted to EUR -278 million in the IFRS accounts. On an adjusted basis, income taxes totaled EUR -328 million representing a 30% effective tax rate. Excluding non-recurring items, effective tax rate in 2012 resulted in 34%. The EUR -50 million difference between IFRS and adjusted figures reflects the tax impact of PPA adjustments.

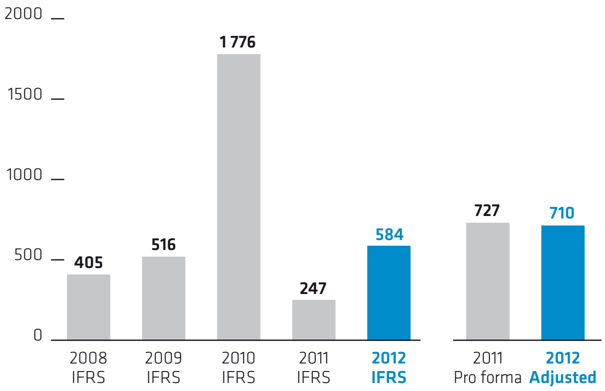
Adjusted Net Income amounted to EUR 727 million compared to EUR 784 million pro forma last year. On an IFRS basis, Net Income in 2012 amounted to EUR 601 million, the difference between adjusted and IFRS Net Income is explained by the after-tax global PPA impact.

Results from discontinued operations in 2012 and 2011 recorded Solvay Indupa's discontinued operations and post-closure adjustments linked to the sale of the pharma operations. In 2012, those elements represented EUR -145 million and EUR 105 million, respectively.

Adjusted Net Income (Group share), amounted to EUR 710 million, resulting in EUR 8.63 Adjusted basic earnings per share. On an IFRS basis, Net Income (Group share), amounted to EUR 584 million. The difference is explained by the after-tax global PPA impact.

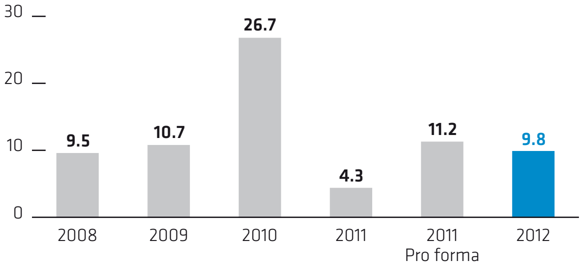
NET INCOME, GROUP SHARE

EUR million



RETURN ON EQUITY

%



FINANCING STRUCTURE

Equity amounted to EUR 6 596 million at the end of 2012, in line with equity at the end of 2011 (EUR 6 647 million).

The net financial debt amounted to EUR 1 125 million at the end of December 2012, a reduction of EUR 635 million, versus EUR 1 760 at the end of December 2011. Gross debt reduced from EUR 4 168 at the end of 2011 to EUR 3 652 million at the end of 2012. The decrease is partly explained by the reclassification of discontinued operations in “assets held for sale”, related to Solvay Indupa for EUR 178 million.

Besides, the Group regularly monitored the financial markets in order to identify possibilities of repaying its bonds. In 2014 and 2015, Solvay has the opportunity to repay a combined EUR 1.8 billion by payment upon maturity of Solvay legacy bonds and by exercising first call options related to Rhodia high yield bonds maturing in 2018 and 2020.

At the end of 2012, the **net debt to equity ratio** was 17%, showing the priority that the Solvay group gives to having a sound financial structure.

Solvay’s **long and short-term ratings** are Baa1/P2 (negative outlook) at Moody’s and BBB+/A2 (negative outlook) at Standard & Poor’s.

At December 31st 2012, Solvay Stock Option Management SPRL’s shareholding in Solvay amounted to 2.05%.

FREE CASH FLOW

IFRS Free Cash Flow was EUR 787 million in 2012.

> **IFRS Cash flow from operating activities** was EUR 1 457 million. Besides EBIT of 1 281 million, it consisted of:
– Depreciation, amortization and impairments of assets of EUR 794 million
– Working capital decreased by EUR 54 million. This decrease highlights the efforts delivered by the Group to diminish the working capital;

> **IFRS Cash flow from investing activities** was EUR 520 million.
– Total investment was EUR 785 million in cash.

INVESTMENTS

EUR Million	Capital expenditures in 2012	Net Research & Development costs in 2012
Plastics	227	75
Chemicals	209	42
Rhodia	333	98
New Business Development	0	45
Corporate and Business Support	16	
Group	**785**	**261**

Capital expenditures

Total capital expenditures in 2012 amounted to EUR 785 million.

Besides health, safety and environment and maintaining its industrial assets, the Group invested in a number of strategic projects, with priority given to geographic expansion and sustainable development. Several growth investments were realized in 2012 in our Growth Engines and Highly Resilient businesses. The most significant being:

In Specialty Polymers:

> Start-up of a specialty polymers compounds plant in China;

> New production capacity of SOLEF® Polyvinylidene fluoride (PVDF) in Tavaux, France;

> 70% Production capacity expansion in India, for the production of high performance polymers PEEK and PAEK, where 50% of it already operational, the balance in the second quarter of 2013.

In Consumer Chemicals:

> Investment to double the Specialty fluorinated derivatives production capacity in France for Aroma performance, operational by year-end 2012;

> Guar expansion capacity addressing the Oil and Gas and Home and Personal Care markets in Vernon, USA, Operational by year-end;

> New Specialty surfactant site in China.

In Advanced Materials:

> New recycling activity for energy-efficient lamps, magnets and hybrids batteries in France;

> Increase of our Highly Dispersible Silica production in France.

In Essential Chemicals:

> Epicerol®: two projects tripling our global Epichlorohydrin capacity in Thailand and China, the Thailand plant commissioned end of the first quarter of 2012.

Research and Development costs in 2012 were EUR 261 million.

Future capital expenditures

The 2013 capital expenditures estimate foresees an increase of 20% compared to 2012 level. It aims at continuing the strategic investments for sustainable development and capacity increases in high growth potential regions and business segments.

RESEARCH & INNOVATION

Research & innovation policy and organization are described from page 12 to 13 of the 2012 Annual Report.

GROUP EMPLOYEES

The Solvay group employed 29 103 full-time equivalents at December 31, 2012 compared to 29 121 at December 31, 2011. Additional information concerning Human Resources and the organization of the Group are available from page 10 to page 11 of the 2012 Annual Report.

ANALYSIS OF THE PARENT COMPANY RESULTS (SOLVAY S.A.)

EUR Million	2012	2011
Profit for the year available for distribution	933	325
Carried forward	3 513	3 447
Total available to the General Shareholders' Meeting	**4 446**	**3 772**
Appropriation:		
Gross dividend	271	260
Carried forward	4 175	3 512
Total	**4 446**	**3 772**

Solvay SA is a société anonyme created under Belgian law, with its registered office at rue de Ransbeek 310 at 1120 Brussels.

The accounts of Solvay SA are prepared in accordance with Belgian generally accepted accounting principles, and include its French and Italian branches.

The main activities of Solvay SA consist of holding and managing a number of participations in Group companies and of financing the Group from the bank and bond markets. It also manages the research center at Neder-Over-Heembeek (Belgium) and a very limited number of industrial and commercial activities not undertaken through subsidiaries.

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

Current profit before taxes amounts to EUR 1 062 million, compared with EUR 82 million in 2011. It includes dividends received from its various shareholdings (EUR 1 375 million in 2012) and the differential between interest paid and received on its financing activities.

The balance of extraordinary results is EUR -149 million compared with EUR 209 million in 2011. The main item (EUR -138 million) results from impairments on some participations.

The net profit of Solvay SA amounted in 2012 to EUR 933 million, compared with EUR 325 million in 2011.

In the absence of transfers to untaxed reserves, net income for the year of EUR 4 175 million is available for distribution.

SUBSEQUENT EVENTS AND OUTLOOK

Subsequent events

There were no material events after the reporting period.

Outlook

The macroeconomic environment remains contrasted in the beginning of the year, in line with the preceding quarter. The situation in Asia is improving and North America is pursuing its recovery path. However, the situation remains uncertain in Latin America and challenging in Europe. In this context, the Group will continue reshaping its business portfolio, optimizing its industrial footprint, and enhancing the implementation of operational excellence initiatives across the board. Solvay is committed to deliver on its EUR 3 billion REBITDA ambition in 2016 at constant perimeter and will maintain selective investments to support its growth engines.

MANAGEMENT OF RISKS

Risk management (processes, risks identified and actions undertaken to reduce them) is described on pages 130 to 140 of the 2012 Annual Report.

FINANCIAL INSTRUMENTS

The management of financial risks and any use of financial instruments to hedge them are described on pages 134 to 135 of the 2012 Annual Report.

AUDIT COMMITTEE

The mission, composition and modus operandi of the Audit Committee are described on pages 160 and 164 of the 2012 Annual Report.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement is included on pages 141 to 167 of the 2012 Annual Report. This Statement includes among others a description of the legal and shareholding structure of Solvay, its capital and dividend policy, the modus operandi of the Shareholders' Meetings, the composition and modus operandi of Board of Directors and its Committees, the composition and modus operandi of the Executive Committee, the compensation policy and the most recent compensation report, a description of the main characteristics of risk management and internal control systems, the measures taken by Solvay to comply with Belgian rules on insider trading and a description of the Group's Code of Conduct.

IFRS Financial Information per Share

EARNINGS PER SHARE

The basic earnings per share from continuing operations amounted to EUR 7.08 in 2012 compared to EUR 3.58 in 2011.

DIVIDEND

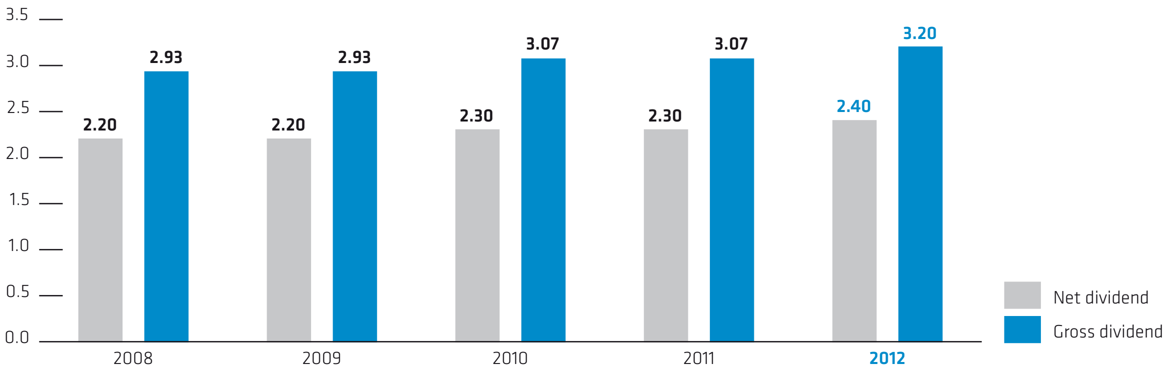
On February 13, 2013, the Board of Directors decided to propose to the General Shareholders' Meeting of May 14, 2013 payment of a total gross dividend of EUR 3.20 per share (EUR 2.40 net per share).

The dividend for the fiscal year 2012, which increased by 4.3% compared to the dividend for the fiscal year 2011, is in line with the Group's dividend policy of increasing the dividend whenever possible and, as far as possible, never reducing it. Dividend was then never decreased in the last 30 years and increased in some years.

Given the interim dividend of EUR 1.20 gross per share (EUR 0.90 net per share; coupon no. 91) paid on January 17, 2013, the balance of the dividend in respect of 2012, equal to EUR 2.00 gross per share (EUR 1.50 net per share; coupon no. 92), will be paid on May 21, 2013. Solvay shares will be traded 'ex-dividend' on NYSE Euronext from May 16, 2013.

GROSS AND NET DIVIDEND PER SHARE

EUR



IFRS CONSOLIDATED DATA PER SHARE

EUR	2008	2009	2010	2011	2012
Stockholders' equity	54.05	57.87	77.34[1]	75.79	80.14
REBITDA	17.44	17.52	11.44[1]	14.87	24.57
Net income	4.92	6.28	21.85	3.04	7.10
Net income (from continuing operations)	4.92	2.59	0.62	3.51	7.08
Diluted net income	4.91	6.28	21.80	3.03	7.06
Diluted net income (from continuing operations)	4.91	2.59	0.62	3.49	7.04
Number of shares (in thousands) at December 31	*84 701*	*84 701*	*84 701*	*84 701*	*84 701*
Average number of shares (in thousands) (basic) for calculating IFRS earnings per share	*82 318*	*82 143*	*81 320*	*81 224*	*82 305*
Average number of shares (in thousands) (basic) for calculating IFRS diluted earnings per share	*82 447*	*82 186*	*81 499*	*81 546*	*82 696*
Gross dividend	2.93	2.93	3.07	3.07	3.20
Net dividend	2.20	2.20	2.30	2.30	2.40
Highest price	97.9	77.8	81.9	111.6	109.80
Lowest price	51.45	42.0	67.8	61.5	62.11
Price at December 31	53.05	75.6	79.8	63.7	108.60
Price/earnings[2] at December 31	10.8	12.0	3.6	21.0	15.30
Net dividend yield	4.2%	3.1%	2.9%	2.9%	2.0%[3]
Gross dividend yield	5.6%	4.1%	3.9%	3.9%	2.7%[3]
Annual volume (thousands of shares)	94 322	71 259	47 028	63 462	77 846
Annual volume (EUR million)	7 702	4 414	3 481	5 522	6 796
Market capitalization at December 31 (EUR billion)	4.5	6.4	6.8	5.4	9.2
Velocity (%)	113.2	85.2	56.0	77.8	92%
Velocity adjusted by Free Float (%)	161.7	121.7	80.4	111.2	131%

1. Restated figure 2010 to take the changes in joint venture accounting into account.
2. Excluding discontinued operations
3. Based on the closing price at February 13, 2013 (EUR 118.25).

Financial Statements

Table of content

CONSOLIDATED FINANCIAL STATEMENTS

The following financial statements were authorized for issue by the Board of Directors meeting on February 13, 2013. They have been drawn up in accordance with the IFRS accounting policies which are set out in the coming pages.

Income statement

EUR million	Notes	2011[2]	2012
Sales	(1) (2)	7 564	**12 831**
Other non-core revenues		108	395
Net sales		7 455	**12 435**
Cost of goods sold[1]		-6 204	-10 270
Gross margin[1]	(3)	1 360	2 560
Commercial and administrative costs	(4)	-641	-1 131
Research and development costs	(5)	-154	-261
Other operating gains and losses	(6)	-47	-124
Earnings from associates and joint ventures accounted for using equity method	(7)	60	183
REBITDA[1]	(8)	1 004	2 022
REBIT[1]		579	1 227
Non-recurring items[1]	(9)	-24	48
EBIT		555	1 275
Cost of borrowings	(10)	-143	-171
Interest on lendings and short term deposits	(10)	38	16
Other gains and losses on net indebtedness	(10)	-16	-8
Cost of discounting provisions	(10)	-71	-191
Income/loss from available-for-sale investments		1	-3
Result before taxes		365	919
Income taxes	(11)	-22	-278
Result from continuing operations		343	640
Result from discontinued operations	(15)	-47	-40
Net income for the year	(12)	296	601
Non-controlling interests		-50	-17
Net income (Solvay share)		247	584
Basic earnings per share from continuing operations (EUR)	(13)	3.58	7.08
Basic earnings per share from discontinued operations (EUR)		-0.54	0.02
Basic earnings per share (EUR)		3.04	7.10
Diluted earnings per share from continuing operations (EUR)	(13)	3.57	7.04
Diluted earnings per share from discontinued operations (EUR)		-0.54	0.02
Diluted earnings per share (EUR)		3.03	7.06
RATIOS			
Gross margin as a % of sales		18.0%	20.0%
Interest coverage ratio		4.8	7.6
Income taxes / Result before taxes (%)		6.0%	30.3%

1. After consulting of ESMA (European Securities and Markets Authority) experts, namely EECS (European Enforcers Coordination Sessions), on the application of IAS 1 § 103 and IAS 2 § 38, FSMA has requested to reclassify the adjustment related to the revaluated inventories of Rhodia (EUR 160 million) with the corresponding indication to the line "cost of goods sold". 2011 has been restated according to IAS 8.
2. Solvay Indupa, Vinyls South America activity is reported as "Assets held for sale" as from Q4'12. As a consequence and for comparability purposes, all historical references within this report has been restated to present Solvay Indupa as discontinued activities and as "Assets held for sale".

Interest coverage ratio = REBIT / Charges on net indebtedness.
Explanatory notes can be found after the financial statements.

Statement of comprehensive income

EUR million	Notes	2011	2012
Net income for the year		296	**601**
Other comprehensive income			
Recyclable components			
Gains and losses on available-for-sale financial assets	*(16)*	-8	14
Gains and losses on hedging instruments in a cash flow hedge	*(16)*	3	11
Currency translation differences	*(16)*	58	-145
Share of other comprehensive income of associates and joint ventures accounted for using equity method	*(16)*	-30	17
Non recyclable components			
Unrecognized actuarial gains and losses on defined benefit pension plans	*(16)*	-105	-442
Income tax relating to recyclable and non recyclable components			
Income tax relating to components of other comprehensive income	*(16)*	28	49
Other comprehensive income, net of related tax effects		-54	-496
Comprehensive income for the year		242	105
attributed to:			
– owners of the parent		202	104
– non-controlling interests		40	1

Statement of cash flows

The amounts below include the effect of the discontinued operations.

EUR million	Notes	2011	2012
EBIT from continuing operations		555	1 275
EBIT from discontinued operations		-40	6
EBIT from continuing and discontinued operations		515	1 281
Depreciation, amortization and impairments*	*(17)*	455	794
Changes in working capital	*(18)*	303	54
Changes in provisions	*(19)*	-187	-310
Dividends received from associates and joint ventures accounted for using equity method		56	53
Earnings from associates and joint ventures accounted for using equity method		-61	-184
Income taxes paid		-163	-179
Other	*(20)*	-68	-51
Cash flow from operating activities		850	1 457
Acquisition (-) of subsidiaries	*(21)*	-3 984	-2
Acquisition of Rhodia's cash	*(21)*	931	
Acquisition of Orbéo's cash	*(21)*	67	
Acquisition (-) of investments - Other	*(21)*	-212	-39
Sale (+) of investments	*(21)*	40	191
Acquisition (-) of tangible and intangible assets	*(21)*	-602	-785
Sale (+) of tangible and intangible assets	*(21)*	17	109
Income from available-for-sale investments		1	1
Changes in non-current financial assets		60	4
Cash flow from investing activities		-3 681	-520
Capital increase (+) / redemption (-)	*(22)*	31	-28
Acquisition (-) / sale (+) of treasury shares	*(24)*	10	142
Net changes in borrowings		-97	-379
Changes in other current financial assets		3 278	-294
Cost of borrowings		-159	-193
Interest on lending and short-term deposits		39	16
Dividends paid		-266	-278
Other		-16	-67
Cash flow from financing activities		2 821	-1 081
Net change in cash and cash equivalents		-10	-144
Currency translation differences		-1	-22
Opening cash balance		1 954	1 943
Closing cash balance[1]	*(33)*	1 943	1 778
Free Cash Flow from continuing operations		368	738
Free Cash Flow from discontinued operations		-41	49
Total Free Cash Flow		327	787

1. Including cash in assets held for sale.
* On tangible assets, intangible assets and goodwill.
Free cash flow = Cash flow from operating activities (including dividends from associates and joint ventures) + cash flow from investing activities (excluding acquisitions and sales of subsidiaries and other investments).
Explanatory notes can be found after the financial statements.

Statement of cash flows from discontinued operations

EUR million	Notes	2011	2012
Cash flow from operating activities		-10	69
Cash flow from investing activities		-31	-20
Cash flow from financing activities		5	-29
Net change in cash and cash equivalents		-37	20

Statement of financial position (balance sheet)

EUR million	Notes	2011 published	Final PPA allocation	2011[2] restated	2012
ASSETS					
Non-current assets		12 064	33	12 097	11 600
Intangible assets	*(25)*	1 705	-86	1 619	1 462
Goodwill	*(26)*	2 599	118[1]	2 717	2 717
Tangible assets	*(27)*	5 652	-12	5 641	5 393
Available-for-sale investments	*(28)*	80		80	66
Investments in associates and joint ventures	*(29)*	704		704	869
Other investments	*(30)*	125	-2[1]	123	123
Deferred tax assets	*(11b)*	780	16	796	546
Loans and other non-current assets	*(34)*	420		420	424
Current assets		7 373	-8	7 364	6 728
Inventories	*(31)*	1 578		1 578	1 422
Trade receivables	*(34)*	2 311		2 311	1 657
Income tax receivables		43		43	13
Other current receivables - Financial instruments	*(34)*	464		464	758
Other current receivables - Other		938	-8	929	685
Cash and cash equivalents	*(33)*	1 943		1 943	1 768
Assets held for sale	*(15)*	95		95	425
Total assets		19 437	25	19 462	18 328
EQUITY & LIABILITIES					
Total equity		6 653	-6	6 647	6 596
Share capital		1 271		1 271	1 271
Reserves		4 885	-6	4 879	4 882
Non-controlling interests		497	0	498	444
Non-current liabilities		8 179	30	8 208	8 202
Long-term provisions: employee benefits	*(32)*	2 595		2 595	2 962
Other long-term provisions	*(32)*	1 325	28	1 353	1 214
Deferred tax liabilities	*(11b)*	710	2	712	489
Long-term financial debt	*(33)*	3 374		3 374	3 321
Other non-current liabilities		174		174	216
Current liabilities		4 605	1	4 606	3 530
Short-term provisions: employee benefits	*(32)*	39		39	63
Other short-term provisions	*(32)*	230	-1	229	243
Short-term financial debt	*(33)*	794		794	331
Trade liabilities	*(34)*	2 232		2 232	1 617
Income tax payable		51	1	53	69
Dividends payable		100		100	103
Other current liabilities		1 159		1 159	768
Liabilities associated with assets held for sale	*(15)*	0		0	337
Total equity & liabilities		19 437	25	19 462	18 328
RATIOS					
Return on equity (ROE)		4.3%		4.3%	9.8%
Net debt to equity ratio		26.5%		26.5%	17.1%

ROE = Adjusted net income of the Group / total equity before allocation of the revaluation reserve directly to equity.
Net debt to equity ratio = net debt / total equity.
Net debt = short and long-term financial debt less cash and cash equivalents and other current receivables - Financial instruments.
Explanatory notes can be found after the financial statements
1. including a PPA adjustement related to the acquisition in December 2011 of Orbeo shares for EUR 2 million.
2. 2011 restated = 2011 published + Final PPA allocation.

Statement of changes in equity

EUR million	Equity attributable to equity holders of the parent										
						Revaluation reserve (Fair value)					
	Share capital	Issue premiums	Retained earnings	Treasury shares	Currency translation differences	Available-for-sale investments	Cash flow hedges	Defined benefit pension plan	Total	Non-controlling interests	Total equity
Balance at 31/12/2010	1 271	18	5 791	-301	-374	11	4	-131	6 289	419	6 708
Net profit for the period			247						247	50	296
Items of Other Comprehensive Income					42	-8	8	-86	-44	-10	-54
Comprehensive income			247		42	-8	8	-86	202	40	242
Cost of stock options			9						9		9
Dividends			-250						-250	-14	-263
Acquisitions/sale of treasury shares				10					10		10
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control			-100						-100	52	-48
Other			-4						-4		-4
Balance at 31/12/2011	1 271	18	5 693	-292	-332	3	12	-217	6 156	497	6 653
Net profit for the period			584						584	17	601
Items of Other Comprehensive Income					-121	14	3	-376	-480	-16	-496
Comprehensive income			584		-121	14	3	-376	104	1	105
Cost of stock options			11						11		11
Dividends			-255						-255	-25	-280
Acquisitions/sale of treasury shares				143					143		143
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control			-1						-1	-31	-32
Other			5	-11					-6	3	-3
Balance at 31/12/2012	1 271	18	6 038	-160	-453	17	15	-593	6 152	444	6 596

Notes to the consolidated financial statements

IFRS accounting policies

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

1. GENERAL INFORMATION AND APPLICABLE IFRS

Solvay (the "Company") is a public limited liability company governed by Belgian law and quoted on NYSE Euronext Brussels, and NYSE Euronext Paris. The principal activities of the Company, its subsidiaries, joint ventures and associates (jointly the "Group") are described in note 1 on segment information.
The Group's consolidated financial statements for the year ended 31 December 2012 were prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union.

a. Standards, interpretations and amendments applicable as from 2012

> Amendments to IAS 12 Income Tax (applicable for annual periods beginning on or after 1 January 2012).
> Amendments to IFRS 7 Financial Instruments: Disclosures – Transfer of financial assets (applicable for annual periods beginning on or after 1 July 2011)

The amendments above had no impact on the disclosures.

b. Standards, interpretations and amendments to standards already published, but not yet applicable in 2012

> Improvements to IFRS (2009-2011) (applicable for annual periods beginning on or after 1 January 2013)
> IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2015)
> Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after from 1st July 2012)
> IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
> IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2014)
> IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2014)
> IFRS 13 Fair Value Measurement (applicable for annual periods beginning on or after 1 January 2013)
> Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)
> Amendments to IAS 19 Employee Benefits (applicable for annual periods beginning on or after 1 January 2013)
> Amendments to IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2014)
> Amendments to IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2014)
> Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2014)
> Amendments to IFRS 1 Government Loans (applicable for annual periods beginning on or after 1 January 2013)
> Amendments to IFRS 10, IFRS 11 and IFRS 12 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (applicable for annual periods beginning on or after 1 January 2014)
> Amendments to IFRS 10, IFRS 12 and IAS 27 – Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities (applicable for annual periods beginning on or after 1 January 2014)
> IFRIC 20 Stripping costs in the production phase of a surface mine (applicable for annual periods beginning on or after 1 January 2013)

According to the Group, the main impact of the aforementioned standards, interpretations and amendments is an estimated increase of the net financial charge of about EUR 20 million due to IAS 19 revised.

The other aforementioned standards, interpretations and amendments will have no significant impact on the consolidated financial statements.

c. Changes in accounting principles

No changes to accounting policies occurred during the year 2012.

2. BASIS FOR PREPARATION

The consolidated financial statements are presented in million of euros, which is also the functional currency of the parent company. The Group's consolidated financial statements were prepared on a historical cost basis, except for investments held for trading and available for sale, which are stated at their fair value. Financial assets which do not have a quoted price in an active market and the fair value of which cannot be reliably measured are carried at cost. Unless explicitly stated, the accounting policies are applied consistently with the previous year.

The preparation of the financial statements requires the use of estimates and the formulation of judgments and assumptions that have an impact on the application of accounting policies and the amounts shown in the financial statements. The areas for which the estimates and assumptions are material with regard to the consolidated financial statements are presented in the note related to "Critical accounting judgments and key sources of estimation uncertainty".

3. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Solvay is presumed to exercise control when it acquires, directly or indirectly, more than 50% of voting rights. To assess this control, potential voting rights that are immediately exercisable or convertible held by Solvay and its subsidiaries are taken into consideration.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are fully eliminated.

Non-controlling interests in subsidiaries are identified separately from the Group's equity. The interest of non-controlling shareholders is initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

4. BUSINESS COMBINATIONS

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of acquisition) of assets transferred liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognized.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognized at their fair value at the acquisition date, except that:
> deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
> liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
> assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see next paragraph below), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

5. INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.
Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

6. INTERESTS IN JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting (see 5 Investments in associates).

We refer to note 5 for goodwill arising on the acquisition of the Group's interest in a jointly controlled entity.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

7. GOODWILL

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred over the share acquired by the Group in the fair value of the entity's net identifiable assets at the acquisition date; The consideration transferred corresponds to the sum of the fair values of the assets transferred and liability incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the difference is recognized directly in income statement.

Goodwill is not amortized but is reviewed for impairment. Impairment is tested annually and more frequently if there are indications of a loss in value.
For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of CGUs) in accordance with IAS36 Impairment of Assets.
A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other group of assets.
These tests consist in comparing the carrying amount of the assets (or CGUs) with their recoverable amount. The recoverable amount of an asset (CGU) is the higher of its fair value less costs to sell and its value in use.
If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of a joint venture or an associate is described at 5 above.

8. FOREIGN CURRENCIES

The individual financial statements of each Group entity are prepared in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Euros (EUR), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rate.
Non monetary items carried at fair value that are denominated in foreign currencies are retranslated at the closing rate when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:
> exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
> exchange differences on transactions entered into in order to hedge certain foreign currency risks (see item 23 below for hedging accounting policies); and
> exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Euros using closing rates. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate) under "currency translation differences".

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences is reattributed to non-controlling interests and is not recognized in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The main exchange rates used are:

		Year-end rate		Average rate	
		2011	2012	2011	2012
1 Euro =					
Pound sterling	*GBP*	0.8353	0.8161	0.8679	0.8109
US Dollar	*USD*	1.2939	1.3194	1.3920	1.2848
Argentinian Peso	*ARS*	5.5770	6.4823	5.7538	5.8481
Brazilian Real	*BRL*	2.4159	2.7036	2.3266	2.5084
Thai Baht	*THB*	40.9910	40.3470	42.4295	39.9277
Yuan Renminbi	*CNY*	8.1588	8.2207	8.9962	8.1053
Japanese Yen	*JPY*	100.2000	113.6100	110.9566	102.4916

9. PROVISIONS FOR RETIREMENT OBLIGATIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

The Group's employees are offered various post-employment and other long terms employee benefits as a result of legislation applicable in certain countries and the contractual agreements entered into by the Group with its employees. The benefits are classified under defined benefit or defined contributions plans.

a. Defined contribution plans

Defined contribution plans involve the payment of contributions to a separate entity, thus releasing the employer from any subsequent obligation, as the entity is responsible for paying the amounts due to the employee. Once the contributions have been paid, no liability is shown in the Solvay financial statements. The contributions are recognized in employee benefit expense when they are due.

b. Defined benefit plans

Defined benefit plans concern all plans other than defined contributions plans.

These plans mainly concern:
> retirement benefits: pension plans, termination benefits, other retirement obligations and supplemental benefits;
> other long-term employee benefits: long-service benefits granted to employees according to their seniority in the Group;
> other employee benefits: post-employment medical care, included in "Other post-employment benefits"

Taking into account projected final salaries (projected unit credit method) on an individual basis, post-employment benefits are measured by applying a method using assumptions involving the discount rate, expected long-term return on plan assets specific for each country, life expectancy, turnover, wages, annuity revaluation, medical cost inflation and discounting of sums payable. The assumptions specific to each plan take into account the local economic and demographic contexts.
The amount recorded under post-employment obligations and other long-term employee benefits corresponds to the difference between the present value of future obligations and the fair value of the plan assets intended to hedge them, less, where necessary, any unamortized past service cost (except regarding other long-term employee benefits for which the past service cost is immediately recognized in profit or loss).
If this calculation gives rise to a net commitment, an obligation is recorded in liabilities. If the measurement of the net obligation gives rise to a surplus for the Group, the asset recognized for this surplus is limited to the net total of any unrecognized past service cost and the present value of any future plan refunds or any reduction in future contributions to the plan.

Solvay has adopted the policy of recognizing the actuarial gains and losses on commitments or assets relating to post-employment benefits and arising from experience adjustments and/or changes in actuarial assumptions directly in equity in the period in which they occur in consideration for the increase or decrease in the obligation. They, as well as changes in the limitation of the asset recognized, are presented in the statement of comprehensive income.

The actuarial gains and losses relating to other long-term benefits such as long service awards are fully recognized in profit or loss from financial items for the period in which they occur.

The interest expenses arising from the reverse discounting of retirement benefits and similar obligations and the financial income from the expected return on plan assets are recognized in profit or loss from financial items.

The amendment or introduction of a new post-employment or other long-term benefit plan may increase the present value of the defined benefit obligation for services rendered in previous periods, otherwise known as past service cost. The past service cost related to post-employment benefit plans is recognized in profit or loss on a straight-line basis over the average period until the corresponding benefits are vested by employees. The benefits vested upon adoption or amendments of the post-employment benefit plan, as well as past service costs related to other long-term benefit plans, are immediately recognized in profit or loss.
The actuarial calculations of post-employment obligations and other long-term benefits are performed by independent actuaries.

10. NON-RECURRING ITEMS

Non-recurring items mainly include:
> gains and losses on the sale of subsidiaries, joint-ventures, associates accounted for under the equity method that do not qualify as discontinued operations, available-for-sale investments;
> gains and losses on the sale of real estate not directly linked to an operating activity;
> major restructuring charges;
> impairment losses resulting from the shutdown of an activity or a plant;
> impairment losses resulting from testing Cash-Generating Units for impairment (a CGU includes tangible assets, intangible assets and allocated goodwill if any);
> the impact of significant litigation;
> the remediation costs not generated by on-going production facilities (shut-down sites, discontinued activities…);
> other material operating income or expenses resulting from unusual events and likely to distort the analysis and comparability of the Group's performance.

11. INCOME TAXES

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred taxes are calculated by tax entity. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The following items do not give rise to the recognition of deferred tax:

> the initial recognition of goodwill;
> the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit; and

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

12. LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Agreements not in the legal form of a lease contract are analyzed with reference to IFRIC 4 to determine whether or not they contain a leasing contract to be accounted for in accordance with IAS 17.

Finance leases

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position (balance sheet) as a finance lease obligation.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see 17 below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13. INTANGIBLE ASSETS

Intangible assets acquired in a business combination are initially measured at fair value; intangible assets acquired separately or internally developed are initially measured at cost. After initial recognition, intangible assets are measured at cost or fair value less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on intangible assets is capitalized only if it increases the future economic benefits associated with the specific asset. Other expenditure is expensed as incurred.
Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and method are reviewed at each financial year-end. A change in the useful life of an intangible asset is accounted for prospectively as a change in estimate.

The estimated useful lives are as follows:
> patents & trademarks: 2 – 20 years
> software: 3 – 5 years
> development expenditure:2 – 5 years
> Other intangible assets: 5 – 20 years

Licenses, patents and similar rights

Expenditure on acquired licenses, patents, trademarks and similar rights is capitalized and amortized on a straight-line basis over the contractual period, if any, or the estimated useful life, which is normally considered to be not longer than 20 years.

Research and Development costs

Research costs are expensed in the period in which they are incurred.
Development costs are capitalized if, and only if all the following conditions are fulfilled:
> the cost of the asset can be reliably measured;
> the technical feasibility of the product has been demonstrated;
> the product or process will be placed on the market or used internally;
> the assets will generate future economic benefits (a potential market exists for the product or, where it is to be used internally, its future utility is demonstrated);
> the technical, financial and other resources required to complete the project are available.

The capitalized development costs are amortized on a straight-line basis over their useful lives.
Capitalized expenditure comprises employee expenses, the cost of materials and services directly attributed to the projects, and an appropriate share of overheads including, and where necessary, the interim interest accrued. It is amortized once the relevant products are sold or the relevant industrial processes are used over the estimated term of the economic benefits expected to flow from the project. The expenditure is tested for impairment if there is indication of a loss in value and annually for projects in the course of development (see Note 16).

Development expenditure which does not satisfy the above conditions is expensed as incurred.

Other intangible assets

Other intangible assets mainly include customer lists and other intangible commercial assets, such as brand names, acquired separately or in a business combination. These are amortized on a straight-line basis over their estimated useful life.

14. GREENHOUSE GAS EMISSION ALLOWANCES AND CERTIFIED EMISSION REDUCTIONS

With respect to the mechanism set up by the European Union to encourage manufacturers to reduce their greenhouse gas emissions, the Group was granted carbon dioxide (CO_2) emission allowances for some of its installations. The Group is also involved in Clean Development Mechanism (CDM) and Joint Implementation (JI) projects under the Kyoto protocol. Under these projects, the Group has deployed facilities in order to reduce greenhouse gas emissions at the relevant sites in return for Certified Emission Reductions (CER) or Emission Reduction Units (ERU).

Treatment of European Union Allowances (EUA)

These allowances are granted each year under the national allocation plans with an initial trading period of three years beginning January 1, 2005, and the second trading period of 5 years beginning January 1, 2008. During the second period, the allowances are delivered free of charge and are valid over the entire trading period if not used. Allowances may be freely traded upon allocation and may be purchased or sold, especially if too few or too many allowances are allocated with respect to actual emissions.

In the absence of any IASB standard or interpretation regulating the accounting treatment of CO_2 emission rights, the Group applies to the EUAs the ‘net approach’, according to which:
> the allowances are recognized as intangible assets and measured at cost (the cost of allowances issued free of charge being therefore zero) and
> any short position is recognized as a liability at the fair value of the allowances required to cover the shortfall at the balance sheet date.

Treatment of Certified Emission Reductions (CER)

Under the CDM projects, Solvay has deployed facilities in order to reduce the greenhouse gas emissions at its Onsan (South Korea) and Paulinia (Brazil) sites. Upon verification by independent experts, should these emissions fall below the benchmark levels set by the UNFCCC, Solvay receives Certified Emission Rights (CER) which are freely transferable. Solvay Energy Services is the subsiadiry in charge of the sales of CERs.

Allocated CERs are recognized in inventories at the lower of cost and net realizable value. The cost of allocated CERs mainly corresponds to the amortization of gas emission reduction units.

The CER sales realized between participants in CDM projects and in organized markets are recognized in net sales upon delivery of the CERs, i.e. when they are recorded in the CO_2 emissions account of the transferee.

In connection with the JI, Solvay has set up in France similar, but smaller-sized projects aiming at obtaining ERUs. ERU recognition is identical to CER recognition.

In order to manage exposure to future CER price fluctuations, Solvay has set up forward CER sales contracts, with or without guarantee of delivery. Based on their characteristics, when these contracts represent derivatives within the meaning of IAS 39 Financial Instruments: recognition and measurement, they are recognized and measured according to the rules described in Note 23. Otherwise, they represent off-balance sheet commitments.

Treatment of Solvay Energy Services' activities

In addition to selling CERs, Solvay Energy Services is involved in developing CO_2 instrument trading, arbitrage and hedging activities, and developing the "Origination" activity. The net income or expense from these activities is recorded, after elimination of intra-Group transactions, in net sales or cost of sales for the "industrial" component, where Solvay Energy Services sells the CERs generated by Solvay, as well as for the "trading" component, where Solvay Energy Services purchases / sells CERs and EUAs;

The margin calls relating to the derivative instruments contracted by Solvay Energy Services are recognized in Other current financial assets in respect of guarantee deposits paid, and in Borrowings in respect of guarantee deposits received.

15. PROPERTY, PLANT & EQUIPMENT

a. Initial recognition

The property, plant and equipment owned by the Group are recognized as assets at acquisition cost when the following criteria are satisfied:

> It is probable that the future economic benefits associated with the asset will flow to the Group;
> The cost of the asset can be reliably measured.

Items of property, plant and equipment are carried on the balance sheet at cost less accumulated depreciation and impairment. The cost of an item of property, plant and equipment comprises its purchase or production price and any costs directly attributable to the location and condition necessary for its operation, including, where necessary, the borrowing costs accrued during the construction period.
The components of an item of property, plant and equipment with different useful lives are recognized separately.

Items of property, plant and equipment are derecognized from the balance sheet on disposal or discontinuation. The gain or loss arising from the derecognition of an item of property, plant and equipment is recognized in profit or loss for the period of derecognition.

b. Useful lives

Land is not depreciated.
The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

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

Buildings	30 - 40 years
IT equipment	3 - 5 years
Machinery and equipment	10 - 20 years
Transportation equipment	5 - 20 years

Depreciation is included in the income statement under cost of goods sold, commercial and administrative costs, and in R&D costs.

c. Subsequent expenditure

Subsequent expenditure incurred for the replacement of a component of an item of property, plant and equipment is only recognized as an asset when it satisfies the general criteria mentioned above.

The carrying amount of replaced items is derecognized.
Repair and maintenance costs are recognized in the income statement as incurred.

On account of its industrial activity, Solvay incurs expenditure for major repairs over several years for most of its sites. The purpose of this expenditure is to maintain the proper working order of certain installations without altering their useful life. This expenditure is considered as a specific component of the item of property, plant and equipment and is amortized over the period during which the economic benefits flow, i.e. the period between the major repairs.

d. Dismantling costs

Dismantling and restoration costs are included in the initial cost of an item of property, plant and equipment if the Group has a legal or constructive obligation to dismantle or restore.
Generally, Solvay does not have any current, legal or constructive obligation to dismantle and/or restore its operating sites in accordance with IAS 37 Provisions, contingent liabilities and contingent assets, as such obligation is only likely to arise upon the discontinuation of a site's activities. However, the costs of dismantling discontinued sites or installations are provided when there is a legal obligation (due to a request or injunction from the relevant authorities), or there is no technical alternative to dismantling to ensure the safety compliance of the discontinued sites or installations.

16. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

17. CAPITALIZED INTERESTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.
All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

18. GOVERNMENT GRANTS

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants relating to the purchase of property, plant and equipment are deducted from the cost of those assets. They are recognized in the balance sheet at their expected value at the time of initial government approval and corrected, if necessary, after final approval. The grant is amortized over the depreciation period of the underlying assets.

Other government grants are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

19. INVENTORIES

Inventories are stated at the lower of purchasing cost (raw materials and merchandise) or production cost (work in progress and finished goods) and net realizable value. Net realizable value represents the estimated selling price, less all estimated costs of making the product ready for sale, including marketing, selling and distribution costs. The cost of inventories is determined by using the weighted average cost or first-in, first-out (FIFO) method. Inventories having a similar nature and use are measured using the same cost formula.

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

20. FINANCIAL ASSETS

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. A financial asset is classified as current when the cash flows expected to flow from the instrument mature within one year.

At initial recognition, Solvay classifies financial assets into one of the four categories provided in IAS 39 Financial Instruments: recognition and measurement according to the purpose of the acquisition. This classification determines the method for measuring financial assets at subsequent balance sheet dates: amortized cost or fair value.
Amortized cost is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective

interest method of any difference between that initial amount and the maturity amount.

For instruments quoted in an active market, the fair value corresponds to a market price (level 1). For instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving instruments which are substantially the same (level 2), or discounted cash flow analysis including, to a maximum extent, assumptions consistent with observable market data (level 3). However, if the fair value of an equity instrument cannot be reasonably estimated, it is measured at cost.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

However, the straight-line method is used instead, whenever it is a good approximation to the amortized cost rule i.e. when the difference between both methods is considered as not being significant at Group level.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at fair value through profit or loss if they are held for trading. Financial assets at FVTPL are stated at fair value, with any resultant gains or losses recognized in profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as at FVTPL unless they are designated and effective as hedges.

Held-to-maturity investments

Debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

Available-for-sale financial assets

Non-current available-for-sale assets include investments in entities which were not acquired principally for the purpose of selling in the short term, and which are neither consolidated nor accounted for using the equity method. Assets classified in this category are stated at fair value, with any resultant gains or losses recognized directly in other comprehensive income, except if there exists an impairment loss, in which case the loss accumulated in equity is recycled to the income statement. However, they are stated at cost if they do not have a quoted price in an active market and their fair value cannot be reliably measured by alternative valuation methods.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. The Group's loans and receivables category comprises cash and cash equivalents, trade receivables and other non-current assets except pension fund surpluses. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, have original maturities of three months or less and are subject to insignificant risk of change in value. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables or when the difference with the straight-line method would be immaterial.

Impairment of financial assets

The impairment loss of a financial asset measured at amortized cost is equal to the difference between the carrying amount and the estimated future cash flows, discounted at the initial effective interest rate. The impairment of an available-for-sale financial asset is calculated with reference to its current fair value.

An impairment test is performed, on an individual basis, for each material financial asset. Other assets are tested as groups of financial assets with similar credit risk characteristics.

Impairment losses are recognized in profit and loss. With respect to available-for-sale assets, in the event of an impairment loss, the cumulative negative changes in fair value previously recognized in equity are transferred to profit and loss.

The impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment was recognized. For financial assets measured at amortized cost and available-for-sale financial assets, the reversal is recognized in profit or loss. For available-for-sale financial assets which represent equity instruments, the reversal is recognized directly in equity. Impairment losses relating to assets recognized at cost cannot be reversed.

21. FINANCIAL LIABILITIES

Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss (FVTPL)' or 'financial liabilities measured at amortized cost'.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at fair value through profit or loss if they are held for trading. Financial liabilities at FVTPL are stated at fair value, with any resultant gains or losses recognized in profit or loss. A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as at FVTPL unless they are designated and effective as hedges.

Financial liabilities measured at amortized cost using the effective interest method

Financial liabilities measured at amortized cost, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group's financial liabilities measured at amortized cost category comprises long-term financial debt, other non-current liabilities, short-term financial debt, trade liabilities and dividends payable included in other current liabilities.

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign exchange rate risk and commodity risk, including foreign exchange forward contracts and options, interest rate swaps, cross-currency swaps, commodity options and swaps, and energy purchase and sale contracts. Further details of derivative financial instruments are disclosed in note 34.

In addition, In order to manage exposure to future CER price fluctuations, Solvay has set up forward CER sales contracts, with or without guarantee of delivery (See Note 14).

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in financial income or expense immediately unless the derivative is designated and effective as a hedging instrument, in which the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

23. HEDGE ACCOUNTING

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, energy risk and CO_2 emissions rights, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 34 sets out details of the fair values of the derivative instruments used for hedging purposes.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other financial gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the income statement as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Hedges of net investments in foreign operations
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other financial gains and losses' line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation as described in item 8 above.

24. PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.
When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts
Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings
A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Environmental liabilities
Solvay periodically analyzes all its environmental risks and the corresponding provisions. Solvay measures these provisions to the best of its knowledge of applicable regulations, the nature and extent of the pollution, clean-up techniques and other available information.

Changes in discount rates are recognized in profit or loss from financial items.

25. SEGMENT INFORMATION

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available. The Solvay group's chief operating decision maker is the Chief Executive Officer.

26. REVENUE RECOGNITION

Net sales and other revenue are measured at the fair value of the consideration received or receivable, net of returns, rebates and trade benefits granted and sales tax.

Net sales comprise the sales of goods (goods and goods for resale) and value-added services corresponding to Solvay's know-how.

Other revenue primarily includes commodity and utility trading transactions and other revenue deemed as incidental by the Group (e.g. temporary contracts following the sale of businesses)

Net sales and other revenue are recognized when all the following conditions have been satisfied:
> the entity has transferred to the buyer the significant risks and rewards of ownership of the goods or, with respect to the rendering of services, the stage of completion can be measured reliably;
> the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
> the amount of revenue can be measured reliably;
> it is probable that the future economic benefits associated with the transaction will flow to the entity; and
> the costs incurred or to be incurred in respect of the transaction can be measured reliably.

27. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. For a sale to be highly probable, management should be committed to a plan to sell the asset (or disposal group), an active program to locate a buyer and complete the plan should be initiated, and the asset (or disposal group) should be actively marketed at a price which is reasonable in relation to its current fair value, and the sale should be expected to be completed within one year from the date of classification.

A discontinued operation is a component of an entity which the entity has disposed of or which is classified as held for sale, which represents a separate major line of business or geographical area of operations and which can be distinguished operationally and for financial reporting purposes.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any excess of the carrying amount over the fair value less costs to sell is included as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale. Comparative balance sheet information for prior periods is not restated to reflect the new classification in the statement of financial position (balance sheet).

28. FINANCE INCOME AND COSTS

Finance costs comprise the interest on borrowings calculated using the effective interest rate method, the systematic amortization of transaction costs relating to credit lines, borrowing prepayment or credit line cancellation costs and the cost of the reverse discounting of non-current non-financial liabilities, the impact of change in discounting rates.

Finance income comprises the expected return on plan assets, cash income and dividends.

Net foreign exchange gains or losses on financial items and the changes in fair value of derivatives are presented respectively in finance income or costs, with the exception of changes in fair value of derivatives which are recognized on the same line item as the hedged transaction.

All interest on borrowings is recognized in finance costs as incurred, with the exception of interest arising from the acquisition, construction and production of an eligible intangible asset or item of property, plant and equipment that is capitalized in the cost of the asset in accordance with the alternative treatment authorized by IAS 23 Borrowing Costs.

29. SHARE-BASED PAYMENTS

Solvay has set up compensation plans, including equity-settled, shared-based compensation plans.

The fair value of services rendered by employees in consideration for the granting of equity-instruments represents an expense. This expense is recognized on a straight-line basis in the income statement over the vesting periods relating to these equity-instruments with the recognition of a corresponding adjustment in equity.

The fair value of services rendered is measured in reference to the fair value of the equity-instruments on the grant date.

At each balance sheet date, the Group re-estimates the number of options likely to be vested. The impact of the revised estimates is recognized in profit or loss against a corresponding adjustment in equity.

30. STATEMENT OF COMPREHENSIVE INCOME

In accordance with IAS 1 Presentation of Financial Statement, an entity can elect to present either a single statement of comprehensive income or two statements, i.e. an income statement immediately followed by a comprehensive income statement. The Group elected to do the latter.

The components of other comprehensive income (OCI) are presented before related tax effects with one amount shown for the aggregate amount of income tax relating to those components.

31. CONTINGENCIES

Contingent assets are not recognized in the financial statements. They are disclosed if the outflow of economic benefits is probable.

Contingent liabilities are not recognized in the financial statements, except if they arise from a business combination. They are disclosed unless the possibility of a loss is remote.

32. EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period which provide additional information about the group position at the closing date (adjusting events) are reflected in the financial statements. Events after the reporting period which are not adjusting events are disclosed in the notes if material.

Critical accounting judgments and key sources of estimation uncertainty

Impairment
The Group performs annual impairment tests on goodwill and on cash-generating units for which there are indicators that the carrying amount might be higher than the recoverable amount. This analysis requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

Further details are provided in note 26.

Deferred tax assets
The carrying amount of a deferred tax asset is reviewed at each statement of financial position (balance sheet) date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The corporate tax competence center, which has the overview of the Group deferred tax situation, is systematically involved in assessing deferred tax assets.

Further details are provided in note 11b.

Employment benefits provisions
The actuarial assumptions used in determining the pension obligation at December 31 as well as the annual cost can be found in note 32. All main employee benefits plans are assessed annually by independent actuaries. Discount rates and inflation rates are defined globally by management; the other assumptions (such as future salary increases, expected long-term rates of return on plan assets and expected rates of medical care cost increases) are defined at a local level. All plans are supervised by the Group's central human resources department with the help of one central actuary to check the acceptability of the results and assure uniformity in reporting.

Environmental Provisions
Environmental provisions are managed and coordinated jointly by an Environmental Remediation competence center and the finance department.

The forecasts of expenses are discounted to present value in accordance with IFRS rules.

The discount rates fixed by geographical area correspond to average risk-free rate on 10-year government bonds. These rates are set annually by Solvay's Finance department and can be revised based on the evolution of economic parameters of the country involved.

To reflect the passage of time, the provisions are increased each year on a prorated basis at the discount rates defined above. Further details are provided in note 32.

Provisions for litigation
All significant legal litigation[1] (or threat of litigation) is reviewed by Solvay's in-house lawyers with the support, when appropriate, of external counsels at least every quarter. This review includes an assessment of the need to recognize provisions or adapt existing provisions together with Solvay's Corporate Finance department and the Insurance department. The resulting report is submitted to the Executive Committee by the Group general counsel and thereafter to the Audit Committee and to the Board of directors.

Fair value adjustments for business combinations
In accordance with IFRS 3 'Business Combinations', the Group remeasures the assets, liabilities and contingent liabilities acquired through a business combination to fair value. Where possible, fair value adjustments are based on external appraisals or valuation models, e.g. for contingent liabilities and intangible assets which were not recognized by the acquiree. Internal benchmarks are often used for valuing specific production equipment. All of these valuation methods rely on various assumptions such as estimated future cash flows, remaining useful economic life etc.

Further details are provided in note 21.

1. A similar procedure is implemented for tax litigation.

General description of the segments

The five segments are Plastics, Chemicals, Rhodia, New Business Development (NBD) and Corporate & Business Support (CBS).

The **PLASTICS** segment operates in 2 different clusters:

Specialty Polymers

> Specialty polymers: high and ultra-high performance polymers like fluorinated polymers, elastomers and fluids, barrier materials, polyarylamides, polysulfones, high performance polyamides, liquid crystal polymers

Vinyls

> Vinyls: integrated electrolysis chain and derivatives (caustic soda), VCM (monomer) and PVC (polymer)
> Plastics integration: PVC compounds and Pipelife (50/50 joint venture with Wienerberger)

The **CHEMICALS** segment operates in 2 different clusters:

Essential Chemicals

> Soda ash and derivatives
> Peroxides: hydrogen peroxide and detergents (persalts)
> Electrochemicals and derivatives (caustic soda, epichlorohydrin)

Special Chemicals

> Fluorinated chemicals
> Advanced Functional Minerals (precipitated calcium carbonate)
> Molecular Solutions

The **RHODIA'S** segment operates in 5 different clusters:

Consumer Chemicals

> Specialty surfactants
> Specialty polymers and monomers
> Chemistry of phosphorus
> Eco-friendly solvents
> Specialty amines
> Phenol and oxygenated solvents
> Diphenols and derivatives

Advanced Materials

> High performance silica
> Formulations based on rare earths

Polyamide Materials

> Polyamide 6.6
> Engineering plastics based on Polyamide 6.6

Acetow and Eco Services

> Acetate tow
> Sulfuric acid regeneration

Energy Services

> Energy optimization and reduction of CO_2 emissions

The **NEW BUSINESS DEVELOPMENT (NBD)** segment includes the research activities undertaken outside the Business Units in promising and important areas for the development of the Group.

The **CORPORATE & BUSINESS SUPPORT (CBS)** segment consists of the staff and installations of the various Group headquarters which provide support to the other segments, along with certain sites where industrial operations have been discontinued.

The five segments are extensively described in the general section of this report.

Notes to the income statement

(1) FINANCIAL DATA BY BUSINESS SEGMENT

The Chemicals, Plastics and New Business Development (NBD) segments are extensively described in the general section of this report. The Corporate & Business Support (CBS) segment consists of the staff and installations of the various Group headquarters which are not specifically attributable to the other three segments, along with certain sites where industrial operations have been discontinued.

Information per business segment for 2011 is presented below:

2011 – EUR million **Income statement items**	Chemicals	Plastics	Rhodia	New Business Development	Corporate & Business support	Group Total as per IFRS-8	Reconciliation element	Group Total as per IFRS primary statements
Sales	3 264	3 828	1 565	0	0	8 657		8 657
- Inter-segment sales[1]	-406	-688	0	0	0	-1 094		-1 094
External sales	2 858	3 141	1 565	0	0	7 564		7 564
Gross margin[4]	572	626	323	0	-2	1 519	-160	1 359
REBITDA[4]	484	539	231	-38	-51	1 164	-160	1 004
REBIT[4]	334	381	120	-39	-58	739	-160	579
Non-recurring items[4]	15	-13	-158	0	-28	-184	160	-24
EBIT (continuing operations)	349	368	-38	-39	-85	555		555
of which earnings from associates and joint ventures	*33*	*15*	*13*			*60*		*60*

Cash flow items	Chemicals	Plastics	Rhodia	New Business Development	Corporate & Business support	Group Total as per IFRS-8	Reconciliation element	Group Total as per IFRS primary statements
EBIT (continuing and discontinued operations)	349	373	-38	-39	-130	515		515
Recurrent depreciation and amortization	150	191	111	0	7	459		459
Impairments	3	-8	0	0	0	-5		-5
Changes in provisions and other non-cash items	-82	-30	-61	2	-106	-277		-277
Changes in working capital	-53	88	222	0	7	264		264
Cash flow from operating activities before taxes	367	614	234	-36	-177	1 002		1 002
Capital expenditures	-214	-409	-164	-28	-3 982	-4 797		-4 797
Cash flow from investing activities	-219	-404	-126	-38	-3 893	-4 679		-4 679

Statement of financial position and other items	Chemicals	Plastics	Rhodia	New Business Development	Corporate & Business support	Group Total as per IFRS-8	Reconciliation element	Group Total as per IFRS primary statements
Fixed assets[2]	2 093	2 347	6 513	82	210	11 246		11 246
Working capital[3]	402	450	518	-1	-83	1 287		1 287
Provisions	672	299	2 183	0	906	4 060		4 060
Headcount at Jan. 1 of following year	8 114	5 067	14 255	0	1 685	29 121		29 121

1. Inter-segment transfer prices are based on market prices.
2. Non-current assets with the exception of deferred tax assets and other long-term receivables.
3. Short-term assets and liabilities and other non-current assets and liabilities, with the exception of dividends payable.
4. After consulting of ESMA (European Securities and Markets Authority) experts, namely EECS (European Enforcers Coordination Sessions), on the application of IAS 1 § 103 and IAS 2 § 38, FSMA has requested to reclassify the adjustment related to the revaluated inventories of Rhodia (EUR 160 million) with the corresponding indication to the line “cost of goods sold”. 2011 has been restated according to IAS 8.

Information per business segment for 2012 is presented below:

2012 – EUR million **Income statement items**	Chemicals	Plastics	Rhodia	New Business Development	Corporate & Business support	Group Total as per IFRS-8	Reconcilia-tion element	Group Total as per IFRS primary statements
Sales	3 174	3 544	6 587	0	0	13 305		13 305
- Inter-segment sales[1]	-171	-252	-52	0	0	-475		-475
External sales	3 003	3 292	6 535	0	0	12 831		12 831
Gross margin[4]	608	680	1 321	0	-4	2 605	-45	2 560
REBITDA[4]	575	552	1 112	-56	-117	2 067	-45	2 022
REBIT[4]	416	386	652	-57	-124	1 272	-45	1 227
Non-recurring items[4]	129	49	-136	0	-39	3	45	48
EBIT (continuing operations)	545	435	516	-57	-164	1 275		1 275
of which earnings from associates and joint ventures	*58*	*2*	*128*	*0*	*-4*	*183*		*183*

Cash flow items	Chemicals	Plastics	Rhodia	New Business Development	Corporate & Business support	Group Total as per IFRS-8	Reconcilia-tion element	Group Total as per IFRS primary statements
EBIT (continuing and discontinued operations)	545	339	516	-57	-62	1 281		1 281
Recurrent depreciation and amortization	160	198	461	1	8	826		826
Impairments	-101	68	0	0	0	-33		-33
Changes in provisions and other non-cash items	-120	-72	-133	32	-200	-492		-492
Changes in working capital	-14	8	88	6	-34	54		54
Cash flow from operating activities before taxes	470	541	931	-18	-288	1 635		1 635
Capital expenditures	-225	-229	-337	-10	-25	-826		-826
Cash flow from investing activities	252	-101	-313	-10	-348	-520		-520

Statement of financial position and other items	Chemicals	Plastics	Rhodia	New Business Development	Corporate & Business support	Group Total as per IFRS-8	Reconcilia-tion element	Group Total as per IFRS primary statements
Fixed assets[2]	2 557	2 187	5 451	57	652	10 904		10 904
Working capital[3]	399	386	345	-7	254	1 377		1 377
Provisions	731	308	2 431	0	1 012	4 482		4 482
Headcount at Jan. 1 of following year	8 082	5 151	14 375	0	1 495	29 103		29 103

1. Inter-segment transfer prices are based on market prices.
2. Non-current assets with the exception of deferred tax assets and other long-term receivables.
3. Short-term assets and liabilities and other non-current assets and liabilities, with the exception of dividends payable.
4. After consulting of ESMA (European Securities and Markets Authority) experts, namely EECS (European Enforcers Coordination Sessions), on the application of IAS 1 § 103 and IAS 2 § 38, FSMA has requested to reclassify the adjustment related to the revaluated inventories of Rhodia (EUR 45 million) with the corresponding indication to the line “cost of goods sold”.

External sales by cluster are presented below:

EUR million	2011	2012
Plastics	3 141	**3 292**
Specialty Polymers	1 251	1 345
Vinyls[1]	1 890	1 947
Chemicals	2 858	**3 003**
Essential Chemicals	2 247	2 362
Special Chemicals	612	642
Rhodia	1 565	**6 535**
Consumer Chemicals	617	2 579
Advanced Materials	218	821
Polyamide Materials	406	1 755
Acetow and Eco Services	288	940
Energy Services	55	374
Other sales	36	66
Accounting rules harmonisation	-55	

1. Including Vinyls and Plastic Integration.

(2) FINANCIAL DATA BY COUNTRY AND REGION

Group sales by destination are as follows:

EUR million	2011	%	2012	%
Belgium	326	4%	345	3%
Germany	851	10%	1 212	9%
Italy	607	7%	740	6%
France	749	9%	1 236	10%
Great Britain	247	4%	430	3%
Spain	357	4%	419	3%
European Union - other	692	12%	979	8%
European Union	3 829	47%	**5 361**	42%
Other Europe	177	2%	**262**	2%
United States	1 164	14%	2 335	18%
Canada	60	1%	134	1%
North America	1 224	15%	**2 469**	19%
Brazil	297	4%	940	7%
Mexico	74	1%	118	1%
Latin America - other	91	2%	197	2%
Latin America	462	6%	**1 255**	10%
Russia	88	1%	177	1%
Turkey	89	1%	121	1%
China	283	3%	798	6%
India	89	1%	192	1%
Japan	254	3%	406	3%
South Korea	144	1%	345	3%
Thailand	312	1%	441	3%
Egypt	49	1%	56	0%
Other	564	13%	948	7%
Asia and Rest of the World	1 872	23%	**3 484**	27%
Total	7 564	100%	**12 831**	100%

Invested capital and capital expenditures by geographical segment are shown below:

	Invested capital				Capital Expenditures			
EUR million	2011	%	2012	%	2011	%	2012	%
Belgium	3 083	24%	3 579	29%	-1 056	22%	-76	9%
Germany	1 372	11%	968	8%	-44	1%	-66	8%
Italy	721	6%	707	6%	-67	1%	-63	8%
France	1 850	15%	2 000	16%	-3 137	65%	-256	31%
Great Britain	240	2%	205	2%	-4	0%	-7	1%
Spain	168	1%	274	2%	-23	0%	-15	2%
European Union - other	241	2%	233	2%	-14	0%	-7	1%
European Union	7 675	61%	**7 967**	64%	-4 345	91%	**-489**	59%
Other Europe	-5	0%	**-10**	0%	0	0%	**0**	0%
United States	1 747	14%	1 689	14%	-66	1%	-105	13%
Canada	-1	0%	1	0%	0	0%	0	0%
North America	1 746	14%	**1 690**	14%	-66	1%	**-105**	13%
Brazil	1 008	8%	834	7%	-56	1%	-71	9%
Argentina	106	1%	71	1%	-12	0%	-5	1%
Latin America - other	58	0%	45	0%	-1	0%	-1	0%
Latin America	1 172	9%	**951**	8%	-69	1%	**-77**	9%
Russia	376	3%	380	3%	-168	3%	-1	0%
Turkey	4	0%	0	0%	0	0%	0	0%
Thailand	456	4%	483	4%	-84	2%	-44	5%
China	504	4%	467	4%	-27	1%	-69	8%
South Korea	183	1%	139	1%	-9	0%	-10	1%
India	90	1%	210	2%	-11	0%	-11	1%
Singapore	237	2%	34	0%	0	0%	0	0%
Japan	88	1%	59	0%	-1	0%	-1	0%
Egypt	101	1%	109	1%	-13	0%	-12	1%
Other	8	0%	32	0%	-6	0%	-6	1%
Asia and Rest of the World	2 047	16%	**1 913**	15%	-318	7%	**-155**	19%
Total	12 636	100%	**12 510**	100%	-4 797	100%	**-826**	100%

(3) GROSS MARGIN

Expressed as a percentage of sales, gross margin increase from 18% in 2011 to 20% in 2012. Rhodia gross margin is included since 1 October 2011 and was close to 21% for the last quarter 2011 and close to 20% in 2012.

(4) COMMERCIAL AND ADMINISTRATIVE COSTS

The Group's commercial and administrative costs increased overall by 77% between 2011 and 2012. At comparable scope the increase would have been close to 2%.

(5) RESEARCH AND DEVELOPMENT COSTS

Research and development costs increased by 69% between 2011 and 2012. At comparable scope the increase would have been close to 20%.

(6) OTHER OPERATING GAINS AND LOSSES

EUR million	2011	2012
Start-up, formation and preliminary study costs	-16	-35
Cost of closures and demolitions	-17	-24
Costs of trials and tests	-4	-5
Income from investments and interest on loans to joint ventures and non-consolidated companies	11	8
Net foreign exchange gain and losses	4	0
Balance of other gains and losses	-26	-68
Other operating gains and losses	-47	**-124**

The balance of other gains and losses includes in particular:
> EUR -131 million for the amortization of the step-up on Rhodia intangibles within the framework of the Purchase Price Allocation (PPA),
> EUR +44 million of earnings from the sale of underground cavities in Germany, against EUR +12 million for 2011;
> EUR +15 million one-time positive impact related to the monetization of a litigation.

(7) EARNINGS FROM JOINT VENTURES AND ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

The net income of the joint ventures is part of the Group REBIT and amounts to EUR 183 million in 2012 against EUR 61 million in 2011. The main increase relates to the joint venture Hindustan in India that is reported for the full year in 2012.

(8) REBITDA (RECURRING EBITDA)

REBITDA increased by 101% from EUR 1 004 million in 2011 to EUR 2 022 million in 2012. At comparable scope the REBITDA would have increased by 2%.

REBITDA by segment can be found in the management report.

(9) NON-RECURRING ITEMS

Non-recurring items mainly include:
> gains and losses on the sale of subsidiaries, joint-ventures, associates accounted for under the equity method that do not qualify as discontinued operations, available-for-sale investments;
> gains and losses on the sale of real estate not directly linked to an operating activity;
> major restructuring charges;
> impairment losses resulting from the shutdown of an activity or a plant;
> impairment losses resulting from testing Cash-Generating Units for impairment (a CGU includes tangible assets, intangible assets and allocated goodwill if any);
> the impact of significant litigation;
> the remediation costs not generated by on-going production facilities (shut-down sites, discontinued activities…);
> other material operating income or expenses resulting from unusual events and likely to distort the analysis and comparability of the Group's performance.

Non-recurring items break down as follows:

EUR million	2011	2012
Impairments	5	144
Other expenses and income	-29	-96
Non-recurring items	-24	**48**

In 2012, the impairment loss on Soda Ash CGU booked in 2010 has been partially reversed (EUR 149 million). The other non recurring expenses and income mainly include:
> Restructuring costs (EUR -109 million) of which Rhodia integration costs for EUR -92 million (social costs and consulting fees),
> Capital gains Pipelife joint venture (EUR 70 million),
> Capital gain corporate buildings Solvay SA (EUR 28 million),
> Litigation and environmental costs of non ongoing activities (EUR -40 million).

In 2011, the main other non recurring expenses and income were:
> the Rhodia acquisition costs borne by Solvay for EUR -33 million,
> consultancy costs related to the implementation of Horizon (EUR -15 million),
> environmental provisions related to shutdown facilities (EUR -16 million),
> the cancellation of the soda ash fine with the European Union (EUR +27 million).

(10) NET FINANCIAL CHARGES

EUR million	2011	2012
Cost of borrowings - Interest expense on financial liabilities at amortized cost	-143	-171
Interest income on cash and cash equivalents (excluding bonds and treasury bills < 3 months)	12	14
Interest income on bonds and treasury bills < 3 months (held to maturity at amortized cost)	14	0
Interest income on bonds and treasury bills > 3 months (held to maturity at amortized cost)	5	0
Interest income on other current financial assets (available for sale)	7	2
Other gains and losses on net indebtedness	-16	-8
Cost of discounting provisions	-71	-191
Net financial charges	-192	**-353**

Interest income on financial assets at amortized cost + Interest income on financial assets held to maturity + Interest income on financial assets available for sale = Interest on lending and term deposits (see income statement). The corresponding financial assets are included on the balance sheet under the headings “Other current receivables – Financial instruments” and “Cash and cash equivalents”

Net financial charges at the end of 2012 included 12 months integration of Rhodia (2011 figures included only 3 months). 2011 net financial charges are restated to take into account the reclassification of expenses to “Result from discontinued operations”.

Net financial charges were EUR 353 million at the end of 2012 compared to 192 million at the end of 2011.

Cost of borrowings amounted to EUR 171 million at the end of 2012 compared to EUR 143 million at the end of 2011. In 2012, it included EUR 17 million one-off non cash income related to the decision to exercise the call option in 2014 related to the EUR 500 million Rhodia senior bond maturing in 2018.

Interest income on available cash amounted to EUR 16 million at the end of 2012 compared to EUR 38 million at the end of 2011; the decrease is explained by the very low interest rates on the available cash.

Average interest charges on borrowings (excluding capitalized interest, one-off items in 2012 and cost of discounting provisions) decreased from 5.2% in 2011 to 4.9% in 2012.

Other gains & losses on net debt indebtedness decreased from EUR -16 million at the end of 2011 to EUR -8 million at the end of 2012. At the end of 2011, it included a loss of EUR 2.4 million at Rhodia (foreign exchange losses related to the revaluation of the USD 400 million senior note) and a loss of EUR 2.5 million related to the premium paid for an Average Rate Option which matured in 2011. The 2012 figures included a gain of EUR 1 million at Rhodia (revaluation of the USD 400 million senior note) but also the cost of funding of our development in local currencies, in particular in emerging countries.

The cost of discounting provisions increased from EUR 71 million at the end of 2011 to EUR 191 million at the end of 2012 taking into account the 12 months integration of Rhodia and major variations in discounting rates.

(11) INCOME TAXES AND DEFERRED TAXES

(11A) INCOME TAXES

Components of the tax charge

The tax charge breaks down as follows:

EUR million	2011	2012
Current taxes related to current year	-101	-232
Current taxes related to prior years	-2	7
Deferred income tax	78	-33
Tax effect of changes in the nominal tax rates on deferred taxes	3	-20
Total	**-22**	**-278**

EUR million	2011	2012
Income tax on items allocated directly to equity	26	50
Total	**26**	**50**

Reconciliation of the tax charge

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

EUR million	2011	2012
Earnings before taxes	365	919
Reconciliation of the tax charge		
Total tax charge of the Group entitites computed on the basis of the respective local nominal rates	-92	-272
Weighted average nominal rate	25%	30%
Tax effect of permanent differences	164	118
Tax effect of changes in tax rates	3	-20
Tax effect of current and deferred tax adjustments related to prior years	35	6
Unrecognized deferred tax assets	-132	-110
Effective tax charge	**-22**	**-278**
Effective tax rate[1]	**6%**	**30%**

1. Tax charge (+)/ tax credit (-)

The Group's effective tax rate (30%) corresponds to the weighted average nominal rate. The change in the nominal rate is linked to the change in relative weight of EBT for the different countries after the integration of Rhodia (only one quarter in 2011 for Rhodia). In 2011, the Group's effective tax rate (6%) was lower than the weighted average nominal rate (25%), resulting mainly from the recognition of a deferred tax asset of EUR 60 million on tax deductible goodwill generated upon an intra-Group sale of business recognized in the statutory books and not in the IFRS reporting and by different tax credits.

(11B) DEFERRED TAXES IN THE STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

The deferred taxes recorded in the statement of financial position (balance sheet) fall into the following categories:

2011 – EUR million	**Opening balance**	Recognized in income statement	Recognized in OCI	Exchange rate effect	Reclassified from equity to the income statement	Opening balance sheet of Rhodia	Other	**Closing balance**
Temporary differences								
Employee benefits obligations	213	-1	37			439	-15	673
Provisions other than employee benefits	178	-7				165		337
Intangible and Tangible assets	-52	-16				-642		-710
Goodwill		60						60
Tax losses	616	164				935	-103	1 613
Tax credits	107	17						124
Assets held for sale								
Other	2	-1	4	3		14		22
Total (net amount)	**1 064**	**216**	**41**	**3**		**911**	**-117**	**2 118**
Unrecognized deferred tax assets - Continuing operations	-596	-132	-15	-7		-1 401	117	-2 034
Unrecognized deferred tax assets - Assets held for sale								
Total unrecognized deferred tax assets	**-596**	**-132**	**-15**	**-7**		**-1 401**	**117**	**-2 034**
Total	**468**	**84**	**26**	**-4**		**-490**		**84**
Deferred tax assets in statement of financial position	**631**							**796**
Deferred tax liabilities in statement of financial position	**-163**							**-712**

2012 – EUR million	**Opening balance**	Recognized in income statement	Recognized in OCI	Exchange rate effect	Reclassified from equity to the income statement	Other	**Closing balance**
Temporary differences							
Employee benefits obligations	673	-113	123	1			684
Provisions other than employee benefits	336	-27		-8			301
Intangible and Tangible assets	-710	29		14		-2	-669
Goodwill	60	-11					49
Tax losses	1 612	202		-4			1 810
Tax credits	124	-16					108
Assets held for sale		-17				-37	-54
Other	22	10	-8	3			27
Total (net amount)	**2 118**	**57**	**115**	**6**		**-39**	**2 257**
Unrecognized deferred tax assets - Continuing operations	-2 034	-149	-65	2		2	-2 244
Unrecognized deferred tax assets - Assets held for sale		39				5	44
Total unrecognized deferred tax assets	**-2 034**	**-110**	**-65**	**2**		**7**	**-2 200**
Total	**84**	**-53**	**50**	**8**		**-32**	**57**
Deferred tax assets in statement of financial position	**796**						**546**
Deferred tax liabilities in statement of financial position	**-712**						**-489**

Other information

All the Group's tax loss carried forwards have generated deferred tax assets, except some of which that have not been recognized (most of them do not have expiry date). The carried-forward tax losses generating deferred tax assets are given below by expiration date.

EUR million	2011	2012
Within 1 year	2	2
Within 2 years	4	0
Within 3 years	4	0
Within 4 years	4	0
Within 5 or more years	190	239
No time limit	821	622

(12) GROUP NET INCOME

The net income from continuing operations increased by EUR 297 million and the main variances are the following:

> a higher REBIT in 2012 than in 2011 (EUR +648 million)

> a significant increase of discounting costs of provisions (EUR -120 million) due to the lower discounting rate and the increase of provisions since the acquisition of Rhodia in September 2011.

> a significant reduction in the 2012 non recurring expenses vs 2011 (EUR +72 million),

> higher taxes in 2012 than in 2011 (EUR -256 million) due to higher income and effective tax rate.

The results from discontinued operations are commented in note 15.

The non-controlling interest in this net income figure is EUR 17 million compared with EUR 50 million in 2011.

(13) EARNINGS PER SHARE

Number of shares	2011	2012
Weighted average number of ordinary shares (basic) (in thousands)	81 224	82 305
Dilution effect of subscription rights	322	391
Weighted average number of ordinary shares (diluted) (in thousands)	81 546	82 696

	2011 Basic	2011 Diluted	2012 Basic	2012 Diluted
Net income of the year (Solvay share) including discontinued operations (in thousands)	246 769	246 769	583 956	583 956
Net income of the year (Solvay share) excluding discontinued operations (in thousands)	291 188	291 188	582 077	582 077
Earnings per share (including discontinued operations) (in EUR)	3.04	3.03	7.10	7.06
Earnings per share (excluding discontinued operations) (in EUR)	3.58	3.57	7.08	7.04

The basic earnings per share amount is obtained by dividing net income by the number of shares.

The diluted earnings per share amount is obtained by dividing net income by the number of shares, increased by the number of potentially diluting shares attached to the issue of share options. For the purpose of calculating diluted earnings per share, there were no adjusting elements to net income of the year (Solvay share).

Full data per share, including dividend per share, can be found in the management report on page 47.

The average closing price during 2012 was EUR 87.92 per share (2011: EUR 84.56 per share). The following share options were out of the money, and therefore antidilutive, for the period presented, but could potentially dilute basic earnings per share in the future (see note 24 'Options and acquisition / sale of treasury shares').

Antidilutive share options	Date granted	Exercise price	Number granted	Number outstanding
Share option plan 2005	1-Jan-2006	97.30	516 100	372 900
Share option plan 2006	1-Jan-2007	109.09	499 100	498 100
Share option plan 2007	1-Jan-2008	96.79	508 800	457 200
Share option plan 2012	16-Mar 2012	88.71	781 347	781 347
Total			**2 305 347**	**2 109 547**

(14) PERSONNEL EXPENSES

EUR million	2011	2012
Wages/salaries and direct social benefits	-919	-1 501
Employer's contribution for social insurance	-221	-349
Pensions & Insurance benefits	-84	-133
Other Personnel expenses	-52	-116
Personnel benefits provisions	-100	-202
Total	-1 375	**-2 302**

(15) DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

At closing 2012, assets held for sale include Girindus US (Chemicals segment), Solvay Indupa Argentina, Solvay Indupa do Brasil and Solalban (Plastics segment). Discontinued operations include Solvay Indupa Argentina, Solvay Indupa do Brasil and Solalban and post closing adjustments for Pharma, including for the comparative 2011 income statement.

A. Discontinued operations

EUR million	2011	2012
Sales	545	542
Operating expenses	-585	-433
Loss recognised as result of remeasurement to fair value less costs to sell including valuation allowance on deferred tax asset for EUR 34 million		-102
EBIT	**-40**	**6**
Net financial income / (expenses)	-9	-23
Result before taxes	**-49**	**-17**
Income taxes	3	-22
Profit / loss from discontinued operations	**-47**	**-40**
attributed to:		
- owners of the parent	-44	2
- non-controlling interests	-3	-41

Discontinued operations include Pharma post closing adjustments and Solvay Indupa profit and loss statement after its reclassification to discontinued operations.
EBIT includes:
> the impairment loss (EUR -102 million) due to the valuation of Solvay Indupa at its fair value less cost to sell based on the share price of the free float of this company on the Buenos Aires stock exchange as of December 31, 2012,
> Extraordinary profits on Pharma litigations (mainly insurers indemnity)

B. Assets held for sale

EUR million	2011	2012
Property, plant and equipment		225
Goodwill		0
Other intangible assets		0
Investments		**18**
Inventories		52
Trade and other receivables		**120**
Cash and cash equivalent		10
Assets held for sale	***0***	***425***
Non-current liabilities		102
Trade and other payables		235
Liabilities associated with assets held for sale	***0***	***337***
Net assets directly associated with disposal group	**0**	**88**
Included in other comprehensive income		
Currency translation differences		47
Defined benefit pension plan		-1
Reserve of disposal group classified as held for sale	**0**	**46**

Notes to the statement of comprehensive income

(16) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Presentation of the tax effect relating to each component of other comprehensive income

EUR million	2011			2012		
	Before-tax amount	Tax expense(-)/ benefit (+)	Net-of-tax amount	Before-tax amount	Tax expense(-)/ benefit (+)	Net-of-tax amount
Gains and losses on remeasuring available-for-sale financial assets	-8	0	-8	12	0	12
Recycling of available-for-sale financial assets disposed of in the year[1]	0	0	0	0	0	0
Recycling of available-for-sale financial assets impaired in the year[1]	0	0	0	2	0	2
Available-for-sale financial assets	-8	0	-8	14	0	14
Effective portion of gains and losses on hedging instruments in a cash flow hedge	5	4	9	24	-5	19
Recycling to the income statement[1]	-2	1	-1	-13	-3	-16
Recycling to the initial carrying amounts of hedged items[1]	0	0	0	0	0	0
Cash flow hedges	3	5	8	11	-8	3
Currency translation differences arising during the year	58	0	58	-145	0	-145
Recycling of currency translations differences relating to foreign investments disposed of in the year	0	0	0	0	0	0
Currency translation differences on foreign operations	58	0	58	-145	0	-145
Share of other comprehensive income of associates	-30	1	-28	17	-1	16
Unrecognized actuarial gains and losses on defined benefit pension plans	-105	21	-84	-442	58	-384
Other comprehensive income	**-82**	**28**	**-54**	**-546**	**49**	**-496**

1. See note 34 on page 100

Notes to the statement of cash flows

(17) DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

In 2012, total depreciation, amortization and impairment losses amount to EUR -794 million, of which:

> normal straight-line depreciation and amortization EUR -826 million (EUR -794 million for continuing operations and EUR -32 million for discontinued operations);

> Impairment loss reversal amounted to EUR +32 million (EUR +100 million for continuing operations and EUR -68 million for discontinued operations). Reversal of impairment loss for joint ventures of the Soda ash and derivatives EMEA CGU amounts to EUR 44 million.

(18) CHANGES IN WORKING CAPITAL

The change in working capital amounted to EUR +54 million in 2012. The reduction in working capital occurs mainly in Q4 2012.

(19) CHANGES IN PROVISIONS

This amount (EUR -310 million) includes the uses, additions and reversals presented in the note 32 after excluding the impact of the decrease in the discount rate (EUR –53 million included in the additions).

(20) OTHER NON-OPERATING AND NON CASH ITEMS

The other non operating and non cash items for 2012 (EUR -52 million) relates to:

> Gains on sales of real estate Solvay SA (EUR -28 million) and investments in Pipelife (EUR -70 million);

> Non cash costs related to revaluation of the Rhodia inventories at the time of acquisition for the amount included in the cost of goods sold for 2012 (EUR 45 million).

(21) CASH FLOWS LINKED TO THE ACQUISITION / DISPOSAL OF ASSETS AND INVESTMENTS

2011 EUR million	Acquisitions	Disposals	Total
Subsidiaries	-3 984	39	-3 945
Associates and joint ventures	-167		-167
Available-for-sale investments	-23		-23
Other	-22	2	-20
Total Investments	-4 195	40	-4 155
Tangible/intangible assets	-602	17	-585
Total	-4 797	57	**-4 740**

2012 EUR million	Acquisitions	Disposals	Total
Subsidiaries	-2		-2
Associates and joint ventures		180	180
Available-for-sale investments	-9	1	-8
Other	-30	9	-21
Total Investments	-41	191	149
Tangible/intangible assets	-785	109	-676
Total	**-826**	**300**	**-526**

The acquisition of tangible/intangible assets in 2012 (EUR -785 million) relates to various projects, many of them extending over several years:

> the epichlorohydrin production unit in Thailand based on natural glycerin (EPICEROL® process);

> the investment in Specialty Polymers in China (Changshu);

> the PVDF and VF2 capacity debottlenecking at Tavaux (France);

> the conversion to membrane technology of the electrolysis units in Lillo (Belgium) and Tavaux (France);

> Energy Services cogeneration plant in Brazil;

> Rare Earths: Investment in recycling at Saint Fons (France);

> Novecare: project to increase the production capacity of guar derivatives in Vernon (Texas).

Disposal of investments

In 2012, the sale of investments refers mainly to the sale of the Pipelife JV to Wienerberger (EUR 162 million).

(22) CAPITAL INCREASE / REDEMPTION

The Solvay group reimbursed in 2012 to minority shareholders a portion of the capital of our Soda ash activities in the United States (EUR -28 million).

In 2011, the figure includes the capital increase in Rusvinyl (EUR +52 million) by a minority shareholder, BERD, to contribute to the funding of the investment and the partial reimbursement to minority shareholders of a portion of the capital of our Soda ash activities in the United States (EUR -21 million).

(23) CASH FLOWS FROM DISCONTINUED OPERATIONS

The 2012 cash flow from discontinued operations (EUR -17 million) results from the cash in of the Androgel milestone, related to the disposal of the Pharma business and the total cash flow of the Indupa business in Latin America reclassified as discontinued operations.

(24) OPTIONS AND ACQUISITION / SALE OF TREASURY SHARES

At the end of 2011, the Group held 3 499 125 treasury shares, to cover the share options offered to Group executives. At the end of December 2012, the Group held 1 735 010 treasury shares, which have been deducted from consolidated shareholders' equity, following (i) the sale of Solvay shares on the market by Solvay Stock Option Management (as reported in the transparency declaration made on February 17, 2012) as well as the (ii) exercise of stock options by beneficiaries.

As it has in every year since 1999, the Board of Directors renewed the share option plan offered to executive staff (around 430 persons) with a view to involving them more closely in the long-term development of the Group. The majority of the managers involved subscribed the options offered them in 2012 with an exercise price of EUR 88.71, representing the average stock market price of the share for the 30 days prior to the offer.

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

Share options	2002	2004	2005	2006	2007
Number of share options granted and still outstanding at 31/12/2011	34 700	251 123	455 500	498 100	489 700
Granted share options					
Forfeitures of rights and expiries		-5 500			
Share options exercised	-13 000	-245 623	-82 600		-32 500
Number of share options at 31/12/2012	21 700	0	372 900	498 100	457 200
Share options exercisable at 31/12/2012	21 700	0	372 900	498 100	457 200
Exercise price (EUR)	63.76	82.88	97.30	109.09	96.79
Fair value of options at measurement date (EUR)	9.60	7.25	10.12	21.20	18.68

Share options	2008	2009	2010	2011	2012
Number of share options granted and still outstanding at 31/12/2011	522 700	555 600	431 900	414 750	
Granted share options					781 347
Forfeitures of rights and expiries					
Share options exercised	-294 250				
Number of share options at 31/12/2012	228 450	555 600	431 900	414 750	781 347
Share options exercisable at 31/12/2012	228 450	0	0	0	0
Exercise price (EUR)	58 81	72 34	76 49	65 71	88 71
Fair value of options at measurement date (EUR)	14 95	19 85	15 58	13 54	22 53

	2011		2012	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
At 1/1	3 723 000	83.32	3 654 073	82.18
Granted during the year	414 750	65.71	781 347	88.71
Forfeitures of rights and expiries during the year	-34 300	65.83	-5 500	82.88
Exercised during the year	-449 377	77.67	-667 973	74.36
At 31/12	3 654 073	82.18	3 761 947	84.92
Exercisable at 31/12	1 729 123		1 578 350	

The share options resulted in a charge in 2012 of EUR 11 million calculated by a third party according to the Monte Carlo model and recorded in the income statement under commercial and administrative costs.

The model places a value on the options taking into account the fact that some of them will be exercised before the option maturity.

The value of the option is based on:
> the price of the underlying asset (Solvay share): EUR 88.93 at March 16, 2012;
> the time outstanding until the option maturity: exercisable from January 1, 2016;
> the option exercise price: EUR 88.71;
> the risk-free return: 1.812%;
> the volatility of the underlying yield, implied from option price: 31.97%.;
> a dividend yield of 3.332%.

The model places a value on the options taking into account the fact that some of them will be exercised before the option maturity.

Weighted average remaining contractual life:

In years	2011	2012
Share option plan 2001	1.0	0.0
Share option plan 2002	1.9	0.9
Share option plan 2004	1.0	0.0
Share option plan 2005	4.2	3.7
Share option plan 2006	4.5	3.5
Share option plan 2007	5.7	4.8
Share option plan 2008	5.0	4.0
Share option plan 2009	5.9	4.9
Share option plan 2010	7.0	6.0
Share option plan 2011	8.0	6.9
Share option plan 2012	N/A	7.1

Notes to the statement of financial position

(25) INTANGIBLE ASSETS

EUR million	Development costs	Patents and trademarks	Other intangible assets	Total
Gross carrying amount				
At December 31, 2010	14	195	25	235
Capital expenditures	5	1	7	13
Disposals	0	-1	0	-1
Increase through business combinations	120	728	907	1 755
Currency translation differences	0	11	6	17
Other	-4	-1	1	-5
Transfer to assets held for sale	0	0	0	0
At December 31, 2011	134	934	946	2 014
Capital expenditures	24	4	21	49
Disposals	0	-3	0	-3
Increase through business combinations	0	0	0	0
Currency translation differences	-1	-13	-3	-17
Other	-10	24	-22	-7
Transfer to assets held for sale	0	-13	0	-13
At December 31, 2012	147	933	941	2 022
Accumulated amortization				
At December 31, 2010	-7	-96	-20	-124
Amortization	-2	-26	-22	-50
Impairments	0	0	0	0
Reversal of impairments	0	0	0	0
Disposals and closures	0	1	0	1
Increase through business combinations	-36	-168	-22	-226
Currency translation differences	0	-2	-1	-3
Other	4	6	-4	6
Transfer to assets held for sale	0	0	0	0
At December 31, 2011	-41	-285	-69	-395
Amortization	-16	-71	-111	-198
Impairments	0	0	0	0
Reversal of impairments	0	0	0	0
Disposals and closures	0	2	0	2
Increase through business combinations	0	0	0	0
Currency translation differences	0	4	3	7
Other	5	5	2	12
Transfer to assets held for sale	0	13	0	13
At December 31, 2012	-53	-332	-175	-559
Net carrying amount				
At December 31, 2010	6	100	5	111
At December 31, 2011	93	649	877	1 619
At December 31, 2012	94	602	766	1 462

The carrying amount of intangible assets as of 31 December 2011 consists mainly of acquired customer relationship (EUR 696 million included in other intangible assets) and of technologies (EUR 555 million) related to Rhodia. The average amortization of these assets is 11 years.

(26) GOODWILL

EUR million	Total
Gross carrying amount	
At 31 December 2010	68
Arising on acquisitions	2 653
Disposals and closures	0
Impairments	0
Currency translation differences	0
Other	-4
Transfer to assets held for sale	
At 31 December 2011	2 717
Arising on acquisitions	1
Disposals and closures	
Impairments	
Currency translation differences	
Other	-1
Transfer to assets held for sale	
At 31 December 2012	2 717

In 2011, a provisional goodwill linked to Rhodia acquisition has been posted for EUR 2 535 million. It has been retrospectively adjusted at EUR 2 651 million following the final allocation of the purchase accounting in September 2012.

Apart from this new goodwill, there is no significant change to the other goodwills.

Purchase Price Allocation related to the acquisition of Rhodia

Solvay acquired 95.9% shares and voting rights of Rhodia and 97.51% “OCEANE” convertible bonds on 7 September 2011. Solvay implemented the squeeze-out for the remaining shares (4.1%) and convertible bonds on 15 September 2011.

This transaction was accounted for in accordance with IFRS 3 – “Business Combinations”. According to this standard, the acquirer has from the acquisition date a period of maximum one year to finalize the recognition and measurement at fair value of the assets acquired and liabilities assumed.

During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about the facts and circumstances that existed as at the acquisition date.

Thus, the provisional accounting recognized for the acquisition of Rhodia as presented in the 2011 annual financial statements were completed during the 3rd quarter of 2012. The adjustments retrospectively recorded at the acquisition date are detailed in the table below.

EUR million	Amounts recognized at fair value	Adjustments	Final purchase price allocation	Acquisition of 95.9% of the total shares	Squeeze-out of the 4.1% remaining shares
Tangible assets	2 164	-12	2 152	2 064	
Intangible assets	1 607	-84	1 523	1 460	
Joint ventures - equity accounted	104	-2	102	97	
Loans and other non current assets	120	0	120	115	
Working capital	752	-8	744	714	
Assets held for sale	34		34	33	
Provisions	-2 045	-41	-2 086	-2 000	
Contingent liabilities	-100	14	-86	-83	
Deferred taxes	-504	14	-490	-470	
Income tax payable	-15	-1	-16	-16	
Other non current debt	-72		-72	-69	
Financial debt	-1 578		-1 578	-1 513	
Cash and cash equivalents	931	0	931	893	
Net identifiable net assets	**1 398**	**-120**	**1 278**	**1 225**	52
Purchase consideration			**3 876**	**3 876**	137
Goodwill				**2 651**	
Reduction of equity					85
Cash flow statement reconciliation					
Consideration paid for Rhodia acquisition, net of cash and cash equivalents acquired				**2 885**	

Description of adjustments and retrospective impacts

> The value of the technologies used in the activities of Polyamides and Intermediates, initially estimated at EUR 94 million, was after more detailed studies, not recognized in the final acquisition balance sheet. As a consequence, the depreciation charges recognized since 30 September 2011 were reversed (quarterly depreciation charge of EUR 2 million);

> Following a detailed review of the deferred taxes, no deferred tax asset was longer accounted for the activities of Rhodia Brazil (difference of EUR 38 million compared to the initial provisional booking);

> The fair value of the environmental provisions was reassessed for an additional amount of EUR 35 million.

The goodwill primarily reflects the expected synergies in global procurement and logistics and in administrative and process efficiencies, as well as future developments of activities. Recurring yearly savings linked to synergies are estimated at EUR 255 million[1], a yearly run rate that is to be reached as at the start of 2015. Management's estimate of future synergies which are included in the goodwill are based on the expected cost reductions through integration of Solvay and Rhodia's best practices in terms of global procurement of raw materials and energy, logistics & packaging, general & IT expenses, technical goods and services. The fair value of "loans and other non-current assets" and of "working capital" includes trade and other receivables for an amount of EUR 998 million. The gross contractual amount of these receivables is EUR 1,058 million, including EUR 60 million for which the collection is not expected.

1. Apart from synergies related to the Rhodia integration, other synergies resulting from the implementation of Horizon restructuring plan launched prior to the acquisition of Rhodia are expected, which will lead to total yearly savings of EUR 400 million.

Goodwill by cash-generating unit (CGU)

Goodwill acquired in a business combination is allocated on acquisition to the cash-generating units (CGU) or groups of CGUs (operating segments) that are expected to benefit from that business combination.

The carrying amounts of goodwill and related impairment have been allocated as follows:

	2011			2012	
EUR million	Final goodwill following Rhodia acquisition	Goodwill existing in Solvay books	At the end of the period	Movements of the period	At the end of the period
Groups of CGUs (Operating segments)					
Rhodia segment	456		456		**456**
Plastics segment	345		345		**345**
Chemicals segment	81		81		**81**
Cash generating units[1]					
Novecare	477		477	1	**478**
Polyamides	170		170		**170**
Rare Earth Systems	161		161		**161**
Specialty Polymers	147	39	186		**186**
Acetow	120		120		**120**
Soda ash and derivatives EMEA	120		120		**120**
Chlorovinyls Europe	119	3	122		**122**
Aroma Performances	82		82		**82**
Silica	72		72		**72**
Coatis	49		49		**49**
Energy Services	49[2]		49		**49**
Fluorochemicals	43	7	50		**50**
Eco Services	42		42		**42**
Soda ash and derivatives NAFTA	42		42		**42**
Hydrogen Peroxide Europe	20		20		**20**
Emerging biochemicals	18	2	20		**20**
Hydrogen Peroxide Mercosur	14		14		**14**
Olefins	11		11		**11**
Hydrogen Peroxide NAFTA	7		7		**7**
Hydrogen Peroxide Asia	5	6	11		**11**
PCC		4	4		**4**
Plastics Integration	4		4		**4**
PVC Mercosur		2	2		**2**
Total goodwill	**2 654**	**63**	**2 717**	**1**	**2 717**

1. Following the Rhodia integration and the Horizon restructuring plan the scope of some CGUs has been reviewed, which reduce the number of CGUs.
2. Including a PPA adjustement related to the acquisition in December 2011 of Orbeo shares for EUR 2 million.

A goodwill of EUR 1 million has been recognized following the acquisition of 62.36% of Sunshield Chemicals Limited by Rhodia Amine Chemicals on December 12, 2012.

Impairment tests

In accordance with the methodology adopted by the Group for the implementation of impairment tests (see chapter 7 of IFRS accounting principles), the recoverable amount of cash-generating units (CGUs) or groups of CGUs corresponds to their value in use, which is defined as equal to the sum of net cash flows from the latest forecasts for each CGU or group of CGUs and determined using the following methods:

> 5-year business plan prepared by management based on growth and profitability assumptions, taking into account past performances, forecast changes in the economic environment and expected market development;
> consideration of a terminal value determined by capitalizing a standard cash flow obtained by extrapolating the most recent cash flow of the explicit business plan period, affected by a long-term growth rate deemed appropriate for the activity and the location of the assets;
> discounting of expected cash flows at a rate determined using the weighted average capital cost formula.

The main assumptions used in 2012 for annual impairment tests on goodwill are as follows:

Discount rate
The weighted average cost of capital used to discount future cash flows was set at 8.7% in 2012 (8.7% in 2011).

Long-term growth rates
The long-term growth rate was set at 2% in 2012, except for Specialty Polymers (4%) and Emerging biochemicals (3%), to reflect the specificities of their markets.

The impairment tests performed at 31 December 2012 did not lead to any impairment of goodwill, as the recoverable amounts of the groups of CGUs were significantly higher than their carrying amounts.

A reasonable change in a key assumption on which the recoverable amount of the CGUs is based, would not cause an impairment loss on the related CGUs.

The difference between the CGU carrying amount and its value in use represents in all cases more than 10% of the carrying amount.

(27) TANGIBLE ASSETS (INCLUDING FINANCE LEASES)

EUR million	Land & Buildings	Fixtures & Equipment	Other tangible assets	Properties under construction	Total
Gross carrying amount					
At December 31, 2010	1 935	8 015	88	256	10 294
Capital expenditures	15	72	6	501	594
Disposals and closures	-14	-49	-3	0	-66
Increase through business combinations	1 140	4 062	227	227	5 656
Currency translation differences	23	75	4	4	106
Other	19	150	0	-268	-98
At December 31, 2011	3 119	12 325	323	719	16 486
Capital expenditures	34	187	3	515	739
Disposals and closures	-74	-99	-23	0	-197
Increase through business combinations	1	7	-6	-2	-1
Currency translation differences	-35	-181	-4	-8	-229
Other	70	550	-44	-654	-78
Transfer to assets held for sale	-88	-551	0	-34	-672
At December 31, 2012	3 026	12 238	248	536	16 048
Accumulated depreciation					
At December 31, 2010	-1 131	-5 772	-79	-37	-7 018
Depreciation	-46	-357	-10	2	-410
Impairment	-1	-4	0	0	-5
Reversal of impairment	0	10	0	0	10
Disposals and closures	7	45	2	0	55
Increase through business combinations	-478	-2 851	-175	0	-3 503
Currency translation differences	-10	-56	-2	0	-69
Other	12	74	9	0	94
At December 31, 2011	-1 647	-8 910	-254	-34	-11 298
Depreciation	-76	-537	-16	1	-628
Impairment	-15	-98	0	-2	-115
Reversal of impairment	48	68	0	32	148
Disposals and closures	41	93	23	0	158
Increase through business combinations	0	-2	6	0	4
Currency translation differences	12	89	3	0	105
Other	8	27	37	2	72
Transfer to assets held for sale	42	405	0	0	447
At December 31, 2012	-1 588	-8 865	-200	-2	-11 107
Net carrying amount					
At December 31, 2010	804	2 243	10	219	3 276
At December 31, 2011	1 472	3 415	69	685	5 641
At December 31, 2012	1 438	3 374	47	534	5 393

Finance leases

EUR million	Land and buildings	Fixtures and equipment	Total
Net carrying amount of finance leases included in the table above	3	2	**5**

The carrying amount of lease obligations approximates their fair value.

Finance lease obligations

EUR million	Minimum lease payments		Present value of minimum lease payments	
Amounts payable under finance leases:	**2011**	**2012**	**2011**	**2012**
Within one year	3	2	3	2
In years two to five inclusive	3	2	2	1
Beyond five years	1	1	1	1
Less: future finance charges	-1	-1	0	-1
Transfer to assets held for sale	0		0	
Present value of minimum lease payments of finance leases	6	4	6	3
Less: Amount due for settlement within 12 months			3	2
Amount due for settlement after 12 months			3	1

Operating lease obligations

EUR million	2011	2012
Total minimum lease payments under operating leases recognized in the income statement of the year	65	71

EUR million	2011	2012
Within one year	75	75
In years two to five inclusive	229	253
Beyond five years	70	148
Total of future minimum lease payments under non-cancellable operating leases	373	476

Operating leases are mainly related to logistics.

(28) AVAILABLE-FOR-SALE INVESTMENTS

EUR million	2011	2012
Carrying amount at 1 January	62	80
Acquisition NBD	24	9
Gains and losses on remeasuring available-for-sale financial assets	-8	13
Available-for-sale financial assets disposed of in the year	0	
Available-for-sale financial assets impaired in the year	0	-4
Transfer of Plextronics out of other investments	0	-31
Other	2	0
Carrying amount at 31 December	80	66
Of which recognized directly in equity	3	16

The gain on remeasuring available-for-sale financial assets (EUR +13 million) is mainly related to the mark-to-market variance for AGEAS (former Fortis).

(29) INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

EUR million	2011	2012
Carrying amount at 1 January	346	704
Changes in consolidation scope - Rhodia	86	
Full consolidation of Orbéo	-30	
Reversal impairment Soda Ash JV		34
Net income from associates and joint ventures	62	183
Dividend received from associates and joint ventures	-57	-53
Transfer Plextronics from available for sale		31
Transfer Rusvinyl - book value as of Dec 2010	183	
Capital increase in Rusvinyl	165	
Transfer to assets held for sale	-90	-18
Other	40	-12
Carrying amount at 31 December	704	869

In 2012 the transfer to assets held for sale relates to Solalban (Investment held by Solvay Indupa).

(30) OTHER INVESTMENTS

EUR million	2011	2012
Carrying amount at 1 January	275	123
Disposed of during the year	-1	-8
Acquired during the year	44	19
Changes of consolidation method	-187	-1
Changes in consolidation scope	0	0
Transfer of NBD to available for sale investments	0	0
Liquidations	0	0
Impairments	-4	-8
Other	-4	-1
Carrying amount at 31 December	123	122

In 2011, the change in consolidation method refers mainly to Rusvinyl that has been transferred from other investments to investments in associates and jointly controlled entities.

(31) INVENTORIES

EUR million at December 31	2011	2012
Finished goods	899	592
Raw materials and supplies	702	848
Work in progress	44	36
Other inventories	9	7
Total	1 654	1 483
Write-downs	-76	-61
Net total	1 578	1 422

(32) PROVISIONS

EUR million	Employee benefits	Environmental	Litigation	Other	Total
At 31 December 2011	2 634	826	601	156	4 216
Additions	124	206	35	53	418
Reversals	-10	-152	-65	-21	-249
Uses	-267	-73	-39	-46	-425
Increase through time value of money	101	37	0	0	138
Actuarial gains and losses recognized in equity	446	0	0	0	446
Currency translation differences	0	-15	-8	1	-22
Acquisitions and changes in consolidation scope	0	0	0	0	0
Disposals	0	0	0	0	0
Transfer to liabilities associated with assets held for sale	-4	-27	-6	-3	-40
Reclassification	0	0	27	-27	0
At 31 December 2012	3 025	800	544	113	4 482
Of which current provisions	63	123	97	24	306

In total, provisions increased by EUR 269 million.
The main events of 2012 are:

> The significant change in discount rates on employee benefits, partly offset by the good performance of plan assets, for a total impact recognized in equity of EUR 446 million;

> The booking of restructuring plans following the integration of Rhodia for a total impact in P&L of EUR 53 million;

> the decrease in discount rates used for the computation of environmental liabilities for a total P&L impact of EUR 50 million;

> the review of provisions related to the Pharmaceutical business sold in 2010, resulting in a decrease of provisions for EUR 50 million;

> the classification as “Held for sale” of Solvay Indupa, resulting in a decrease of provisions of EUR 37 million.

Management expects provisions to be used (cash outlays) as follows:

EUR million at December 31, 2012	up to 5 years	between 5 and 10 years	beyond 10 years	Total
Total environmental provisions	385	176	240	800
Total provisions for litigation	478	66	0	544
Total other provisions	47	19	45	113
Total	910	262	285	1 457

Provisions for employee benefits

Overview

The end-of-year provisions for employee benefits are composed of the following:

EUR million	2011	2012
Employee Benefits	2 634	3 025
Post-employment benefits	2 431	2 808
Other long-term benefits	74	76
Benefits not valued acording to IAS19	26	26
Termination benefits	103	115

The 2011 presented figures take into account the acquisition of Rhodia as of September 30, 2011.
Solvay sponsors various post-employment benefit plans worldwide. These include pension plans, both defined contribution plans and defined benefit plans, and other post employment benefits.

Under IAS 19 Employee Benefits, post-employment benefit plans are classified into defined contribution and defined benefit plans.

Defined contribution plans
Defined contribution plans are those for which the company pays fixed contributions into a separate entity or fund in accordance with the provisions of the plan. Once these contributions have been paid, the company has no further obligation.

For defined contribution plans, Solvay pays contributions to publicly or privately administered pension funds or insurance companies. For 2012, the expense amounted to EUR 14.5 million compared to EUR 15.8 million for 2011.

Defined benefit plans
All plans which are not defined contribution plans are deemed to be defined benefit plans. These plans can be either funded via outside pension funds or insurance companies ("funded plans") or financed within the Group ("unfunded plans").

The largest defined benefit plans of the Group are pension plans located in Belgium, Brazil, France, Germany, UK and US. Most plans provide benefits related to pay and years of service. For most of those plans, the financing is externalized in legally separate funds set up in accordance with the applicable legal requirements and common practice in each country. In some countries, such as for example France and Germany, there are unfunded plans.
The company also offers post-retirement medical benefits in some countries. The main such plans are located in the US. Those plans are unfunded.

Most defined benefit plans are assessed annually by independent actuaries.

Provisions for post-employment benefits

The net liability results from the net of the provisions and the capitalized pensions assets.

EUR million	2011	2012
Net liability	2 426	2 805
Provisions	2 431	2 808
Capitalized pensions assets	-5	-3
Operational expense	26	36
Financial expense	50	93

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

Over the last years, the Group has reduced its exposure to defined-benefit plans by converting existing plans into pension plans with a lower risk profile for future services (hybrid plans, cash balance plans and defined contribution plans) or by closing them to new entrants.

The provisions are set up on the basis of the IFRS accounting principles defined in item 9 of the IFRS accounting policies.

Total Group post-employment benefit obligations by country

The largest pension plans in 2012 are in the United Kingdom, France, the United States, Germany and Belgium. These 5 countries represent 93% of the total defined benefit obligation.

EUR million	2011	2012
United Kingdom	29%	28%
France	24%	25%
USA	16%	16%
Germany	14%	15%
Belgium	10%	9%
Other countries	7%	7%

Net expense

EUR million	2011	2012
Service cost: employer	28	45
Interest cost	105	209
Expected return on plan assets	-55	-116
Past service cost - recognized in current year	1	-3
Losses / gains (-) on curtailments / settlements	-3	-6
Net expense recognized - Defined benefit plans	76	129

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

The increase in net expense is mainly due to the fact that Rhodia has been integrated in Sept 30, 2011. For the last quarter of 2011, Rhodia represented EUR 18 million of net expense.

In 2012, a settlement on the US Pension plan towards the deferred participants has taken place, resulting in a positive net result of EUR 8 million (decrease of the defined benefit obligation and plan assets for EUR 30 million and EUR 22 million respectively).

Net liability

The amounts recorded in the statement of financial position in respect of defined benefit plans are:

EUR million	2011	2012
Defined benefit obligations - funded plans	2 531	2 762
Fair value of plan assets at end of period	-1 818	-1 931
Deficit for funded plans	713	831
Defined benefit obligations - unfunded plans	1 702	1 969
Deficit / Surplus (-)	2 415	2 800
Unrecognized past service cost	7	4
Amounts not recognized as asset due to asset ceiling	4	1
Net liability (asset) in balance sheet	2 426	2 805
Provision recognized in the balance sheet	2 431	2 808
Asset recognized in the balance sheet	-5	-3

The increase of the net liability of EUR 379 million between 2011 and 2012 is mainly explained by net effect of the decrease of the discount rates in the Eurozone, United Kingdom and in the USA and offset by the good performance of plan assets.

Defined benefit obligations evolved as follows:

EUR million	2011	2012
Defined benefit obligation at beginning of period	1 477	4 233
Service cost: employer	28	45
Interest cost	105	209
Actual employee contributions	4	4
Plan amendments	0	6
Acquisitions / Disposals (-)	2 609	0
Curtailments	-3	-4
Settlements	-10	-30
Actuarial loss / gain (-)	89	532
Actual benefits paid	-141	-276
Currency translation differences	75	-7
Reclassification		22
Transfer to assets held for sale		-4
Defined benefit obligation at end of period	4 233	4 731
Defined benefit obligations - funded plans	2 531	2 762
Defined benefit obligations - unfunded plans	1 702	1 969

The acquisition of Rhodia increased the defined benefit obligations by EUR 2 609 million as of September 30, 2011.
The transfer to an insurance company of all the pension obligations of Solvay Chemicals and Plastics Holding has generated a settlement of EUR 10 million in 2011.

The fair value of plan assets evolved as follows:

EUR million	2011	2012
Fair value of plan assets at beginning of period	601	1 818
Expected return on plan assets	55	116
Actuarial gain /loss (-)	-5	83
Actual employer contributions	120	206
Actual employee contributions	4	4
Acquisitions / Disposals (-)	1 140	0
Settlements	-10	-22
Actual benefits paid	-141	-276
Currency translation differences	54	-8
Reclassification		10
Fair value of plan assets at end of period	1 818	1 931
Actual return on plan assets	50	199

The acquisition of Rhodia increases the assets by EUR 1 140 million at September 30, 2011.
In 2012 the total return on plan assets amounts to EUR 199 million.
This relatively good result comes from the better market conditions which impact positively the asset portfolio during the year.

The transfer to an insurance company of all the pension obligations of Solvay Chemicals and Plastics Holding has generated a settlement of EUR 10 million in 2011.

The Group cash contributions in 2013 (including direct benefit payments) for the post-employment Defined Benefits will be in line with EUR 206 million for 2012.

The main categories of plan assets are:

	2011	2012
Bonds	51%	49%
Shares	34%	36%
Property	2%	2%
Other assets	13%	13%

With respect to the invested assets, it should be noted that:
- These assets do not contain any direct investment in Solvay group shares or in property or other assets occupied or used by Solvay. This does not exclude Solvay shares being included in mutual investment fund type investments.

Changes in net liability during the period:

EUR million	2011	2012
Net amount recognized at beginning of period	880	2 426
Net expense - Defined benefit plans	76	129
Actual employer contributions / direct actual benefits paid	-120	-206
Impact of acquisitions / disposals	1 469	0
Actuarial gains/losses and changes in asset ceiling recognized through OCI	99	446
Reclassification		12
Currency translation differences	22	2
Transfer to liabilities associated with assets held for sale		-4
Net amount recognized at end of period	2 426	2 805

The acquisition of Rhodia increases the net liability by EUR 1 469 million at September 30, 2011.
The impact of changes in asset ceiling recognized through OCI amount to EUR 3 million in 2012.
A cumulative amount of EUR 729 million had been recognized through OCI at December 31, 2012.

Actuarial assumptions

Assumptions used in determining the benefit obligation at 31 December.
These assumptions are not related to a specific segment.

	Eurozone		UK		USA	
	2011	2012	2011	2012	2011	2012
Discount rates	4.75%	3.25%	4.75%	4.25%	4.75%	3.75%
Expected rates of future salary increases	3.0% - 4.5%	2.5% - 4.2%	3.25%	3.25%	4.50%	3.0% - 4.5%
Expected rates of pension growth	0% - 2.0%	0% - 2.0%	2.75%	2.50%	NA	NA
Expected rates of medical care cost increases	2.00%	2.00%	6.50%	6.50%	5.0% - 7.5%	5.0% - 7.5%

Actuarial assumptions used in determining the annual cost

These assumptions are not related to a specific segment.

	Eurozone		UK		USA	
	2011	2012	2011	2012	2011	2012
Discount rates	4.75%	4.75%	5.40%	4.75%	5.50%	4.75%
Expected rates of future salary increases	3.0% - 4.5%	3.0% - 4.5%	3.80%	3.25%	4.50%	4.50%
Expected (long-term) rates of return on plan assets	4.75% - 6.0%	3.56% - 6.0%	6.20%	5.7% - 6.1%	7.25%	6.0% - 7.25%
Expected rates of pension growth	0% - 2.0%	0% - 2.0%	3.30%	2.75%	NA	NA
Expected rates of medical care cost increases	0% - 2.0%	2.00%	NA	6.50%	5.0% - 7.5%	5.0% - 7.5%

The expected rate of return is defined at local level using the “building block approach” which factors in long-term inflation and the expected long-term rate of return on each asset category.

Sensitivity to a change of percentage in the discount rates on the defined benefits obligation is as follows:

EUR million	0.25% increase	0.25% decrease
Eurozone	-59	63
United Kingdom	-49	51
USA	-18	20
Others	-9	10
Total	-135	144

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

EUR Million	1% increase	1% decrease
Effect on the aggregate of the service cost and the interest cost	1	-1
Effect on defined benefit obligation	14	-12

Historical development of defined benefit plans:

EUR million	2008[1]	2009[1]	2010	2011	2012
Defined benefit obligation	2 232	2 344	1 477	4 235	4 731
Plan assets	-1 049	-1 239	-601	-1 819	-1 931
Deficit / surplus (-)	1 183	1 105	876	2 416	2 800
Experience adjustments on plan liabilities	6	22	34	44	9
Experience adjustments on plan assets	336	-95	-24	6	-83

1. Figures not restated following the elimination of the proportional consolidation as it would not have been practical and the impact would not be significant.

Of which historical development of post-employment medical plans:

EUR million	2008[1]	2009[1]	2010	2011	2012
Defined benefit obligation	106	79	75	113	147

1. Figures not restated following the elimination of the proportional consolidation as it would not have been practical and the impact would not be significant.

Environmental provisions

These provisions stand at EUR 801 million, compared with EUR 826 million at the end of 2011.

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

> mines and drilling operations to the extent that legislation and/or operating permits in relation to quarries, mines and drilling operations contain requirements to pay compensation to third parties. These provisions, based on local expert advice, can be expected to be used over a 10-20 year horizon;

> provisions related to the cessation of mercury electrolysis activities: forecast expenditure is staggered over time as a result of the expected reutilization of the sites, national regulations on the management of contaminated soils and the state of contamination of soils and groundwater. Most of these provisions can be expected to be used over a 10-20 year time horizon;

> dikes, dump sites and land: the provisions relate mainly to soda plant dikes, old lime dikes and land and dump sites linked to activities at certain industrial sites; these provisions have a horizon of 1 to 20 years;

> Provisions linked to various type of pollution (organic, inorganic) coming from miscellaneous specialty chemical productions; these provisions are mainly covering stopped activities or closed plants; most of these provisions have an horizon of 1 to 20 years.

The estimated amounts are discounted based on the probable date of disbursement. As well as being updated annually, provisions are adjusted every year to reflect the increasing proximity of such disbursement.

Provisions for litigation

Provisions for litigation stand at EUR 544 million at the end of 2012 compared with EUR 601 million at the end of 2011. The main provisions at the end of 2012 serve to cover:

> the financial consequences of the EUR 175 million fine imposed by the European authorities for infringement of competition rules in the peroxides area, and in an ancillary manner the potential financial exposure for civil litigation in connection thereof. This fine was reduced in 2011 in the course of the appeal introduced by Solvay. However, the appeal process is still on-going;

> risks related to the sale of the Pharmaceuticals segment for which the Group remains exposed (EUR 44 million);

> tax risks (EUR 217 million).

Other provisions

Other provisions, set up to cover specific risks such as obligations related to the shutdown or disposal of activities, amount to EUR 115 million, compared with EUR 153 million at the end of 2011.

Group Policy on insurance

Solvay's group policy is only to use insurance to cover very large risks, when insurance is required by law as well as whenever insurance represents the best financial solution for Solvay.

The Group maintains and develops appropriate insurance coverage for insurable risks in line with the policy to limit the financial impact of risks that could materialize.

In 2011, the global insurance programs were renewed with improved coverage and at a lower level of premium. The work with consolidating Rhodia risk with the rest of Solvay in common insurance programs was started and continues into 2012. This consolidation leads to improved coverage and lower total premium levels compared to the situation with separate insurance programs.

(33) NET INDEBTEDNESS

The Group's net indebtedness is the balance between its financial debts and other current receivables – financial instruments and cash and cash equivalents. It amounted to a net indebtedness of EUR 1 125 million at the end of 2012 compared to EUR 1 760 million at the end of 2011.

EUR million	2011	2012
Financial debt	4 168	3 652
– Other current receivables - Financial instruments	-464	-758
– Cash and cash equivalents	-1 943	-1 768
Net indebtedness	1 760	1 125

Liabilities (+) / Assets (-)

Solvay's long term rating has been confirmed by two rating agencies: at BBB+ (negative outlook) at Standard and Poors and Baa1 (negative outlook) at Moody's.

Financial debt

Financial debt decreased from EUR 4 168 million at the end of 2011 to EUR 3 652 million at the end of 2012. The decrease in net debt at the end of 2012 is mainly explained by the reclassification to "Liabilities associated with assets held for Sale" (see note 15), the reduction in short term borrowing and the use of cash to refinance external debt by internal financing (e.g. termination of securitization programs in Europe and in the US, …):

EUR Million	2011	2012
Subordinated loans	504	504
Bonds	2 400	2 366
Long-term finance lease obligations	0	3
Long-term debts to financial institutions	337	366
Other long-term debts	133	82
Amount due within 12 months (shown under current liabilities)	106	60
Other short-term borrowings (including overdrafts)	688	271
Total financial debt (short and long-term)	4 168	3 652

Borrowings and credit lines

The largest borrowings maturing after 2012 are:

EUR million (except where indicated)						2011		2012	
	Nominal amount		Coupon	Maturity	Secured	Amount at amortized cost	Fair value	Amount at amortized cost	Fair value
EMTN bonds issued by Solvay SA (Belgium)	500		4.99%	2014	No	495	525	496	520
EMTN bonds issued by Solvay SA (Belgium)	500	300	4.75%	2018	No	489	538	490	558
		200 (tap)	5.71%						
Retail	500		5.01%	2015	No	499	534	499	548
European Investment Bank	300		3.90%	2016	No	300	330	300	336
Deeply subordinated debt issued by Solvay Finance SA (France) with support from Solvay SA (Belgium)	500	*(1)*	6.375%	2104	No	497	485	498	538
Senior note Rhodia	500	*(2)*	7.00%	2018	No	555	539	530	559
Senior note Rhodia (USD 400 million)	303	*(2)(3)*	6.875%	2020	No	362	336	350	346
Total	3 103					3 197	3 287	3 163	3 405

(1) Rating agencies Moody's and Standard & Poors have treated this issue as part equity (50%), part debt (50%). In IFRS, however, it must be treated 100% as debt. This debt is subordinated to the other debts of the Group and is listed in Luxembourg. The coupon carries a fixed rate for the first ten years. In 2016 the coupon converts to a floating rate (3-month Euribor + 335 basis points) until maturity in 2104. Solvay has an option to redeem this issue at par from 2016 onward. The issuer has a coupon nonpayment option governed by the rules of the coupon carry-forward mechanism.
(2) The EUR 500 million 7.00% Senior Notes due 2018 and the USD 400 million 6.875% were consolidated in Solvay Group account at their market price at the time of the acquisition (September 2011 – see also section on the Purchase Price Allocation (PPA)); they are both callable respectively in 2014 and 2015. In 2012 management has decided to exercise in 2014 the call on the EUR 500 million Senior note Rhodia.
(3) Equivalent to USD 400 Million; 1 EUR = 1.3194 USD (Dec. 31, 2012).

There is no default on the above-mentioned financial debt. There are no covenants on Solvay SA, on Rhodia SA and on any of the group's holding financial vehicles.

Both Solvay's and Rhodia's senior unsecured bonds outstanding are 'BBB+', according to Standard & Poors. According to Moody's, there is one notch difference between the ratings of Solvay's unsecured bonds (Baa1) and Rhodia's unsecured bonds (Baa2).

Management considers that the fair value of the floating rate debt (EUR 529 million) is not significantly different from its face value (EUR 529 million - see also note 34 managing interest rate risk). The fair value is based on the quoted market price at the end of 2012. Long-term debt is measured at amortized cost.

Other current receivables - financial instruments and cash and cash equivalents

The total cash available, cumulating the "Other current receivables – financial instruments" and "cash and cash equivalents"', amounted to EUR 2 526 million at the end of 2012 compared to EUR 2 407 million at the end of 2011.

At the end of 2012, part of this cash is invested by Solvay SA and Solvay CICC according to those criteria in the following instruments:

- Other current receivables - financial instruments for EUR 758 million (including Money Market Funds (MMF) for EUR 663 million);
- Cash and cash equivalents for EUR 1 768 million, including Bonds and treasury bills of less than 3 months (EUR 137 million).

Other current receivables - financial instruments:

EUR million	Classification	2011	2012
Money Market Fund (MMF)	Assets available for sale	392	663
Bonds and Treasury Bills of more than 3 months	Assets held to maturity	30	0
Financial current account		25	46
Other current financial assets		17	49
Other current receivables - Financial instruments		464	758

The underlying instruments in the Money Market Funds (MMF) are valued on a daily basis but the funds are managed in such a way that the overall net asset value of each fund is stable.

Financial current account represents loans from companies fully consolidated to companies consolidated according to the equity method. They increased by EUR 21 million partly because of the reclassification of assets in "Assets held for sale".

The "other current financial assets" mainly includes financial assets at fair value through profit and loss. It included since 2012 the "interests to be received" and the "currency to be paid/received - asset side".

The management has opted to consider the bonds and treasury bills of more than 3 months as assets held to maturity, which are therefore not marked to market.

Cash and cash equivalents

Cash and cash equivalents amounted to EUR 1 768 million at the end of 2012 compared to EUR 1 943 million at the end of 2011.

EUR million	Classification	2011	2012
Marketable securities	Available for sale	274	120
Fixed-income securities	Available for sale	162	171
Term deposits	Loans and Receivables	700	378
Bonds and Treasury Bills of less than 3 months	Held to maturity	0	137
Cash	Loans and Receivables	807	961
Cash and cash equivalents		1 943	1 768

The carrying amount is the fair value of the shares, fixed income securities and term deposits. Management has opted to classify the bonds and treasury bills of less than 3 months as assets held to maturity, which are therefore not marked to market.

(34) FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Overview of financial instruments

The following table gives an overview of the carrying amount of all financial instruments by class and by category as defined by IAS 39 – Financial Instruments: Recognition and Measurement.

EUR million	2011	2012
	Carrying amount	Carrying amount
Financial assets classified as held for trading	173	54
Derivative instruments in designated hedge accounting relationships	128	21
Available-for-sale investments - New Business Development / AGS (former Fortis)	80	66
Loans and receivables (including trade receivables, loans and other non-current assets except pension fund surpluses)	2 726	2 078
Other current receivables - financial instruments (classification: see previous page)	**464**	**758**
Money Market Funds[1]	392	663
Bonds and treasury bills of more than 3 months[1]	30	0
Financial current account[1]	25	46
Other current financial assets[1]	17	49
Cash and cash equivalents (classification: see previous page)	**1 943**	**1 768**
Cash and cash equivalents - Bonds and treasury bills of less than 3 months[1]	0	137
Cash and cash equivalents excluding bonds and treasury bills of less than 3 months[1]	1 943	1 631
Total Financial assets	7 921	7 272
Financial liabilities classified as held for trading	-179	-50
Derivative instruments in designated hedge accounting relationships	-104	-6
Financial liabilities measured at amortized cost (includes long-term financial debt, other non-current liabilities, short-term financial debt, trade liabilities and dividends payable included in other current liabilities)	-6 674	-5 589
Financial lease liabilities	0	3
Total Financial liabilities	-6 957	-5 642

1. The total amount corresponds to the “other receivables - financial instrument” in the statement of financial position (EUR 464 million in 2011 and EUR 758 million in 2012) and the “cash & cash equivalents” (EUR 1 943 million in 2011 and EUR 1 768 million in 2012).

Fair value of financial instruments

1. Fair value of financial instruments measured at amortized cost

EUR million	2011		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables (including trade receivables, loans and other non-current assets except pension fund surpluses)	2 726	2 726	2 078	2 078
Other current receivables - financial instruments (classification: see previous page)				
Bonds and treasury bills of more than 3 months	30	30	0	0
Financial current account	25	25	46	46
Other current financial assets	17	17	49	49
Cash and cash equivalents (classification: see previous page)				
Cash and cash equivalents - Bonds and treasury bills of less than 3 months	0	0	137	137
Cash and cash equivalents excluding bonds and treasury bills o f less than 3 months	1 943	1 943	1 631	1 631
Total Financial assets	4 741	4 741	3 941	3 941
Financial liabilities measured at amortized cost (includes long-term financial debt, other non-current liabilities, short-term financial debt, trade liabilities and dividends payable included in other current liabilities)	-6 674	-6 765	-5 589	-5 832
Financial lease liabilities	0	0	3	3
Total Financial liabilities	-6 674	-6 765	-5 586	-5 829

2. Valuation techniques and assumptions used for measuring fair value

Solvay's New Business Development (NBD) activity has built a Corporate Venturing portfolio which is made of direct investments in start-up companies and of investments in Venture Capital funds. All these investments are related to the NBD platforms. They are all valued at fair market value according to the valuation guidelines published by the European Private Equity and Venture Capital Association.

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are quoted market prices.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fixed for floating energy price swaps and options are measured using quoted forward energy prices and yield curves derived from quoted interest rates matching the maturities of the swaps.

The fair values of other financial assets and financial liabilities (other than those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Specifically, significant assumptions used in determining the fair value of the following financial assets and liabilities are set out below.

3. Financial instruments measured at fair value in the consolidated statement of financial position (balance sheet)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

> Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

> Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

> Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

EUR million	2011 Level 1	Level 2	Level 3	Total
Financial assets classified as held for trading				
Derivative financial assets				
– Foreign exchange contracts and swaps		9		9
– Foreign currency options				
– Interest rate swaps				
– Other interest rate derivatives				
– Energy fixed for floating prices swaps			6	6
– CO_2 certificates swaps and forward contracts		142	3	145
– CO_2 options	13			13
Non-derivative financial assets				
Derivative instruments in designated hedge accounting relationships				
– Foreign exchange contracts and swaps		2		2
– Foreign currency options		1		1
– Interest rate swaps				
– Other interest rate derivatives				
– Energy fixed for floating prices swaps				
– CO_2 certificates swaps and forward contracts		125		125
Available-for-sale investments				
New Business Development			61	61
AGEAS (former Fortis)	19			19
Other current receivables - financial instruments (Money Market Funds)	392			392
Total Financial assets	**424**	**279**	**70**	**773**
Financial liabilities classified as held for trading				
Derivative financial liabilities				
– Foreign exchange contracts and swaps		-17		-17
– Foreign currency options				
– Interest rate swaps		-1		-1
– Other interest rate derivatives				
– Energy fixed for floating prices swaps		0	-1	-1
– Energy option		0		0
– CO_2 certificates swaps and forward contracts		-133	-15	-148
– CO_2 options	-7		-4	-11
Non-derivative financial liabilities				
Derivative instruments in designated hedge accounting relationships				
– Foreign exchange contracts and swaps		-48		-48
– Foreign currency options				
– Interest rate swaps				
– Other interest rate derivatives				
– Energy fixed for floating prices swaps		-1		-1
– CO_2 certificates swaps and forward contracts		-55		-55
Total Financial liabilities	**-7**	**-256**	**-20**	**-283**

EUR million	2012 Level 1	Level 2	Level 3	Total
Financial assets classified as held for trading				
Derivative financial assets				
– Foreign exchange contracts and swaps		3		3
– Foreign currency options				
– Interest rate swaps				
– Other interest rate derivatives				
– Energy fixed for floating prices swaps			5	5
– CO_2 certificates swaps and forward contracts		39	7	46
– CO_2 options				
Non-derivative financial assets				
Derivative instruments in designated hedge accounting relationships				
– Foreign exchange contracts and swaps		20		20
– Foreign currency options				
– Interest rate swaps		1		1
– Other interest rate derivatives				
– Energy fixed for floating prices swaps				
– CO_2 certificates swaps and forward contracts				
Available-for-sale investments				
New Business Development			31	31
AGEAS (former Fortis)	35			35
Other current receivables - financial instruments (Money Market Funds)	663			663
Total Financial assets	**698**	**63**	**43**	**804**
Financial liabilities classified as held for trading				
Derivative financial liabilities				
– Foreign exchange contracts and swaps		-6		-6
– Foreign currency options				
– Interest rate swaps				
– Other interest rate derivatives				
– Energy fixed for floating prices swaps		-1		-1
– Energy option				
– CO_2 certificates swaps and forward contracts		-26	-18	-43
– CO_2 options				
Non-derivative financial liabilities				
Derivative instruments in designated hedge accounting relationships				
– Foreign exchange contracts and swaps		-6		-6
– Foreign currency options				
– Interest rate swaps				
– Other interest rate derivatives				
– Energy fixed for floating prices swaps				
– CO_2 certificates swaps and forward contracts				
Total Financial liabilities		**-39**	**-18**	**-56**

The category “financial assets held for trading” usually contains financial instruments that are used for treasury management, foreign exchange rate, commodity or carbon instrument risk management, but which are not documented in a way which allows them to be treated as hedging instruments.

Reconciliation of level 3 fair value measurements of financial assets and liabilities:

EUR million	2011				
	At fair value through profit or loss		Available-for-sale		Total
	Derivatives	Non-derivatives	Shares	Other	
Opening balance at 1 January			35		35
Total gains or losses					
– Recognized in the income statement	-7				-7
– Recognized in other comprehensive income					
Acquisitions	-4		26		22
Disposals					
Reclassification from investment in associate to available-for-sale financial assets					
Transfers out of level 3					
Derivative instruments in designated hedge accounting relationships					
Closing balance at 31 December	-11		61		**50**

EUR million	2012				
	At fair value through profit or loss		Available-for-sale		Total
	Derivatives	Non-derivatives	Shares	Other	
Opening balance at 1 January	-11		61		50
Total gains or losses					
– Recognized in the income statement	4		-8		-4
– Recognized in other comprehensive income					
Acquisitions			9		9
Disposals					
Reclassification from available-for-sale financial assets to investment in associate			-31		-31
Transfers out of level 3					
Transfer to assets held for sale					
Closing balance at 31 December	-7		31		**24**

Income and expenses of financial instruments recognized in the income statement and in equity

Income and expenses on financial instruments break down as follows:

EUR million	2011	2012
Recognized in the income statement		
Recycling from equity of changes in the fair value of currency cash flow hedges (see next table)	-1	-14
Change in the fair value of currency cash flow hedge	-6	0
Recycling from equity of changes in the fair value of energy cash flow hedges (see next table)	2	27
Change in the fair value of energy cash flow hedge	15	0
Recognized in the gross margin	10	13
Interest on loans and receivables	3	1
Changes in the fair value of financial instruments held for trading (energy/CO_2 emission rights)	-3	4
Changes in the fair value of financial instruments held for trading (currency)	-4	0
Ineffective portion of the changes in fair value of cash flow hedges	6	0
Recognized in other operating gains and losses	2	5
Interest expense on financial liabilities at amortized cost (cost of borrowings)	-143	-171
Interest income on cash and cash equivalents (including bonds < 3 months)	26	14
Interest income on other current financial assets (incl Money Market Funds and bonds > 3 months)	12	2
Other gains and losses on net indebtedness	-16	-8
Recognized in charges on net indebtedness	-120	-162
Income/loss from available-for-sale investments	1	0
Capital gain on available-for-sale investment posted directly to the income statement	0	0
Recycling from equity of unrecognized gain and losses related to disposed of available-for-sale financial assets (see next table)	0	0
Recycling from equity of impairment losses on available-for-sale financial assets (see next table)	0	-2
Net result from equity method	60	184
Total recognized in the income statement	-46	**37**

The currency cash flow hedge corresponds to forward contracts aimed at hedging forecasted flows in currencies, mainly USD, JPY, BRL and KRW.

The change in the fair value of financial instruments held for trading refers to forward exchange contracts related to the net cash position.

EUR million	2011	2012
Recognized directly in equity		
Net change in the fair value of available-for-sale financial assets	-8	12
Recycling to the income statement of unrecognized gain and losses related to disposed of available-for-sale financial assets	0	0
Recycling to the income statement of impairment losses on available-for-sale financial assets	0	2
Available-for-sale financial assets	-8	14
Effective portion of changes in fair value of cash flow hedge	5	24
Recycling to the income statement of changes in the fair value of currency cash flow hedges	1	14
Recycling to the income statement of changes in the fair value of energy cash flow hedges	-2	-27
Recycling to the initial carrying amounts of hedged items	0	0
Cash flow hedges	3	11
Total	-5	25

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

In 2011 and 2012, the net change in the fair value of available-for-sale financial assets recognized directly in equity relates mainly to the AGEAS (former Fortis) shares.

Capital management

See item 2 in the Corporate Governance section of this report.

Financial risk management

The Group is exposed to market risks from movements in exchange rates, interest rates and other market prices (energy prices, carbon credits and equity prices). The Solvay group uses derivatives to hedge clearly identified foreign exchange, interest rate, energy and carbon credit price risks (hedging instruments). However, the required criteria to apply hedge accounting according to IFRS are not met in all cases. This means that this form of accounting cannot always be applied when the Group covers its economic risks. The Group's foreign exchange risk hedging policy is based essentially on the principles of financing its activities in local currency, systematically hedging transactional (see below) exchange risk at the time of invoicing (risks which are certain) and monitoring and hedging where appropriate exchange rate positions generated by the Group's activities, based on expected cash flows.

Furthermore, the Group is also exposed to liquidity risks and credit risks.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1. Foreign currency risks

See item Foreign exchange risk on page 134 in the Management of Risks section of this report.
The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts or other derivatives like currency options.

The Group's currency risk can be split into two categories: translation and transactional risk.

Translation risk
The translation exchange risk is the risk affecting the Group's consolidated accounts related to subsidiaries operating in a currency other than the EUR (the Group's functional currency), the main other currency being the US dollar, Japanese Yen and Brazilian Real.

During 2012, the Solvay group did not hedge the currency risk of foreign operations.

Exchange rate fluctuations, particularly of the US dollar and Brazilian Real, can affect earnings. In the course of 2012 the EUR / USD exchange rate moved from 1.2935 at the start of January to 1.3194 at the end of December. In the course of 2011 the EUR/USD exchange rate moved from 1.3362 at the start of January to 1.2939 at the end of December.

Transactional risk
The transactional risk is the exchange risk linked to a specific transaction, such as a Group company buying or selling in a currency other than its functional currency.

The Group manages the transactional risk on receivables and borrowings at the level of Solvay CICC in Belgium and locally for Brazilian and South Korean affiliates.

The choice of borrowing currency depends mainly on the opportunities offered by the various markets. This means that the selected currency is not necessarily that of the country in which the funds will be invested. Nonetheless, operating entities are financed essentially 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 or funds are not available, or because the financial conditions are too onerous. In such a situation the Group has to borrow in a different currency. Nonetheless the Group has taken advantage of any opportunities to refinance its borrowing in emerging countries with local currency debt.

Since Solvay subsidiaries assign their foreign exchange transactions (e.g. customer invoices, supplier invoices) to Solvay CICC, the Group's foreign exchange position is centralized at Solvay CICC. Operating subsidiaries are no longer in charge of exchange risk management. The centralized exchange position is then managed under rules and specific limits which have been set by the Group.

Within Rhodia legacy, the exposure to short-term fluctuations in exchange rates is limited by calculating on a daily basis the net exposure to foreign currencies in transactions, including trade payables and receivables, financial items, and by using derivatives to reduce such exposure.

The main financial instruments used are the spot and forward purchase and sale of currencies; forward currency sales and the purchase of options.

Cash Flow Hedge
The Group hedged its 2012 exposure in an amount of USD 947 million nominal and USD 877 million net (USD 912 million on sales and USD 35 million on purchases) compared to USD 128 million net in 2011. The Group hedged its 2012 exposure in an amount of JPY 8 831 million on sales. By using financial instruments to hedge its medium-term currency exchange risk, Solvay is exposed to the risks attached to these foreign currency derivatives.

The Group uses derivatives to hedge clearly identified foreign exchange rate risks (hedging instruments). At the end of 2012 for future exposure, the Group had hedged forecasted sales in a nominal amount of USD 672 million on sales and USD 11 million on purchases (EUR 527 million), JPY 14 640 million (EUR 129 million) and RUB 894 million (EUR 22 million) and other currencies (EUR 4 million) via forward foreign exchange contracts.

Held for trading
The Group covers its treasury exposure (mainly internal loans in foreign currencies) via currency swaps.

The following table details the forward exchange contracts outstanding at the end of the period:

EUR million	Notional amount		Fair value assets		Fair value liabilites	
	2011	2012	2011	2012	2011	2012
Cash flow hedges						
Forward exchange contracts	948	682	2	20	-48	-6
Foreign exchange vanilla options	8	0	1	0	0	0
Held for trading						
Forward exchange contracts	1 710	684	9	3	-17	-6
Foreign exchange options with barriers	16	0	0	0	0	0
Total	**2 682**	**1 366**	**12**	**23**	**-65**	**-12**

The following table details the Group's sensitivity in profit or loss and equity to a 10% increase and decrease in EUR against USD and JPY as well as in BRL against USD.

10% represents the management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated assets and liabilities and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. It includes also the foreign exchange derivatives (not designated for hedging).

A positive number below indicates an increase in profit or equity when EUR strengthens 10% against USD or JPY (same for BRL against USD).

For a 10% weakening of EUR against USD or JPY, there would be a comparable impact on the profit or equity (the balances would be negative) (same for BRL against USD).

EUR million	Strengthening of EUR vs USD		Strengthening of EUR vs JPY		Strengthening of BRL vs USD	
	2011	2012	2011	2012	2011	2012
Profit or loss	6	7	0	0	0	0
Equity	21	37	12	10	41	17

2. Interest rate risks

See item 'Interest rate risks' on page 134 in the Management of Risks section of this report.

Interest rate risk is managed at Group level.

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. Interest rate risk is managed at Group level by maintaining an appropriate mix between fixed and floating rate borrowings.

At December 31, 2012, around EUR 3.1 billion of the Group's gross debt was at fixed-rate: mainly

> the bond issues (EMTN) EUR 500 million maturing 2018 (carrying amount EUR 490 million) and EUR 500 million maturing 2014 (carrying amount EUR 496 million) and retail: EUR 500 million (carrying amount EUR 499 million) maturing 2015;

> Deeply subordinated issue placed on the market 2006 (EUR 500 million maturing 2104 – carrying amount: EUR 498 million) carries a fixed coupon until 2016 and floating thereafter;

> European Investment Bank EUR 300 million maturing in 2016;

> Senior Note HY EUR 500 million maturing in 2018 (carrying amount EUR 530 million);

> Senior Note HY USD 400 million maturing in 2020 (carrying amount EUR 350 million).

Interest rate exposure by currency is summarized below:

EUR million	At 31 December 2011			At 31 December 2012		
Currency	**Fixed rate**	**Floating rate**	**Total**	**Fixed rate**	**Floating rate**	**Total**
Financial liabilities						
EUR	-2 803	-557	-3 360	-2 801	-227	-3 028
USD	-311	-231	-542	-304	-122	-426
GBP		-1	-1			0
BRL		-98	-98		-54	-54
Other	-4	-163	-167	-18	-126	-144
Total	**-3 118**	**-1 050**	**-4 168**	**-3 123**	**-529**	**-3 652**
Cash and cash equivalents						
EUR		1 035	1 035		542	542
USD		446	446		699	699
JPY		27	27		26	26
BRL		135	135		137	137
Other		301	301		365	365
Total	**0**	**1 943**	**1 943**	**0**	**1 768**	**1 768**
Other current financial assets						
EUR	30	434	464		1 186	1 186
USD			0		-72	-72
JPY			0		-246	-246
BRL			0			0
Other			0		-110	-110
Total	**30**	**434**	**464**	**0**	**758**	**758**
Total	**-3 088**	**1 328**	**-1 760**	**-3 123**	**1 997**	**-1 125**

In 2012 86% of financial debt (75% in 2011) is contracted at an average fixed rate of 5.58% (idem 2011) with a duration of ~4 years; the first significant maturity for debt reimbursement will not occur until 2014.

In 2011 75% of financial debt was contracted at an average fixed rate of 5.59% with a duration of ~5 years.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management assessment of the reasonably possible change in interest rates.

Impact of interest rate changes at the end of 2012:

> on borrowing charges: if interest rates had been 1% higher/lower and with all other variables remaining constant, these would have increased/decreased by EUR 8 million (2011: increase/decrease by EUR 6 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings;

> on cash and cash equivalents and other current financial assets:
– if interest rates had been 1% higher and with all other variables remaining constant, income would have increased by EUR 23 million (2011: + EUR 44 million);
– if interest rates had been 1% lower and with all other variables remaining constant, income would have decreased by EUR 14 million (2011: EUR -38 million).

In 2011 Orbeo Climate Care entered into interest rate swaps not designated for hedging purposes. In 2012 MTP HPJV CV entered into interest rate swaps designated for hedging purposes. The following table details the interest rate swaps outstanding at the end of December 2011 and 2012.

EUR million	Notional amount		Fair value assets		Fair value liabilites	
	2011	2012	2011	2012	2011	2012
Held for trading						
– interest rate instruments (Swap)	39	0	0	0	-1	0
Cash flow hedge						
– interest rate instruments (Swap)	0	87	0	1	0	0

A sudden 1% fluctuation in interest rate at the year end would have no material impact on profit or loss, since the other variables are considered to be constant.

3. Other market risks

Energy price risks

The Group purchases a large portion of its coal, gas and electricity needs in Europe and the US based on fluctuating liquid market indices. In order to reduce the cost volatility, the Group has developed a policy for exchanging variable price against fixed price through financial swap contracts. Most of these hedging contracts meet the criteria to apply hedge accounting as defined by IFRS.

Similarly the group exposure to CO_2 price is partly hedged by forward purchase of EUA, which meet hedge accounting or “own-use” exemption criteria.

Finally some exposure to gas-electricity or coal-electricity spreads may arise from the production of electricity on Solvay sites (mostly from cogeneration units in Europe), which can be hedged by forward purchases and forward sales or optional schemes.

Financial hedging of energy and CO_2 risks is managed centrally by Solvay Energy Services on behalf of the Group entities.

CER future sale hedges

Solvay hedges future selling prices of CERs (CO_2 emissions reduction certificates) mainly through forward CER sales via Solvay Energy Services.

Solvay Energy Services’s policy is to maintain a residual exposure to CER prices close to zero, hence its purchases of CER from Solvay are systematically hedged by forward sales on the same maturity.

Other activities of Solvay Energy Services

Solvay Energy Services also carry out trading transactions of primary or guaranteed carbon credits, whose residual price exposure is also maintained close to zero.

The following tables detail the notional principal amounts and fair values of energy price swaps and CO_2 derivatives outstanding at the end of the reporting period:

EUR million	Notional amount		Fair value assets		Fair value liabilites	
	2011	2012	2011	2012	2011	2012
Held for trading						
– Energy swaps, forward and contracts	41	44	6	5	-2	-1
– CO_2 options	193	86	13	0	-11	0
– CO_2 certificates swaps and forward contract	1 095	208	145	46	-148	-43
Cash flow hedge[1]						
– Energy swaps	18	48	0	0	-1	0
– CO_2 certificates swaps and forward contract	192	24	125	0	-55	0
Total	**1 539**	**410**	**289**	**51**	**-217**	**-44**

1. Less than one year.

4. Credit risk

See item 'Counterparty risk' on page 134 in the Management of Risks section of this report

The carrying value of the trade receivables is a good approximation of the fair value at statement of financial position (balance sheet) closing date.

There is no significant concentration of credit risk at Group level to the extent that the receivables risk is spread over a large number of customers and markets.
The ageing of trade receivables, other current receivables - other, loans and other non-current assets is as follows:

2011 - EUR million	Total		of which receivables without write-down				
		with write-down	not past due	less than 30 days past due	between 30 & 60 days past due	between 60 & 90 days past due	more than 90 days past due
Trade receivables	2 311	1	2 137	74	12	8	79
Other current receivables - other	930	11	898	3	1	0	17
Loans and other non-current assets	420	0	420	0	0	0	0
Total	**3 661**	**12**	**3 455**	**77**	**13**	**8**	**96**

2012 - EUR million	Total		of which receivables without write-down				
		with write-down	not past due	less than 30 days past due	between 30 & 60 days past due	between 60 & 90 days past due	more than 90 days past due
Trade receivables	1 657	47	1 489	68	9	1	43
Other current receivables - other	685	4	662	10	3	0	5
Loans and other non-current assets	424	39	385				
Total	**2 766**	**91**	**2 536**	**78**	**12**	**1**	**49**

Other current receivables – other' consists essentially of other receivables, deferred charges and accrued income.
Other non-current assets consist essentially of pension fund surpluses and other amounts receivable after more than one year. This balance includes a cash deposit made as a guarantee for the good execution of the fine imposed by the European Commission in connection with antitrust rules.

For credit risk regarding other financial assets, we refer to the note 33.

5. Liquidity risk

See item "Liquidity risk" on page 134 in the Management of Risks section of this report.

Liquidity Risk relates to Solvay's ability to service and refinance its debt (including notes issued) and to fund its operations.

This depends on its ability to generate cash from operations and not to over-pay for acquisitions. The Finance Committee gives its opinion on the appropriate liquidity risk management for the Group's short-, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecasted and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group staggers the maturities of its financing sources over time in order to minimize its liquidity risk.

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up using the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

2001 - EUR million	Total	on demand or within one year	in year two	in years three to five	beyond five years
Outflows of cash related to financial liabilities:	7 884				
Other non-current liabilities	174	174			
Short-term financial debt	794	794			
Trade liabilities	2 232	2 232			
Income tax payable	51	51			
Dividends payables	100	100			
Other current liabilities	1 159	1 159			
Long-term financial debt	3 374	0	97	1 844	1 433
Total financial debt (short and long-term)	4 168	794	97	1 844	1 433

2012 - EUR million	Total	on demand or within one year	in year two	in years three to five	beyond five years
Outflows of cash related to financial liabilities:	6 425				
Other non-current liabilities	216	216			
Short-term financial debt	331	331			
Trade liabilities	1 617	1 617			
Income tax payable	69	69			
Dividends payables	103	103			
Other current liabilities	768	768			
Long-term financial debt	3 321		1 067	1 339	915
Total financial debt (short and long-term)	3 652	331	1 067	1 339	915

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

> a Belgian Treasury Bill program in an amount of EUR 1 billion, unused at the end of 2012 and 2011; or as an alternative a US commercial paper program in an amount of USD 500 million, unused at the end of 2012 and 2011. In addition to the credit lines mentioned below, the higher ceiling of the two programs is also covered by back-up credit lines (EUR 500 million) and a EUR 550 million bank credit line, with a first maturity in 2017 (compared to 2011 (maturity in 2016) the final maturity has been extended by one additional year in 2012). They were all unused at the end of 2012 and 2011;

> a EUR 1 billion bank credit line (unused at end-2012 and end-2011), maturing in 2015.

Notes to the statement of changes in equity

CURRENCY TRANSLATION DIFFERENCES

The closing statement of financial position (balance sheet) exchange rate for the US dollar changed from 1.2939 at the end of 2011 to 1.3194 at the end of 2012. The weaker US dollar, leads to a negative currency translation difference. The total difference amounts to EUR -145 million of which EUR -121 million for the Group's share, increasing the balance from EUR -332 million at the end of 2011 to EUR -453 million at the end of 2012.

REVALUATION RESERVE

These differences represent the marking to market of available-for-sale investments and financial derivatives used for hedging purposes.

In 2012, the positive variation of EUR +14 million related to available-for-sale investment is mainly related to a AGEAS (former Fortis) shares.

The fair value differences also include the marking to market of financial instruments accounted for according to IAS 39 as cash flow hedges. Only the effective part of the hedge is recognized in equity, with the balance being taken directly into income. The variation in this effective part, recognized among fair value differences, amounted to EUR +3 million at the end of 2012.

When the financial instrument designated as a hedge matures, its value recognized in equity is recycled to the income statement.

DEFINED BENEFIT PENSION PLAN

The decrease in equity related to defined benefit pension plan refers to change in actuarial assumption (change in discount rate and to a lower extent difference between actual and expected return on plan assets).

NON-CONTROLLING INTERESTS - INCREASE (DECREASE) THROUGH CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES THAT DO NOT RESULT IN LOSS OF CONTROL

The balance of EUR -53 million includes:
> the capital redemption to non-controlling interests of our natural carbonate activities in the US (EUR -28 million);
> dividends to minority shareholders (EUR -25 million).

NUMBER OF SHARES (IN THOUSANDS)[1]

	2011	2012
Shares issued and fully paid in at 1/1/	84 701	84 701
Capital increase	0	0
Shares issued and fully paid in at 31/12/	84 701	84 701
Treasury shares held at 31/12/	3 499	1 735
Shares authorized but not yet issued	0	0
Par value	15 EUR / share	15 EUR / share

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

1. See the consolidated data per share in the financial information per share found in the Management report.

Miscellaneous notes

(35) COMMITMENTS TO ACQUIRE TANGIBLE AND INTANGIBLE ASSET

EUR million	2011	2012
Commitments for the acquisition of tangible and intangible assets	96	76
of which: Joint ventures	4	8

The decrease reflects the nearing completion of major new investment projects.

(36) DIVIDENDS PROPOSED FOR DISTRIBUTION BUT NOT YET RECOGNIZED AS A DISTRIBUTION TO EQUITY HOLDERS

The Board of Directors will propose to the General assembly of the shareholders a gross dividend of EUR 3.20. Taking into account the dividend advance payment distributed in January 2013 the dividends proposed for distribution but not yet recognized as a distribution to equity holders amount to EUR 165.9 million.

(37) CONTINGENT LIABILITIES

EUR million	2011	2012
Liabilities and commitments of third parties guaranteed by the company	373	783
Environmental contingent liabilities	38	170
Litigation and other major commitments	12	2

The liabilities and commitments of third parties guaranteed by the company relate mainly to guarantees given in the framework of:

< the joint venture project with Sadara for the construction and operation of an hydrogen peroxide plant in Saudi Arabia. A construction funding guarantee has been granted by Solvay to its partner to guarantee its share of the funding obligations of the project. In parallel, a similar guarantee for the funding obligations of the project by the partners has been granted to Solvay;

> the joint venture project with SIBUR for the construction and operation of a PVC plant in Russia. A construction funding guarantee (EUR 266 million) has been granted by Solvay to its partner to guarantee its share of the funding obligations of the project;

> VAT payment (EUR 190 million).

Within the framework of the annual review of contingent liabilities, environmental contingent liabilities for a total amount of EUR 170 million have been identified. The risk related to these contingencies is considered as remote.

(38) JOINT VENTURES AND ASSOCIATES

The Joint Ventures are consolidated according to the equity method of accounting. The table below presents the summary balance sheet of the joint-ventures as if they were proportionately consolidated.

EUR million	2011	2012
Non-current assets	849	743
Current assets	314	355
Non-current liabilities	490	125
Current liabilities	254	104
Sales	690	727
Net result	61	218

(39) RELATED PARTIES

Balances and transactions between Solvay SA and its subsidiaries, which are related parties of Solvay SA, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading transactions

EUR million	Sale of goods		Purchase of goods	
	2011	2012	2011	2012
Joint ventures and associates	141	185	211	267
Other related parties	2	5	1	4
Total	143	190	143	271

EUR million	Amounts owed by related parties		Amounts owed to related parties	
	2011	2012	2011	2012
Joint ventures and associates	31	88	49	77
Other related parties	0	2	0	
Total	31	90	49	77

Loans to related parties

EUR million	2011	2012
Loans to key management personnel	0	
Loans to joint ventures and associates	25	37
Loans to other related parties	55	51
Total	80	88

Compensation of key management personnel

Amounts due in respect of the year (salary) or obligations existing at the end of the year (other elements):

EUR million	2011	2012
Wages, charges and short-term benefits	3	3
Long term benefits	30	21
Total	33	24
Total number stock subscription options and free shares granted	649 800	746 427

Amounts paid during the year:

EUR million	2011	2012
Wages, charges and short-term benefits	8	9
Long term benefits	1	17
Total	9	25

(40) EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period.

(41) POLICY IN RESPECT OF CAPITAL

See item 2.1 on page 143 in the Corporate Governance section of this report.

2012 Consolidation Scope

The Group consists of Solvay S.A. and a total of 366 subsidiaries and associated companies in 55 countries.

Of these, 200 are fully consolidated, 4 are proportionately consolidated and 25 is accounted for under the equity method, whilst the other 137 do not meet the criteria of significance.

In accordance with the principle of materiality, certain companies which are not of significant size have not been included in the consolidation scope. Companies are deemed not to be significant when they do not exceed any of the three following thresholds in terms of their contribution to the Group's accounts:
> sales of EUR 20 million;
> total assets of EUR 10 million;
> headcount of 150 persons.

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

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

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

List of companies included in the consolidation

LIST OF COMPANIES ENTERING OR LEAVING THE GROUP

Ch = Chemicals Pl = Plastics Rh = Rhodia - = not allocated

Companies entering the Group

Country	Company	Sector	Comments
UNITED STATES	Plextronics,Inc.	-	meets the consolidation criteria
CHINA	Solvay Biochemicals (Taixing) Co. Ltd	Ch	new company
	Solvay Chemicals (Shanghai) Co. Ltd	Ch	meets the consolidation criteria
SINGAPORE	Vinythai Holding Pte Ltd	Pl	new company
INDIA	Sunshield Chemicals Limited	Rh	new company
SOUTH KOREA	Solvay Korea Company Ltd	Pl	meets the consolidation criteria

Companies leaving the Group

Country	Company	Sector	Comments
BELGIUM	Pipelife Belgium S.A.	Pl	sold to Wienerberger
NETHERLANDS	Pipelife Finance B.V..	Pl	sold to Wienerberger
	Pipelife Nederland B.V.	Pl	sold to Wienerberger
	Polvom B.V.	-	liquidated
	Twebotube B.V.	Pl	sold to Wienerberger
FRANCE	Orbeo Climate Care S.A.S.	Rh	merged into Solvay Energy Services S.A.S.
	Pipelife France S.N.C.	Pl	sold to Wienerberger
	Rhodigaz S.A.S.	Rh	liquidated
ITALY	Solvay Padanaplast S.p.A.	Pl	merged into Solvay Specialty Polymers Italy S.p.A.
GERMANY	Cavity GmbH	-	merged into Solvay Verwaltungs-und Vermittlungs GmbH
	Pipelife Deutschland Asset Management GmbH	Pl	sold to Wienerberger
	Pipelife Deutschland GmbH & Co KG Bad Zwischenahn	Pl	sold to Wienerberger
	Pipelife Deutschland Verwaltungs GmbH Bad Zwischenahn	Pl	sold to Wienerberger
SPAIN	Electrolisis de Torrelavega S.L.	Ch	merged into Solvay Quimica S.L.
	Pipelife Hispania S.A.	Pl	sold to Wienerberger
	Solvay Participaciones S.A.	-	liquidated
AUSTRIA	Pipelife Austria GmbH & Co. KG	Pl	sold to Wienerberger
	Pipelife International GmbH	Pl	sold to Wienerberger
GREAT BRITAIN	Pipelife UK Ltd	Pl	sold to Wienerberger
IRELAND	Dromalour Plastics Ltd	Pl	sold to Wienerberger
	Kenfern Investments Ltd	Pl	sold to Wienerberger
	Quality Plastics (Holding) Ltd	Pl	sold to Wienerberger
	Quality Plastics Ltd	Pl	sold to Wienerberger
	Qualplast Sales Ltd	Pl	sold to Wienerberger
SWEDEN	Pipelife Hafab A.B.	Pl	sold to Wienerberger
	Pipelife Nordic A.B.	Pl	sold to Wienerberger
	Pipelife Sverige A.B.	Pl	sold to Wienerberger
NORWAY	Pipelife Norge AS	Pl	sold to Wienerberger
FINLAND	Pipelife Finland oy	Pl	sold to Wienerberger
	Propipe OY	Pl	sold to Wienerberger
POLAND	Pipelife Polska S.A.	Pl	sold to Wienerberger

ROMANIA	Pipelife Romania S.R.L.	Pl	sold to Wienerberger
SLOVENIA	Pipelife Slovenija d.o.o.	Pl	sold to Wienerberger
ESTONIA	Pipelife Eesti AS	Pl	sold to Wienerberger
LITHUANIA	Pipelife Lietuva UAB	Pl	sold to Wienerberger
LATVIA	Pipelife Latvia SIA	Pl	sold to Wienerberger
BULGARIA	Pipelife Bulgaria EOOD	Pl	sold to Wienerberger
CROATIA	Pipelife Hrvatska Republika d.o.o.	Pl	sold to Wienerberger
HUNGARY	Pipelife Hungaria KFT	Pl	sold to Wienerberger
CZECH REPUBLIC	Pipelife Czech s.r.o.	Pl	sold to Wienerberger
SLOVAKIA	Pipelife Slovakia s.r.o.	Pl	sold to Wienerberger
SERBIA	Pipelife Serbia d.o.o.	Pl	sold to Wienerberger
GREECE	Pipelife Hellas S.A.	Pl	sold to Wienerberger
TURKEY	Arili Plastik Snayii AS	Pl	sold to Wienerberger
RUSSIA	Pipelife Russia OOO	Pl	sold to Wienerberger
UNITED STATES	Montecatini USA	Pl	merged into Ausimont Industries, Inc.
	Pipelife Jet Stream, Inc.	Pl	sold to Wienerberger
	Solvay North America, LLC	-	merged into Solvay America, Inc.
	Solvay North America Investments, LLC	-	merged into Solvay America, Inc.
	Solvay Solexis, Inc	Pl	merged into Solvay Advances Polymers, LLC
VENEZUELA	Rhodia Acetow Venezuela SA	Rh	liquidated
JAPAN	Solvay Advanced Polymers KK	Pl	merged into Solvay Specialty Polymers Japan KK
MALAYSIA	Biopower Climate Care Holding Sdn Bhd	Rh	sold
	Biopower Climate Care Sdn Bhd	Rh	sold

LIST OF FULLY CONSOLIDATED GROUP COMPANIES

Indicating the percentage holding, followed by the Segment.
It should be noted that the percentage of voting rights is very close to the percentage holding.

Ch = Chemicals Pl = Plastics Rh = Rhodia - = not allocated

BELGIUM		
Carrières les Petons S.P.R.L., Walcourt	100	-
Financières Solvay SA, Brussels	99.9	-
Peptisyntha SA, Neder-Over-Heembeek	100	Ch
Rhodia Belgium SA , Brussels	100	Rh
Solvay Benvic & Cie Belgium S.N.C., Brussels	100	Pl
Solvay Chemicals International SA, Brussels	100	Ch
Solvay Chimie SA, Brussels	100	Ch
Solvay Coordination Internationale des Crédits Commerciaux (CICC) SA, Brussels	100	-
Solvay Energy SA, Brussels	100	-
Solvay Nafta Development and Financing SA, Brussels	100	-
Solvay Participations Belgique SA, Brussels	100	-
Solvay Pharmaceuticals SA - Management Services, Brussels	100	-
Solvay Specialties Compounding SA, Brussels	100	Pl
Solvay Stock Option Management S.P.R.L., Brussels	100	-
Solvic SA, Brussels	75	Pl
SolVin SA, Brussels	75	Pl
LUXEMBOURG		
Caredor S.A., Strassen	100	Rh
Solvay Finance (Luxembourg) SA, Luxembourg	100	-
Solvay Luxembourg S.a.r.l., Luxembourg	100	-
Solvay Luxembourg Development S.a.r.l., Luxembourg	100	-
NETHERLANDS		
Rhodia International Holdings B.V., Den Haag	100	Rh
Solvay Chemicals and Plastics Holding B.V., Weesp	100	
Solvay Chemie B.V., Linne-Herten	100	Ch
Solvay Holding Nederland B.V., Weesp	100	-
SolVin Holding Nederland B.V., Weesp	59.4	Pl
FRANCE		
RHOD V S.N.C. , Courbevoie	100	Rh
RHOD W S.N.C. , Courbevoie	100	Rh
Rhodia Chimie S.A.S. , Aubervilliers	100	Rh
Rhodia Energy GHG S.A.S. , Puteaux	100	Rh
Rhodia Finance S.A.S. , Courbevoie	100	Rh
Rhodia Laboratoire du Futur S.A.S. , Pessac	100	Rh
Rhodia Operations S.A.S. , Aubervilliers	100	Rh
Rhodia Participations S.N.C. , Courbevoie	100	Rh
Rhodia S.A. , Courbevoie	100	Rh
Rhodianyl S.A.S. , Saint-Fons	100	Rh
Solvay - Carbonate - France S.A.S., Paris	100	Ch
Solvay - Electrolyse - France S.A.S., Paris	100	Ch
Solvay - Fluorés - France S.A.S., Paris	100	Ch
Solvay - Olefines - France S.A.S., Paris	100	Ch
Solvay - Organics - France S.A.S., Paris	100	Ch
Solvay - Spécialités - France S.A.S., Paris	100	Pl
Solvay Benvic Europe - France S.A.S., Paris	100	Ch
Solvay Energie France S.A.S., Paris	100	-
Solvay Energy Services S.A.S. , Puteaux	100	Rh
Solvay Finance France S.A., Paris	100	-

Solvay Finance S.A., Paris	100	-
Solvay Participations France S.A., Paris	100	Ch
Solvay Speciality Polymers France S.A.S., Paris	100	Pl
Solvin France S.A., Paris	75	-
ITALY		
Rhodia Italia S.p.A., Milano	100	Rh
SIS Italia S.p.A., Bollate	100	-
Società Elettrochimica Solfuri e Cloroderivati (ELESO) S.p.A., Bollate	100	Ch
Società Generale per l'Industria della Magnesia (SGIM) S.p.A., Angera	100	Ch
Solvay Bario e Derivati S.p.A., Massa	100	Ch
Solvay Benvic Europe - Italia S.p.A, Ferrara	100	Pl
Solvay Chimica Bussi S.p.A., Rosignano	100	Ch
Solvay Chimica Italia S.p.A., Milano	100	Ch
Solvay Finanziaria S.p.A., Milano	100	-
Solvay Fluor Italia S.p.A., Rosignano	100	Ch
Solvay Specilaty Polymers Italy S.p.A., Milano	100	Pl
Solvay Specialty Polymers Management s.r.l., Bollate	100	Pl
SolVin Italia S.p.A., Ferrara	75	Pl
GERMANY		
Girindus AG, Hannover	82	Ch
Horizon Immobilien AG, Hannover	100	-
Rhodia Acetow GmbH , Freiburg	100	Rh
Rhodia Deutschland GmbH , Freiburg	100	Rh
Rhodia GmbH , Freiburg	100	Rh
Salzgewinnungsgesellschaft Westfalen mbH & Co KG, Epe	65	Ch
Solvay Chemicals GmbH, Hannover	100	Ch
Solvay Fluor GmbH, Hannover	100	Ch
Solvay GmbH, Hannover	100	-
Solvay Infra Bad Hoenningen GmbH, Hannover	100	Ch
Solvay Organics GmbH, Hannover	100	Ch
Solvay Specialty Polymers Germany GmbH, Hannover	100	Pl
Solvay Verwaltungs-und Vermittlungs GmbH, Hannover	100	-
Solvin GmbH & Co KG, Hannover	75	Pl
Solvin Holding GmbH, Hannover	75	Pl
SPAIN		
Rhodia Iberia S.L., Madrid	100	Rh
Solvay Benvic Europe - Iberica S.A., Barcelona	100	Pl
Solvay Ibérica S.L., Barcelona	100	-
Solvay Quimica S.L., Barcelona	100	Ch
Solvin Spain S.L., Martorell	75	Pl
SWITZERLAND		
Solvay (Schweiz) AG, Bad Zurzach	100	Ch
Solvay Vinyls Holding AG, Bad Zurzach	100	-
Sopargest - Société de participation et de gestion S.A., Fribourg	100	Rh
PORTUGAL		
3S Solvay Shared Services-Sociedade de Serviços Partilhados Unipessoal Lda, Carnaxide	100	-
Solvay Interox - Produtos Peroxidados SA, Povoa	100	Ch
Solvay Portugal - Produtos Quimicos SA, Povoa	100	Ch
AUSTRIA		
Solvay Österreich GmbH, Wien	100	Ch
GREAT BRITAIN		
Holmes Chapel Trading Ltd , Watford	100	Rh
McIntyre Group Ltd , Watford	100	Rh
Rhodia Holdings Ltd , Watford	100	Rh
Rhodia International Holdings Ltd , Oldbury	100	Rh
Rhodia Limited , Watford	100	Rh

Rhodia Organique Fine Ltd , Watford	100	Rh
Rhodia Overseas Ltd , Watford	100	Rh
Rhodia Pharma Solutions Holdings Ltd, Cramlington	100	Rh
Rhodia Pharma Solutions Ltd, Cramlington	100	Rh
Rhodia Reorganisation, Watford	100	Rh
Rhodia UK Ltd , Watford	100	Rh
Solvay Chemicals Ltd, Warrington	100	Ch
Solvay Interox Ltd, Warrington	100	Ch
Solvay Speciality Chemicals Ltd, Warrington	100	Ch
Solvay UK Holding Company Ltd, Warrington	100	-
IRELAND		
Solvay Finance Ireland Unlimited , Dublin	100	-
FINLAND		
Solvay Chemicals Finland Oy, Voikkaa	100	Ch
POLAND		
Rhodia Polyamide Polska Sp z.o.o. , Gorzow Wielkopolski	100	Rh
BULGARIA		
Solvay Bulgaria EAD, Devnya	100	Ch
RUSSIA		
Sertow OOO, Serpukhov Khimi	100	Rh
EGYPT		
Solvay Alexandria Sodium Carbonate Co, Alexandria	100	Ch
UNITED STATES		
Alcolac Inc., Cranbury	100	Rh
American Soda LLP, Parachute, CO	100	Ch
Ausimont Industries, Inc., Wilmington, DE	100	Pl
Girindus America, Inc., Cincinnati, OH	82.1	Ch
Heat Treatment Services Inc., Cranbury	100	Rh
Peptisyntha, Inc., Torrance, CA	100	Ch
Rhodia Financial Services Inc, Wilmington	100	Rh
Rhodia Funding Corporation, Cranbury	100	Rh
Rhodia Holding Inc, Cranbury	100	Rh
Rhodia Inc, Cranbury	100	Rh
Rhodia India Holding Inc., Cranbury	100	Rh
Rocky Mountain Coal Company, LLC, Houston, TX	100	Ch
Solvay Advanced Polymers, LLC, Alpharetta, GA	100	Pl
Solvay America Holdings, Inc., Houston, TX	100	-
Solvay America, Inc., Houston, TX	100	Pl
Solvay Chemicals, Inc., Houston, TX	100	Ch
Solvay Finance (America) LLC, Houston, TX	100	-
Solvay Fluorides, LLC., Greenwich, CT	100	Ch
Solvay Information Services NAFTA, LLC, Houston, TX	100	-
Solvay Soda Ash Expansion JV, Houston, TX	80	Ch
Solvay Soda Ash Joint Venture, Houston, TX	80	Ch
CANADA		
Rhodia Canada Inc, Toronto	100	Rh
MEXICO		
Rhodia de Mexico SA de CV, Mexico	100	Rh
Rhodia Especialidades SA de CV, Mexico	100	Rh
Solvay Fluor Mexico S.A. de C.V., Ciudad Juarez	100	Ch
Solvay Mexicana S. de R.L. de C.V., Monterrey	100	Ch
Solvay Quimica Y Minera Servicios SA de CV, Monterrey	100	Ch
Solvay Quimica Y Minera Ventas SA de CV, Monterrey	100	Ch
BRAZIL		
Cogeracao de Energia Electricica Paraiso SA, Brotas	100	Rh
Rhodia Brazil Ltda, Sao Paolo	100	Rh

Rhodia Energy Brazil Ltda, Paulinia	100	Rh
Rhodia Poliamida Brasil Ltda , Sao Paolo	100	Rh
Rhodia Poliamida e Especialidades Ltda, Sao Paolo	100	Rh
Rhopart-Participacoes Servidos e Comercio Ltda, Sao Paolo	100	Rh
Solvay do Brasil Ltda, Sao Paulo	100	Ch
Solvay Indupa do Brasil SA, Sao Paulo	69.9	Pl
ARGENTINA		
Solvay Argentina SA, Buenos Aires	100	-
Solvay Indupa S.A.I.C., Bahia Blanca	69.9	Pl
Solvay Quimica SA, Buenos Aires	100	Ch
VENEZUELA		
Rhodia Silices de Venezuela C.A., Barquisimeto	100	Rh
URUGUAY		
Alaver SA, Montevideo	100	Rh
Fairway Investimentos SA, Montevideo	100	Rh
Zamin Company S/A, Montevideo	100	Rh
AUSTRALIA		
Rhodia Chemicals Pty Ltd , Sydney	100	Rh
Solvay Interox Pty Ltd, Banksmeadow	100	Ch
NEW ZEALAND		
Rhodia New Zealand Ltd, Auckland	100	Rh
JAPAN		
Anan Kasei Co Ltd, Anan City	67	Rh
Nippon Solvay KK, Tokyo	100	Ch
Rhodia Japan K.K., Tokyo	100	Rh
Rhodia Nicca Ltd, Tokyo	60	Rh
Solvay Specialty Polymers Japan KK, Minato Ku-Tokyo	100	Pl
CHINA		
Baotou Rhodia Rare Earths Company Ltd, Baotou	55	Rh
Beijing Rhodia Eastern Chemical Co., Ltd, Beijing	60	Rh
Guangxi Laibin Bioqi New Energy Co., Ltd, Laibin City	100	Rh
Liyang Rhodia Rare Earth New Material Co., Ltd, Liyang City	96.3	Rh
Rhodia (Shanghai) International Trading Co., Ltd, Shanghai	100	Rh
Rhodia (Zhenjiang) Chemicals Co., Ltd, Zhenjiang New area	100	Rh
Rhodia China Co., Ltd , Shanghai	100	Rh
Rhodia Feixiang Specialty Chemicals Co., Ltd, Suzhou	100	Rh
Rhodia Fine Chemical Additives (Qingdao) Co., Ltd, Qingdao	100	Rh
Rhodia Hengchang (Zhangjiagang) Specialty Chemical Co., Ltd, Zhangjiagang City	70	Rh
Rhodia Hong Kong Ltd , Hong Kong	100	Rh
Rhodia Polyamide (Shanghai) Co., Ltd, Shanghai	100	Rh
Rhodia Silica Qingdao Co., Ltd , Qingdao	100	Rh
Solvay (Shanghai) Ltd, Shanghai	100	Pl
Solvay Biochemicals (Taixing) Co. Ltd, Shanghai	58.8	Ch
Solvay Chemicals (Shanghai) Co. Ltd, Shanghai	100	Ch
Solvay Speciality Polymers (Changshu) Co. Ltd, Changshu	100	-
Zhuhai Rhodia Specialty Chemicals Co Ltd	100	Rh
THAILAND		
Advanced Biochemical (Thailand) Company Ltd, Bangkok	58.8	Ch
Rhodia Thai Holdings Ltd, Bangkok	100	Rh
Solvay Peroxythai Ltd, Bangkok	100	Ch
Vinythai Public Company Ltd, Bangkok	58.8	Pl
SINGAPORE		
Rhodia Amines Chemicals Pte Ltd , Singapore	100	Rh
Rhodia Asia Pacific Pte Ltd , Singapore	100	Rh
Solvay Singapore Pte Ltd, Singapore	100	-
Vinythai Holding Pte Ltd, Singapore	58.8	Pl

INDIA		
Rhodia Polymers & Specialties India Private Limited, Mumbai	100	Rh
Rhodia Specialty Chemicals India Limited, Mumbai	72.9	Rh
Solvay Specialities India Private Limited, Mumbai	100	Pl
Sunshield Chemicals Limited, Mumbai	62.4	Rh
CAYMAN ISLANDS		
Blair International Insurance (Cayman) Ltd, Georgetown	100	-
SOUTH KOREA		
Daehan Solvay Special Chemicals Co., Ltd, Seoul	100	Ch
Rhodia Energy Asia Pacific Co. Ltd, Seoul	100	Rh
Rhodia Korea Co. Ltd, Seoul	100	Rh
Rhodia Silica Korea Co. Ltd, Incheon	100	Rh
Solvay Fluor Korea Co. Ltd, Séoul	100	Ch
Solvay Korea Company Ltd, Séoul	100	Pl
NAMIBIA		
Okorusu Fluorspar (Pty) Ltd, Otjiwarongo	100	Ch
Okorusu Holdings (Pty) Ltd, Windhoek	100	Ch

LIST OF PROPORTIONATELY CONSOLIDATED GROUP COMPANIES

FRANCE		
Butachimie S.N.C., Courbevoie	50	Rh
Hexagas S.A.S., Puteaux	50	Rh
GERMANY		
Warmeverbundkraftwerk Freiburg GmbH, Freiburg	49.9	Rh
UNITED STATES		
Primester, Kingsport TN	50	Rh

LIST OF COMPANIES CONSOLIDATED UNDER THE EQUITY METHOD

BELGIUM		
BASF Interox H2O2 Production N.V., Bruxelles	50	Ch
NETHERLANDS		
MTP HP JV C.V., Weesp	50	Ch
MTP HP JV Management bv, Weesp	50	Ch
FRANCE		
Cogeneration Chalampe S.A.S., Puteaux	50	Rh
GIE Chime Salindres , Salindres	50	Rh
Gie Osiris, Roussillon	34.8	Rh
GERMANY		
Solvay & CPC Barium Strontium GmbH & Co KG, Hannover	75	Ch
Solvay & CPC Barium Strontium International GmbH, Hannover	75	Ch
AUSTRIA		
Solvay Sisecam Holding AG, Wien	75	Ch
POLAND		
Zaklad Energoeloctryczny Energo-Stil Sp. z o.o., Gorzow Wielkopolski	25	Rh
BULGARIA		
Deven AD, Devnya	75	Ch
Solvay Sodi AD, Devnya	75	Ch
RUSSIA		
Poligran OAO, Tver	50	Pl
Rusvinyl OOO, Moscow	29.7	Pl
Soligran ZAO, Moscow Aptekars	50	Pl

UNITED STATES		
Plextronics,Inc., Pittsburgh	47.3	-
MEXICO		
Solvay & CPC Barium Strontium Monterrey S. de R.L. de C.V., Monterrey	75	Ch
Solvay & CPC Barium Strontium Reynosa S. de R.L. de C.V., Reynosa	75	Ch
BRAZIL		
Dacarto Benvic SA, Santo André	50	Pl
Peroxidos do Brasil Ltda, Sao Paulo	69.4	Ch
ARGENTINA		
Solalban Energia S.A., Bahia Blanca	40.5	Pl
CHINA		
Qingdao Dongyue Rhodia Chemical Co Ltd, Qingdao	30	Rh
THAILAND		
MTP HP JV (Thailand) Ltd, Bangkok	50	Ch
INDONESIA		
Rhodia Manyar P.T., Gresik	50	Rh
INDIA		
Hindustan Gum & Chemicals Ltd, New Delhi	50	Rh

Summary financial statements of Solvay SA

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

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

Solvay SA
rue de Ransbeek 310
B - 1120 Brussels

BALANCE SHEET OF SOLVAY SA (SUMMARY)

EUR million	2011	2012
ASSETS		
Fixed assets	9 107	10 767
Start-up expenses and intangible assets	97	93
Tangible assets	57	60
Financial assets	8 953	10 614
Current assets	5 260	1 327
Inventories	12	11
Trade receivables	116	148
Other receivables	4 243	613
Short-term investments and cash equivalents	794	529
Accruals	95	26
Total assets	**14 368**	**12 094**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	6 753	7 413
Capital	1 271	1 271
Issue premiums	18	18
Reserves	1 951	1 948
Net income carried forward	3 513	4 175
Investment grants	1	1
Provisions and deferred taxes	360	375
Financial debt	6 641	3 695
- due in more than one year	2 301	2 303
- due within one year	4 340	1 392
Trade liabilities	152	149
Other liabilities	316	346
Accruals and deferred income	146	116
Total shareholders' equity and liabilities	**14 368**	**12 094**

INCOME STATEMENT OF SOLVAY SA (SUMMARY)

EUR million	2011	2012
Operating income	982	798
Sales	485	295
Other operating income	497	503
Operating expenses	-1 178	-1 010
Operating profit / loss	-196	-212
Financial gains / losses	278	1 274
Current profit before taxes	82	1 062
Extraordinary gains / losses	209	-149
Profit before taxes	291	913
Income taxes	34	20
Profit for the year	325	933
Transfer to (-) / from (+) untaxed reserves		
Profit available for distribution	325	933

Statutory auditor's report

to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2012

To the shareholders

As required by law, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the consolidated financial statements as defined below together with our report on other legal and regulatory requirements.

Report on the consolidated financial statements – Unqualified opinion

We have audited the accompanying consolidated financial statements of Solvay SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of EUR 18 328 million and the consolidated income statement shows a consolidated profit (group share) for the year then ended of EUR 584 million.

Responsibility of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Solvay SA give a true and fair view of the group's net equity and financial position as of 31 December 2012, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the framework of our mandate, our responsibility is to verify, for all significant aspects, the compliance with some legal and regulatory requirements. On this basis, we provide the following additional comment which does not modify the scope of our audit opinion on the consolidated financial statements:

> The directors' report on the consolidated financial statements includes the information required by law, is, for all significant aspects, in agreement with the consolidated financial statements and is not in obvious contradiction with any information obtained in the performance of our mandate.

Diegem, 14 February 2013

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Eric Nys

Declaration by the persons responsible

The Board of Directors hereby declares that, to the best of its knowledge:

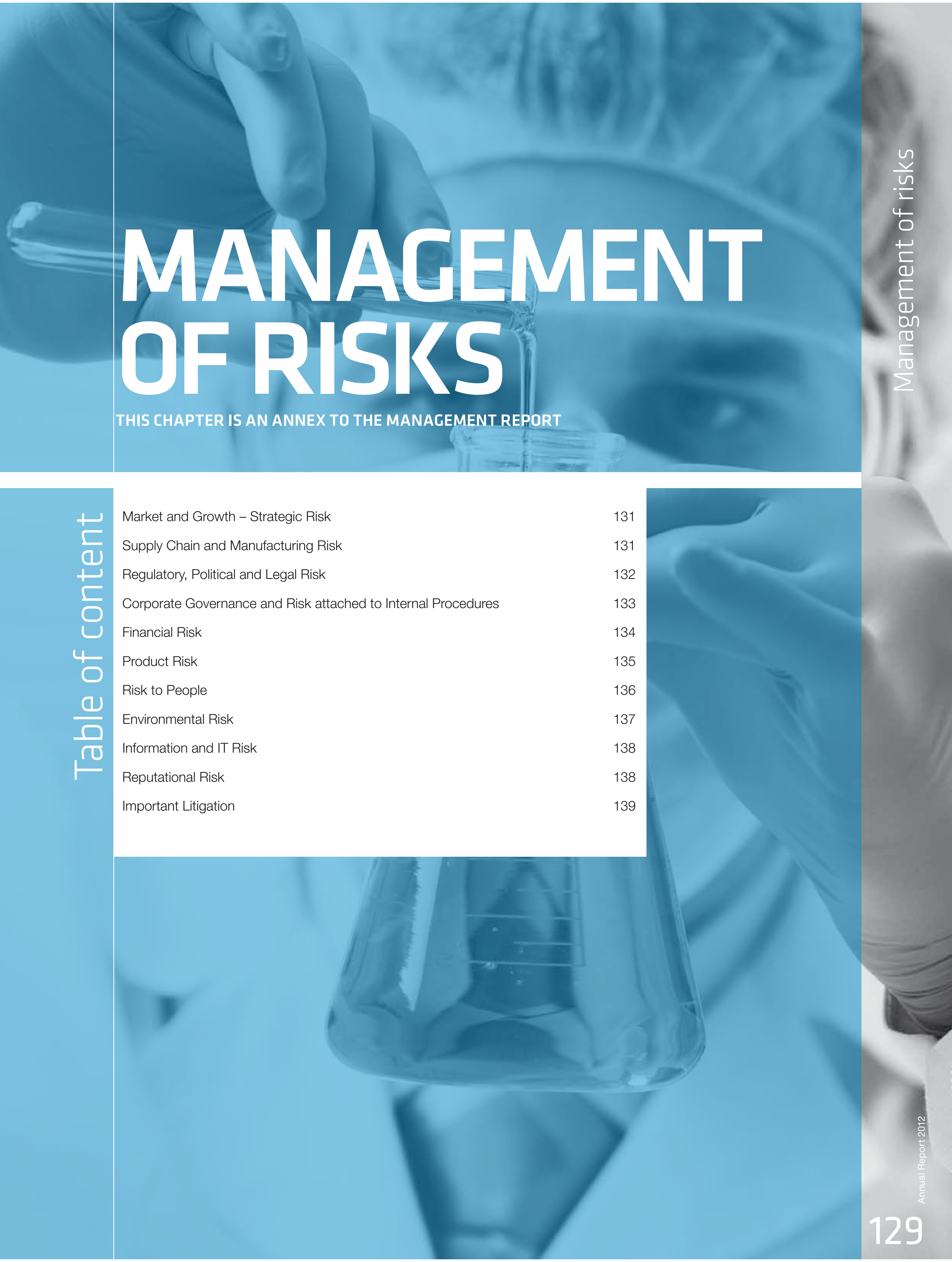
a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and earnings of the issuer and the entities included in the consolidation;

b) the management report includes an accurate review of the business developments, earnings and financial position of the issuer and the entities included in the consolidation, as well as a description of the main risks and uncertainties that these entities face.

For the Board of Directors,

Bernard de Laguiche
Chief Financial Officer
Director

Jean-Pierre Clamadieu
Chairman of the Executive Committee and CEO
Director



MANAGEMENT OF RISKS

THIS CHAPTER IS AN ANNEX TO THE MANAGEMENT REPORT

Table of content

MANAGEMENT OF RISKS

Taking calculated risks while remaining in compliance with laws, regulations and the Code of Conduct is an inherent aspect of the business and industrial activities of the Solvay Group. The policy on ERM (Enterprise Risk Management) states that the Group will identify, quantify, assess and manage all potentially significant business risks and opportunities by applying systematic risk management integrated with strategy, business decisions and operations. Solvay is also monitoring the effects of climate change as related risks and opportunities may affect the Group's business objectives. Risk management is seen as an essential management tool and aid in making the decisions needed to achieve the company's short-, medium- and long-term objectives.

Drawing on the FERMA (Federation of European Risk Management Associations) Risk Management Standard, Solvay has during 2012 continued its commitment to ensure that a common approach to Risk Management permeates all levels of the organization. An ERM department within the Corporate Finance function develops tools, provides advice and proposes strategies to help entities manage their risks more systematically.

During 2012, the emphasis has been on the integration of Rhodia, defining a common policy, risk-profiling methodology, risk appetite, property-loss prevention process and internal-control process. Risk governance is strengthened by a reinforced ERM department and a Group Management Risk Committee.

As in 2011, during the first half of 2013 another full risk-profiling exercise will be undertaken, in which each GBUs and corporate function identifies, quantifies and assesses the risks to its strategic objectives. For risks assessed as falling outside the defined risk appetite, actions are developed, implemented and monitored. Results are reported both to the ERM department and, together with the strategy, to the Executive Committee. Results are consolidated and further assessed to form a Group risk profile that is proposed to the Executive Committee.

The internal-control process is applied to the most important corporate business processes. The methodology has the following steps: (i) risk analysis along the process by the process owner supported by experts from the ERM department, (ii) design of controls to reduce risks, (iii) deployment of controls and (iv) assessment of controls' effectiveness by Internal Audit. Efficient internal controls also reduce the risk of errors in financial reporting. Please refer to page 159 of the 2012 Annual report of Solvay for a detailed description of the internal-control system of the Solvay Group.

The consolidation of business processes has progressed well during 2012, however, separate processes with similar objectives and under common leadership will continue to coexist for some time.

As part of the integration, all required corporate-level policies have been listed and are being redrafted, benefiting from an exchange of best practices. In addition to existing policies, new policies are also being developed, for example a policy on human rights issues. In 2012, the Executive Committee approved 10 out of 50 policies. The remaining policies will be approved in 2013.

In relation to human rights, Solvay is assessing that its impacts on human rights are mostly related to health and safety and work-related issues (see 7 below). With its expanding activities in emerging countries, Solvay will continue to reassess its impact on human-rights matters.

In a context of global economic and political uncertainty, evolving power balances, different growth dynamics, shortening of market cycles, raw-material and energy volatility and quick technological evolution, to mention just a few factors, Solvay believes that adequate monitoring and management of risk is critical to ensure the sustainability and growth of the company. Solvay strives to pursue the deployment of a best-in-class risk management process across the Group's businesses and functions.

Risk Description in 10 Risk Categories

Solvay has defined 10 categories of risk:

1. **Market and Growth – Strategic risk**
2. **Supply Chain and Manufacturing risk**
3. **Regulatory, Political and Legal risk**
4. **Corporate Governance and risk attached to Internal Procedures**
5. **Financial risk**
6. **Product risk**
7. **Risk to people**
8. **Environmental risk**
9. **Information and IT risk**
10. **Reputational risk**

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

1. MARKET AND GROWTH – STRATEGIC RISK

Strategic risk refers to Solvay's exposure to developments in its markets or its competitive environment as well as the risk of making erroneous strategic decisions. Examples of risks are technological leaps leading to the development of substitute products or more competitive manufacturing processes, economic downturn, drastic changes in energy and raw-material prices, the lack of success of a new product, scarcity of key raw materials, reduction of demand in the Group's main markets as a consequence of either new legislation or competitive actions, events affecting its most important customers, new entrants in a market, price war, significant imbalances between supply and demand in its markets, major social crisis and risks related to climate change.

The diverse businesses within Solvay generate a variety of risks, some of which could potentially affect the Group as a whole. But diversification contributes to the reduction of the overall risk as the Group's different businesses, processes, policies and structures offset some risks against each other merely through a balanced portfolio of products.

Prevention and mitigation efforts

The potential impact of adverse events is assessed and managed at Corporate level, and involves in particular:

> maintenance of a balanced portfolio of products and geographic spread;
> diversification of the customer base in different market segments;
> adaptation of operations to the changing macroeconomic and market environment;
> selective vertical integration and diversified sourcing to limit potential cumulative effects from raw material supply risks;
> strict financial policy of controlling the net-debt-to-equity ratio;
> investment and innovation strategy.

In 2012, the Group undertook a full portfolio analysis. The market attractiveness analysis included explicitly an industry risk criterion. The conclusions in terms of the Group strategic vision and intent as well as Solvay businesses' strategic priorities were presented by the CEO to the Group's various stakeholders.

With the integration of Rhodia the strategic planning process has been updated to include best practices from both groups. A comprehensive and robust planning process is in place at Operating Segments and their comprising GBUs (Global Business Unit) and at Corporate levels. The strategy process starts with a comprehensive review of market growth dynamics, competitive environment, technology and industrial footprint, innovation and major-projects pipelines, key risks and strategic options, resulting in a five-year roadmap for each GBU. The results are presented to and reviewed by the Executive Committee. Roadmaps are then complemented by budget plans and revised as necessary, followed by a final presentation to Executive Committee for approval. GBUs are authorized to roll out the strategy within their organization and to manage allocated resources and processes to deliver the projects and plans.

At Corporate level, the portfolio analysis mentioned above together with the consolidation of the GBU roadmaps constitutes the basis for the Group strategy, for the allocation of resources across the various operating segments, for the balancing of risks and for determining financial projections and needs. Main strategic options, larger projects and geographic expansions are assessed in terms of profitability, sustainability and risk profiles. Lessons of the past and benchmarks are integrated to mitigate risks. Key findings and proposed action plans are then submitted to the Board of Directors, which has ultimate responsibility for the Group's strategy including managing the balance of the portfolio of businesses.

2. SUPPLY CHAIN AND MANUFACTURING RISK

Supply chain and manufacturing risk in production units and transportation refers to risks related to raw material, suppliers, production, storage units and inbound/outbound transportation. Risks include major equipment failure or damage, natural disasters, industrial and transportation accidents, strikes and drastic shortages of raw material, utilities or critical equipment.

The geographic distribution of production units around the world reduces the overall impact of one production unit being damaged or interrupted. Some specialty products are however only produced in one single plant.

Prevention and mitigation efforts

Key risk areas are addressed with relevant dedicated policies and risk-control programs such as the property-loss prevention process, process safety management procedures, health and safety policies, the supplier qualification and assessment process, integrated resource planning and supply chain optimization systems ERP (Emergency Response Plans), corporate and local crisis management procedures, business continuity planning (including for pandemic risk), and networking groups for manufacturing and supply chain managers.

Solvay buys insurance to reduce the financial impact of events potentially causing extensive damage and consequential business interruption. The property-loss prevention program is deployed with the support of a large network of risk engineers assigned by the insurers and focusing on the prevention and mitigation of damage to assets and loss of profit due to fire, explosion, accidental chemical release and other sudden adverse events. The program has been fully implemented across the Group since January 2012 and includes:

> bi-annual engineering visits to all locations with a EUR 100 million worst-case risk scenario;
> quarterly monitoring and update on the status of agreed risk improvement actions for all locations;

> business impact analysis;
> loss-prevention training of plant personnel.

In addition of owning several mines and quarries for extraction of fluor, trona, limestone, salt and celestite, Solvay reduces the risk of disruption of raw material supply (availability, reliability and price) by a combination of:

> use of flexible medium- and long-term contracts;
> diversification of the sources of raw materials;
> development of partnerships with preferred suppliers;
> when possible, integration of key suppliers in the property loss prevention program;
> implementing processes to ensure REACH compliance up the supply chain and/or substitution, to minimize the risk of raw materials disruption.

In the field of energy supply, Solvay has consistently implemented programs to reduce its energy consumption for many years. While Solvay has industrial activities with high energy consumption, mainly in Europe (synthetic soda ash plants, Chlorovinyls, Polyamides), it also operates a range of industrial activities with a relatively low energy consumption, particularly in the Specialty Polymers and Novecare GBUs. The Group considers secure and reliable energy supplies to be particularly important and has taken the following strategic initiatives:

> technological leadership in processes and high-performance industrial operations to minimize energy consumption;
> diversification and flexible use of the different types and sources of primary energy;
> upstream integration in steam and electricity generation (gas cogeneration, biomass or secondary fuels cogeneration...);
> periodic review of conditions of industrial sites' energy assets and connections;
> a strategy of supply coverage with long-term partnerships and medium to long-term contracts with price-hedging protection mechanisms when needed;
> direct access to energy markets when possible (gas hubs, electrical grids, financial spot and futures exchanges);
> regular forecast reports on energy and raw-material price trends sent to business to anticipate sales prices realignments.

On January 1st, 2012, Solvay created Solvay Energy Services, a new GBU aiming at optimizing energy cost and CO_2 emissions for the Group and third parties. Solvay Energy Services optimizes the energy purchasing and consumption for the Group and assists GBUs in their management of energy and CO_2 emissions.
Before the acquisition, both Solvay and Rhodia were committed to ambitious CO_2 reduction targets. New common, consolidated and equally ambitious targets should be determined during the first half of 2013.

3. REGULATORY, POLITICAL AND LEGAL RISK

Regulatory risk refers to Solvay's exposure to changes in legislation and regulations. This could include events like governmental price regulations, taxation, tariff policies, or new regulations banning a product or imposing manufacturing, marketing and use restrictions making it uneconomical to produce. Solvay could be exposed to important cost increases as a consequence of new legislation or regulations, or a more strict interpretation or application of current regulations by courts or authorities.

Solvay must obtain and maintain regulatory approval to operate its production facilities and sell its products. Given the international spread of the Group, these regulatory approvals emanate from authorities or agencies of many different countries. Withdrawal of any previously granted approval or failure to obtain an authorization may have an adverse effect on its business continuity and operating results.

In particular for Europe, all substances manufactured or used by Solvay require registration under the REACH Regulation and must meet the deadlines imposed by this regulation. This is in addition to other already existing requirements. By the end of 2012, 59 dossiers out of 189 (65 for Solvay and 124 for Rhodia) were already successfully registered with ECHA (European Chemicals Agency). The next REACH Registration deadline is May 31, 2013.

Political risk refers to Solvay's exposure to circumstances where the normal exercise of public authority is disrupted. This could be the consequence of a social crisis, political instability, civil war, nationalization or terrorism in countries where the Group operates or sells products, resulting in delay or failure of delivery of products or unavailability of raw materials, utilities, logistic or transport facilities.

Legal risk refers to the exposure to actual and potential judicial and administrative proceedings. The simple fact of doing business exposes Solvay to disputes and litigation. Adverse outcome of such disputes or litigation is always possible (see note on Important Litigation below). In the normal course of business the Group is or may become a party to judicial or administrative proceedings. See page 139 for an overview of the ongoing legal proceedings involving the Group that are considered to involve potentially significant risks. The Group is exposed to legal risk, particularly in the areas of product liability, contractual obligations, antitrust laws, patent infringement, tax assessments and environmental matters.

The Group's operations depend on the control of its key technologies and on the capacity to innovate. The questioning by third parties of the right of Solvay to use certain technologies could have an impact on its operations. Furthermore, insufficient protection by Solvay of its innovations could limit its development potential.

The geographic spread of the Group around the world is a factor reducing the impact from adverse regulatory and political developments.

Prevention and mitigation efforts

Proper design and testing of products and their production processes contributes to the management of regulatory and legal risks, as do timely and thorough applications for necessary approvals.

Regulatory and political risk both within and outside the European Union is reduced through the continuous work of, and interactions with public authorities by, the Government and Public Affairs department and through the local Belgian Embassy.

To manage legal risk Solvay maintains in-house legal and intellectual property and regulatory resources, and relies on additional external professional resources as appropriate. In addition the Group makes appropriate financial provisions. Awareness of legal risks is raised by dedicated training, sharing of information, self-assessment procedures and internal audits.

In the chemical industry, technological know-how can remain protected by way of trade secret, which is often a good substitute for patent protection. However, Solvay is, when adequate patenting new products and processes and maintains continuous efforts to protect its proprietary information and its position as leader in technological know-how for its production processes. Solvay implements a policy to protect its innovations and its know-how, including taking specific precautions through its choice of partners in R&D and through choosing the locations of its research operations.

In respect of political risks, Solvay's actions include risk-sharing with local or institutional partners as well as monitoring of political developments in sensitive areas.

4. CORPORATE GOVERNANCE AND RISK ATTACHED TO INTERNAL PROCEDURES

Solvay is governed by the Belgian Code of Corporate Governance.

In the field of corporate governance, Solvay has a comprehensive corporate governance charter (available on www.solvay.com) and publishes its yearly report on the application of the recommendations of this Code in accordance with the "comply or explain" principle.

Group-wide, Solvay has a Code of Conduct and adopts policies and procedure to enhance good governance of the Group.

The risk attached to internal procedures is Solvay's exposure to failure to comply with the Solvay Code of Conduct, other policies and procedures. Examples of risks are failure to integrate an acquired company, failure to innovate and develop business processes, failure to implement good governance in a joint venture and for contractors or distributors, direct or indirect involvement in human-rights violations, failure to implement human resources strategies, loss of key personnel, errors in financial reporting, corruption and failure to apply internal control.

Prevention and mitigation effort

Solvay has a compliance organization in place under the leadership of the Group General Counsel to enhance a Group-wide ethics and compliance-based culture and to promote and monitor compliance with applicable laws, the Group Code of Conduct and Solvay's Values. Compliance Officers have been appointed in all four zones in which the Group is active.

Training courses facilitated by the Legal & Compliance function are organized to ensure that ethical and compliant conduct is embodied in the way business is done at Solvay and to address behavioral risks in certain specific areas such as antitrust or corruption. Regular campaigns are organized to train new employees and to maintain the right level of awareness in the whole Group. The compliance department, in collaboration with Internal Audit, legal and other departments or functions, monitors compliance with applicable laws and Solvay's Code of Conduct. Any violation of the Code will lead to sanctions in accordance with applicable law. Reporting of violations is encouraged and various avenues are offered to employees including contact with the Compliance Officers. In most countries in which Solvay operates, Solvay has introduced the Solvay Ethics Helpline, an external resource through which employees can report in their own language ethical or compliance concerns.

As part of the integration, all required corporate-level policies have been listed and are being redrafted, benefiting from an exchange of best practices. In addition to existing policies, new policies are also being developed, for example a policy on human rights issues. In 2012, the Executive Committee approved 10 out of 50 policies. The remaining policies will be approved in 2013.

The internal-control process is applied to the most important corporate business processes. The methodology has the following steps: (i) risk analysis along the process by the process owner supported by experts from the ERM department, (ii) design of controls to reduce risks, (iii) deployment of controls and (iv) assessment of controls' effectiveness by Internal Audit. Efficient internal controls also reduce the risk of errors in financial reporting. Please refer to page 159 of the 2012 Annual report of Solvay for a detailed description of the internal-control system of the Solvay Group.

5. FINANCIAL RISK

Financial Risk is Solvay's exposure to liquidity risk, foreign-exchange risk, interest-rate risk, counterparty risk (credit risk), failure to fund pension obligations, and tax risk, mainly tax-compliance risk and transfer-pricing risk.

Liquidity risk relates to Solvay's ability to service and refinance its debt (including notes issued) and to fund its operations, and depends on its ability to generate cash from operations and not to over-pay for acquisitions.

Solvay is exposed to **foreign-exchange risk** as a consequence of its international activities. In its present structure, the Group's exposure is mainly associated with the EUR/USD risk, as the Group's overall activities generate a net positive USD flow. Consequently, a depreciation of the USD will generally result in lower revenues for Solvay. To a lesser extent, the Group is also exposed to EUR/JPY and BRL/USD. A sensitivity analysis to those currencies is provided in the financial section of the Annual Report (page 107).

Interest-rate risk is Solvay's exposure to fluctuating interest rates.

Solvay is exposed to **counterparty risk** in its cash management and in its foreign-exchange risk and interest-rate risk management as well as in its commercial relationships with customers.

With regard to the **risk of under-funding pension obligations**, Solvay is exposed to a number of defined-benefit plans. Fluctuations in discount rates, salaries and social security, longevity and asset / liability matching can have a major impact on the liabilities of such pension plans. For funded plans, the risks related to the investment need to be managed, taking into account the risk-return balance. If plans are under-funded Solvay is mostly exposed to inflation and interest rate risk. Following the acquisition of Rhodia, the Group's exposure to risk of under-funding Pension Obligations has increased. Further information is provided in the Note 32 to the consolidated financial statements in page 91 of the present document.

Tax-compliance risk refers to the situation of involuntary non-compliance with rules and regulations. However, it may also refer to a difference of opinion with the authorities in the interpretation of legal tax rules, possibly leading to litigation. The tax charge supported by the Group depends on the interpretation of local tax regulations, bilateral or multilateral international tax treaties and administrative doctrine in each jurisdiction.

Transfer-price risk is the risk of paying penalties due to non-compliance with transfer-pricing regulations. Tax authorities of all countries wish to ensure that the commercial operations between related entities reflect the fair prices which would be agreed between independent parties in similar circumstances, especially in cross-border situations. As a global player, Solvay has to respect detailed transfer-pricing regulations and documentation requirements issued by an ever-growing number of countries. Transfer-pricing issues have become the frequent focus of specific tax audits, as they are seen by many authorities as a major source of revenue loss.

Prevention and mitigation efforts

Financial risks are analyzed, assessed and managed by the corporate Finance function (Treasury and Tax). Loss-prevention and mitigating efforts involve a number of activities, such as:

> maintaining a strong liquidity policy,
> maintaining a natural currency hedge
> fixed interest rates
> hybrid pension plans, cash balance plans and defined-contribution plans
> internal controls dedicated to tax compliance processes
> transfer pricing documentation prepared in line with OECD (Organization for Economic Co-operation and Development) requirements
> recourse to external tax expertise, should the need arise

The Group is recognized as historically having a prudent financial profile, as illustrated by its BBB+ rating[1] (Standard & Poor's BBB+; Moody's Baa1). The liquidity profile is strong, mainly supported by long-term bond issuance (for a total of EUR 2.8 billion, with a first significant maturity of EUR 500 million in 2014) and substantial liquidity reserves (cash and committed credit lines, including two syndicated credit facilities of EUR 1 billion and EUR 550 million respectively and a credit line of EUR 300 million with the European Investment Bank). The financial discipline remains conservative.

The geographic diversification of production and sales provides a natural currency hedge because of the resulting combination of an income stream and an expense base in local currency. Furthermore, Solvay closely monitors the foreign-exchange market and enters into hedging measures for terms of between 9 and 18 months whenever deemed appropriate. In practice, Solvay enters into forward and option contracts securing the value (in EUR and/or USD) of cash flows in foreign currency during the following months. The Group manages its foreign-exchange risk for receivables and borrowings through CICC (Solvay's in-house bank) in Belgium for all affiliates of the Group where it is possible to enter in such hedging transactions and through local financial affiliates for other regions.

In its present structure, the Group has locked in the largest part of its net indebtedness with fixed interest rates. Solvay closely monitors the interest rate market and enters into interest-rate swaps whenever deemed appropriate.

Solvay manages its financial counterparty risk by working with banking institutions of the highest caliber (selection based on major rating systems) and minimizes the concentration of risk by limiting its exposure to each of these banks to a certain

1. At the time of publication of this Annual Report

threshold, set in relation to the institution's credit rating.

In addition, Solvay places money with highly rated money-market funds as well as investing in short term debt securities from highly rated sovereign issuers at the appropriate moments.

Furthermore, Solvay Group manages external-customer risk and cash collection through a strong network of credit managers and collectors located in operating regions and countries. Credit-management and collection processes are supported by a set of detailed procedures and managed through corporate and GBU credit committees. Additionally, the customer portfolio risk is supported by insurance. These loss mitigation measures have led, over the past years, to a record low rate of customer defaults.

SES (Solvay Energy Services) performs a dedicated system control process. SES customer risk management is supported by the corporate Credit Management organization and dedicated credit committees, and relies on a standard validation process of credit limits.

Solvay has defined corporate pension-governance guidelines in order to maximize its influence over local pension fund decisions within the limits provided by local law, in particular, decisions related to investment and funding, selection of advisors, appointments of employer-nominated trustees to local pension fund boards and other cost-management decisions.

The Group has reduced its exposure to defined-benefit plans by converting existing plans into pension plans with a lower risk profile for future services or by closing them to new entrants. Examples of plans with a lower risk profile are hybrid plans, cash-balance plans and defined-contribution plans.

A global ALM (Asset Liability Management) analysis of Group's pension plans representing more than 90% of the Group's pension obligations was performed in 2012 to identify and manage corresponding risks on a global basis.

Solvay stresses the importance of tax compliance. It monitors its procedures and systems through internal reviews and through audits performed by reputable external consultants. Internal controls dedicated to tax-compliance processes are in place to limit the occurrence of possible errors or failures.

Solvay and Rhodia have issued transfer-pricing policies and procedures aimed at meeting the requirements of the authorities. These are in the process of being updated and integrated.

Transfer-pricing documentation is prepared annually for each relevant Group legal entity with the assistance of internal or external experts in line with OECD requirements, in order to demonstrate the arm's-length nature of cross-company pricing. The existence and timeliness of the documentation are regularly audited by the internal audit department. Internal transfer-pricing specialists assist the business in setting intra-group prices compliant with the transfer pricing policy.

The prevention and mitigation efforts for the tax litigation risk are based on thorough analysis of mergers, acquisitions and divestments, or proposed changes in the business organization and operations, with the assistance of external experts or law firms when the amounts at stake warrant it. Changes in laws and regulations are also monitored with the aim to adapt to new situations.

Solvay, as any other corporate tax payer, currently faces a large inflation in tax increases and the introduction of many new tax provisions. Solvay's Tax Department pays great attention to the right interpretation and application of these new tax rules to avoid future litigation.

6. PRODUCT RISK

Product-liability risk is Solvay's exposure stemming from injury to third parties or damage to their property arising from the use of a Solvay product, as well as the resulting litigation. Product liability may arise from out-of-specification products, inappropriate use, previously unidentified effects, manufacturing errors resulting in defective products, product contamination, altered product quality or inappropriate safety and health recommendations. Consequences of a faulty product could be exposure to liability for injury and damage as well as recall of a product. Product-liability risk is generally higher for products used in healthcare and food applications compared to other applications. Products with significant hazards are in general sold to industrial users and not directly to consumers.

Product-development risk is Solvay's exposure to adverse developments while developing new products and technologies or scaling up a process.

Prevention and mitigation efforts

Solvay controls the quality and purity of its manufactured products through quality-assurance and quality-control programs, by controlling industrial processes and by deploying full composition data management.

Product liability exposure is reduced by product stewardship programs giving adequate information and technical assistance to customers, ensuring a good understanding of safe use and handling. Solvay pays particular attention to providing complete and clear information about intended use and potential hazards by means of Safety Data Sheets, labels, regulatory-compliance statements and other documentation. For example, conditions of safe use and handling, hazard levels, first aid emergency measures and emergency phone numbers are provided in the language of its customers. Recall procedures as described in the product stewardship programs, management systems and in the health-care management process are as well developed and deployed.

Regarding product development, Solvay devotes substantial resources to R&D. Innovation is a cornerstone of the Group's strategy and Solvay considers that managing the challenges related to product development is more about opportunity than about risk for the company.

A defined project-management process ensures optimal use of resources when moving a new product from idea to market launch in a timely manner.

The New Business Development team within the R&I function manages the Group investments in internal and external research projects, start-ups and venture capital funds, allowing Solvay to remain engaged at the forefront of emerging businesses such as alternative renewable energies and organic electronics. It also includes risk-sharing through public-private partnerships or other forms of open innovation for developing breakthrough capital-intensive technologies.

7. RISK TO PEOPLE

Accidents to employees or third party individuals on Solvay's sites are generally linked to failure of safety management relating to risks at the workplace. Personnel accidents include falls during work at height and contact with chemicals (hot, corrosive or toxic) escaping from a vessel, pump or pipe, as well as accidents caused by explosion or falling objects.

Accidents to contractors include falls during work at height during construction and maintenance, use of tools and interaction with equipment during maintenance, as well as accidents due to non-compliance with work permit procedures.

Risks of causing **injury to neighbors or the public** are mostly a consequence of major accidents at manufacturing sites or during transport activities.

Occupational-related diseases including chronic diseases from exposures to occupational hazards are mostly related to past exposures resulting in health effects after a long period of latency, e.g. asbestos-related diseases.

Pandemic risk can affect employees, their families and the society at large.

Prevention and mitigation efforts

Safety of people is of the highest priority in the management of activities in Solvay. HSE (Health, Safety and Environment) policies, procedures, standards and programs for each HSE field are deployed at its plants. The Group has a long track record of good safety performance and with the integration of Rhodia's experience, sharing of good practices will allow for further progress. Within the frame of the agreement with ICEM (International Federation of Chemical, Energy, Mining and General Workers Unions), Rhodia set up a Global Safety Panel reviewing safety programs. The understanding and management of human and organizational factors are important to safety. Safety initiatives include programs for behavioral safety and for increasing the safety culture of managers, employees and contractors. Most sites have a dedicated management system for safety, while the Rhodia legacy sites have an integrated HSE management system.

The Group has zero LTA (Lost Time Accidents) as the ultimate target. Integrated safety results are available since the beginning of 2011: The Group LTAR (work accidents with absence / 1 million working hours) reached again this year a record value at 0.8. The MTAR (work accidents with medical treatment / 1 million working hours), a recently additional introduced indicator, reached a record value of 2.7 at the end of 2012. The safety results are presented monthly to the Executive Committee.

In 2012, a new safety initiative was launched by the Executive Committee to implement improved safety leadership practices allowing managers to demonstrate their commitment to safety. Targets have been set for continuous improvement concerning MTAR, chemical contact accidents and irreversible accidents. Regular distribution of lesson-learning events increase awareness and help to avoid recurrence of similar events at the same or other production and R&D sites.

Existing internal and external research, academic or intercompany developments are monitored to identify new safety approaches (ICSI (Institut pour une Culture de Sécurité Industrielle), EPSC (European Process Safety Centre) or CEFIC (European Chemical Industry Council) initiatives).

Solvay has put into place a global pandemic preparedness task force covering all plants and all businesses by means of a sustained network of coordinators prepared to implement regional and local prevention and mitigation activities.

Key elements of the management relating to contractor safety are organized in five successive steps: (i) qualification and pre-selection, (ii) work definition and risk analysis, (iii) contract definition (context, rules, penalties and acceptance), (iv) work execution, management and reception and (v) HSE contractor evaluation, feedback and actions. This also includes prevention planning, additional training for specific risks for health and safety, control and feedback during work and after completion. Thanks to such management elements, safety performance of contractors improved significantly during the recent years.

During the year 2012, the LTAR and MTAR of contractors further decreased to new record values, 0.5 and 2.5 respectively. Performance has improved further by 30% for both indicators compared to 2011. Visitors at Solvay sites should always be accompanied by a responsible person informed of the safety rules and procedures.

Process safety concerns the protection of people and assets against the consequences of process incidents. Solvay's objective is to ensure a uniform, centralized and best-in-class PSM (Process-Safety Management) performance. The ownership of PSM is assigned to HSE and Solvay will extend the Rhodia concept of process safety world-wide (i.e., red lines, risk assessment matrix methodology for assessment and acceptability of risk, independent family of process-safety engineers). The concept of PSM systems as applied in USA, where PSM is mandatory and must comply with OSHA (Operational Safety and Health Administration) and EPA (Environmental Protection Agency) requirements, is also used to support safety management systems in other regions, including Europe where it supports compliance with the Seveso Regulation.

The risk of an accident in connection with hazardous chemicals transportation is reduced by optimizing transport routes, relying on selected and audited hauliers and worldwide emergency assistance in case of accidents through the Carechem service. In addition, every effort is made to minimize the number of transportation activities by operating with integrated production units for hazardous intermediates. Solvay follows the safety recommendations of associations like Eurochlor, ECVM (European Council of Vinyl Manufacturers) or CTEF (Comité Technique Européen du Fluor) and programs like Responsible Care®.

Conservative approaches in risk assessment and management reduce real risk exposure when new hazards are revealed. Such conservative approaches are shared and applied by the worldwide toxicology team and also supported by the internal "Solvay Acceptable Exposure Limit" committee, chaired by the Corporate Medical Adviser.

Solvay has its own experts within the company and actively cooperates with external networks. High priority is given to nano-materials and technology, endocrine disruptors and health-related applications of Solvay products.

For decades, Solvay has had in place worldwide occupational-disease monitoring and a strong program in industrial hygiene focusing on a comprehensive assessment of compliance with occupational-hygiene standards. In order to ensure a high standard of occupational-health protection for employees, in 2006 Solvay started rolling out the occupational-hygiene module and in 2008 the health module of the MEDEXIS IH-OH system in order to manage comprehensive hygiene data as well as the data related to medical surveillance, in order to standardize and leverage medical surveillance programs. The principle of the MEDEXIS IH-OH system will be progressively extended to Rhodia and shared via a unique and uniform IT tool. It is designed to identify clusters of new possibly occupation-related diseases with multiple underlying causes, with the purpose of improving individual and collective exposure and medical traceability and facilitating the daily work of physicians and hygienists in Solvay.

8. ENVIRONMENTAL RISK

Environmental risk is Solvay's exposure stemming from the sudden or long-term release of a chemical substance following plant-equipment failures or transport accidents, as well as from production problems resulting in exceeding permitted emission levels. Several Solvay sites are governed by regulations concerning major-risk installations.

Exceeding permitted emission levels can lead to administrative or criminal sanctions, adverse outcomes in litigation and the risk of the loss of license to operate.

Like most other industrial companies, Solvay has to manage and remediate historical soil contamination at some sites as well as comply with future changes in environmental legislation. In Europe and elsewhere, environmental liability and the 'polluter pays' principle are increasingly embedded in environmental legislation, to prevent and remedy environmental damage. For the first time, environmental damage to land, water, natural habitats and protected species has been brought under the umbrella of a single piece of European legislation.

The legislation introduces an increasingly broader scope of soil-remediation legal liabilities than previously seen across Europe, including a requirement for primary remediation, complementary remediation and compensatory remediation. More generally, authorities worldwide are increasingly requiring management of soil and groundwater environmental legacies. The risk for Solvay is in particular that the ELD (European Liability Directive) will lead to increased remediation costs and in this context, a number of administrative proceedings are under way to define the need for and approach to remediation.

The risk from climate change is a reality, with its potential consequences: sea-level rise, increased frequency and gravity of hurricanes and typhoons, water scarcity, earthquakes, tsunamis and flooding. In addition a number of manufacturing sites are exposed to water scarcity risk.

Prevention and mitigation efforts

Solvay considers environmental protection a key aspect in the management of its activities. Well-defined measures to prevent pollution and accidents have been in place at Solvay for a long time. Solvay implements ISO 14001 or integrated HSE management systems equivalent to ISO14001 for the environment in all plants concerned. Policies and risk control programs are applied in all production units and other facilities and are progressively implemented in newly acquired plants. The Group has, in particular, taken the necessary steps to comply and even go beyond compliance with regulations concerning major risks, which includes detailed accident-prevention measures.

The sites with historical soil contamination are carefully monitored and managed by a dedicated worldwide team. This team receives training in regulatory awareness and undertakes regular updates of appropriate provisions for monitoring and remediation according to a defined audit process. The Group has developed internal expertise in soil management. It is Solvay's policy to have a risk characterization approach at all concerned sites. Hydrogeological studies and soil characterizations are conducted to diagnose potential problems, evaluate risks to aquifers and discuss relevant remediation or confinement actions with authorities. A number of such actions have been completed or are under way.

Compliance with applicable legislation is fully integrated into environment-management systems and is constantly monitored by all Solvay sites. Corrective actions are implemented whenever necessary in close cooperation with environmental authorities to assure that no adverse effect on the environment is observed.

Solvay monitors the effects of climate change as related risks and opportunities may affect the Group's business objectives. The risk is to an extent hedged through the geographic spread of both production units and markets for its products.

As regards water-scarcity risk, mitigation approaches include using alternative water sources, recycling and reducing over-consumption following an identification of sites possibly at risk. The geographic distribution of production units around the world reduces the overall impact of one production unit being slowed down or interrupted due to water shortage.

9. INFORMATION AND IT RISK

Information- and IT-related risks for Solvay include fraud, manipulation or destruction of information, inability to ensure continuity of information systems and business processes services and inability to protect confidential, critical or sensitive information.

Prevention and mitigation efforts

An independent team within the information systems function is responsible for the function's risk-management activities.

Solvay is closely monitoring developments within the area of IT security and information-systems risks. Regular risk profiling exercises are undertaken by the information-systems function in collaboration with the corporate ERM department. Risks are assessed, control efficiency is determined and controls are improved as applicable.

Information system's objective is to be ISO compliant, thus ensuring the quality of services for all Group entities.

During 2012 Solvay, together with chemical, transportation and software companies, participated in an exercise organized by US governmental agencies called Cyber Storm. The main objective was to measure the efficiency of procedures during cyber-attacks against information systems that may impact the financial, industrial and communication environment. In the same year, Solvay also participated in a similar exercise called Piranet organized by the French Government. Learnings from these events are being evaluated and activities adapted to Solvay's particular needs.

10. REPUTATIONAL RISK

Reputational risk arises from Solvay's exposure to a deterioration of its reputation with its different stakeholders. Damage may occur due to the realization of any of the risks described for the other risk categories in this chapter or any unexpected crisis event, whether real, supposed or alleged, and publication of any unfavorable outcome. It may also arise from the occurrence of any event or action associated with the Solvay name that would be in breach of ethics, law or corporate governance principles and which, more generally speaking, would fall short of stakeholder expectations with regard to Solvay.

Damage to corporate reputation can be accelerated and amplified by the Internet and social networking media.

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

Prevention and mitigation efforts

Besides overall good management under the supervision of the Corporate Communication function, control practices and systems, including crisis anticipation and preparation, efficient communication (clear, consistent and timely) and long-term solid relationships with key stakeholders, both inside and outside the organization, contribute in the long run to building and consolidating trust, which is a fundamental ingredient of reputation.

In addition to fostering its own good reputation, Solvay participates in specific programs implemented by key trade organizations to improve the reputation of the entire chemical industry. Members of the Executive Committee of Solvay have recently been active as presidents of ICCA (International Council of Chemical Associations), CEFIC (European Chemical Industry Council) and Plastics Europe.

A study of Solvay's enterprise risk management maturity in 2009 mentioned reputational management as one of Solvay's risk-management strengths.

Solvay has established communication processes, systems, plans and programs to create, develop and maintain a regular dialogue, including in crisis situations, with its main stakeholders: shareholders and the financial community, employees, customers and suppliers, authorities, local communities and opinion leaders. Tools include a variety of internal and external electronic and printed media tailored for internal and external audiences. Solvay maintains active press relations at the corporate and local levels, through direct contacts, press releases, conferences and visits as well as open-door and other events aimed at local communities around major sites. The Group has also adopted a set of guidelines and advice for employee use of social-networking media.

Clear values and training on practices supported by the Code of Conduct, combined with a high level of Corporate Governance, are instrumental in preventing behavior that could contribute to reputational risk.

Solvay is implementing effective management and communication systems designed to give early warning in case of actual or latent crises and to ensure an adequate response in the case of unexpected and sudden adverse events that can potentially harm the Group's reputation. Dedicated managers and employees are trained to face such situations. Crisis simulations are organized on a regular basis in the different entities of the Group.

IMPORTANT LITIGATION

With its variety of activities and its geographic reach, the Solvay Group is exposed to legal risks, particularly in the areas of product liability, contractual relations, antitrust laws, patent disputes, tax assessments and HSE matters. In this context litigation cannot be avoided and is sometimes necessary to defend the rights and interests of the Group.

The outcome of proceedings cannot be predicted with certainty. It is therefore possible that adverse final court decisions or arbitration awards could lead to liabilities (and expenses) that are not covered or not fully covered by provisions or insurance and could impact materially the revenues and earnings of the Group.

Ongoing legal proceedings involving the Solvay group currently considered to involve significant risks are outlined below. The legal proceedings described below do not represent an exhaustive list.

The fact that litigation proceedings are reported below is without relation to the merits of the cases. In all the cases cited below, Solvay is defending itself vigorously and believes in the merits of its defenses.

For certain cases in accordance with the accounting rules, Solvay has created reserves/provisions to cover the financial risk and defense costs (see the note 32 to the financial consolidated statement in page 91 of the 2012 Annual Report).

Anti-trust proceedings

In May 2006, the European Commission imposed fines in an aggregate amount of EUR 193 million against Solvay (including Ausimont SpA, acquired by Solvay in 2002) for alleged breaches of competition rules in the peroxygens market. Solvay is appealing the decision of the European Commission. Following appeal of the decision of the EU Commission by Solvay, the European General Court ruled that the fine should be reduced to EUR 139.5 million. Solvay has lodged an appeal to the Court of Justice to further reduce the fine. In November 2011, the EU Commission lodged a cross-appeal against the reduction of fine.

Joint civil lawsuits have been filed before the Court of Dortmund (Germany) in 2009 against Solvay and other producers based on the alleged antitrust violation, claiming damages from the producers on a joint and several basis. The value of the claims is approximately EUR 240 million (excluding interest).

In Brazil, Solvay is facing administrative claims related to alleged cartel activities in the Brazilian H2O2 and perborate markets in the years 1998 to 2001. CADE (Brazilian antitrust authority) issued fines against Solvay and others in May 2012 (Solvay's share of the fines is EUR 29.6 million). Solvay has filed a claim contesting the administrative fines before the Brazilian Federal Court.

HSE related proceedings

The French municipality of Metz has since 2001 filed several lawsuits against Solvay claiming that discharge of water containing some sodium chloride arising from the soda ash production process into the Meurthe river created additional costs (claimed to be about EUR 50 million) for distribution of potable water. Solvay complied with the operating permits delivered by the authorities throughout the period in question and vigorously contests the allegations.

In Ferrara, Italy, since 2002 criminal proceedings have been ongoing before the Criminal Court of Ferrara against four former employees of Solvay for alleged criminal conduct before 1975 in relation to two cases of former PVC workers with diseases allegedly due to exposure to VCM. The case was dismissed by the judge of first instance in the Criminal Court of Ferrara in April 2012 and several civil parties have appealed this decision. Solvay may be exposed to claims for civil liability in the event of a negative outcome of the proceedings.

In Spinetta Marengo, Italy, in October 2009, the Public Prosecutors charged several individuals (including employees and former employees of Solvay, and including Ausimont SpA) in relation to alleged criminal violations of environmental laws. Following a decision of the judge for preliminary hearing in January 2012, this case is now pending at trial level before the Assize Court of Alessandria. Solvay and Solvay Specialty Polymers Italy (formerly Solvay Solexis), a subsidiary of Solvay and legal successor of Ausimont SpA, may be exposed to claims for civil liability in case of a negative outcome of the proceedings.

In Bussi, Italy, the Public Prosecutor charged several individuals (including former employees of Ausimont SpA acquired by Solvay in 2002) in relation to alleged criminal violation of environmental laws (environmental disaster) and to alleged crimes against the public health (intentional poisoning of potable waters). The risks for Solvay Specialty Polymers Italy (formerly Solvay Solexis, a subsidiary of Solvay, and legal successor of Ausimont SpA) of being exposed to claims for civil damages are very remote.

As a general note, authorities are increasingly active to ensure improved management of the soil and groundwater environmental legacy of industrial companies. As a result, Solvay is involved in environmental legal proceedings in a limited number of sites, most of them related to sites of Ausimont SpA (acquired in 2002) and concerning soil contamination or landfills.

Rhodia activities

Former Rhodia shareholders have brought proceedings against Rhodia, former board members of Rhodia, its auditors and Sanofi regarding alleged inaccuracy of information provided in connection with Rhodia's acquisition of Albright & Wilson and Chirex. A stay of proceedings was granted on January 27, 2006.

Pharmaceutical activities (discontinued)

In the context of the sale of the Pharmaceutical activities in February 2010, the contractual arrangements have defined terms and conditions for the allocation and sharing of liability arising out of the activities before the sale.

Subject to limited exceptions, Solvay's exposure for indemnifications to Abbott for liabilities arising out of sold activities shall be limited to an aggregate amount representing EUR 500 million and for limited durations.

This includes indemnification against certain potential liabilities for the US hormone replacement therapy (HRT) litigation. Former users of HRT products have brought thousands of US lawsuits against manufacturers of HRT products. As of December 31, 2012, Solvay had resolved substantially all of the HRT cases brought against its former affiliate.

CORPORATE GOVERNANCE

THIS CHAPTER IS AN ANNEX TO THE MANAGEMENT REPORT

Table of contents

Reference code and introduction

The Solvay group has adopted the 2009 Belgian Corporate Governance Code as its reference code in governance matters. This report presents the application of the recommendations of that code in accordance with the “comply or explain” principle. The 2009 Belgian Corporate Governance Code is available on the GUBERNA internet site (www.guberna.be)[1].

The governance of the Solvay group applies to all its activities, including those of Rhodia acquired on Sept 16, 2011. In some areas, the integration of the Rhodia Sector in the Solvay group is not yet fully realized. During the integration period, different processes, but with similar purposes, will exist side by side, the objective being to align these within the governance framework of the Solvay group.

1. Legal and shareholding structure of Solvay SA

1.1. Solvay SA is a société anonyme (public limited liability company) created under Belgian law. Its registered office has been transferred from 33, rue du Prince Albert, 1050 Brussels, to 310, rue de Ransbeek, 1120 Brussels, Belgium, by decision of the Board of Directors of October 26, 2011.

The company’s by-laws can be found on the Solvay internet site: www.solvay.com.

An Extraordinary Shareholders’ Meeting of Solvay SA held on May 10, 2011 modified the company’s corporate purpose to make it more ‘generic,’ maintaining the primary focus on chemistry-related activities, while adding activities related to natural resources and targeting more clearly the acquisition of participating interests.

1.2. Its shares are registered or dematerialized. Since January 1, 2008, it has no longer been possible to receive paper (bearer) shares. Bearer shares already in a securities account have automatically been converted into dematerialized shares. Additionally, following a resolution adopted by the General Shareholders’ Meeting of May 8, 2007, all bearer shares issued by the company and not recorded in dematerialized securities accounts or converted into registered shares by July 1, 2011, have been converted automatically into dematerialized shares.

At December 31, 2012, the capital of Solvay SA was represented by 84 701 133 shares. Each share entitles its holder to one vote whenever voting takes place (except for any shares held by Solvay SA or its subsidiaries, the voting rights for which are suspended). All shares are equal and common.

1. For reason of readability, the present document also contains the information requested by the 2009 Belgian Corporate Governance Code for the Corporate Governance Charter.

The stock is listed on the NYSE Euronext Brussels. It is also admitted to trading on NYSE Euronext Paris since January 23, 2012. The Solvay share is included in several indexes:

> Euronext 100, consisting of the leading 100 European companies listed on NYSE Euronext, where Solvay ranked in 48th place (0.6% of the index) at December 31, 2012;
> The BEL 20 index, based on the 20 most significant shares listed on NYSE Euronext Brussels. At December 31, 2012, Solvay represented around 10.4% of the value of this index (2nd place in this index). Solvay shares are included in the ‘Chemicals – Specialties’ category of the NYSE Euronext Brussels sector index;
> The CAC 40 index, based on the 40 most significant shares listed on NYSE Euronext Paris where Solvay ranked in 31st place (0.9% of the index) at December 31, 2012;
> The DJ Stoxx, DJ Euro Stoxx, FTSE 300, MSCI and other indexes.

Since February 15, 2007, Solvay Stock Option Management SPRL has appointed the bank Rothschild & Cie., under a liquidity contract, to improve the liquidity of the share on NYSE Euronext Brussels. This appointment remained in place in 2012.

1.3. Solvay SA’s main shareholder is Solvac SA, which at December 31, 2012 held a little over 30% of the capital and voting rights in Solvay. Solvac SA has filed the required transparency declarations every time it has passed a legal or statutory declaration threshold. It has also made the notifications required by law with regard to public takeover bids.

Solvac SA is a société anonyme established under Belgian law, the shares of which are admitted to trading on NYSE Euronext Brussels. Its shares, all of which are registered, may be held by physical persons only. The very large majority (around 80%) of its capital is held by members of the Solvay SA founding families.

JPMorgan Asset Management Holdings Inc. notified Solvay that on November 21, 2012 the total participation of its various affiliates reached 3.03% or 2 562 505 shares.

In addition, at December 31, 2012, Solvay Stock Option Management SPRL held 2.05% of the shares issued by Solvay SA (1 735 010 shares), in particular to cover the Solvay stock options program (see under 2.1. ‘Capital’).

The latest transparency declarations are available on the internet site www.solvay.com.

The remaining shares are held by:

> individual shareholders who hold shares directly in Solvay SA. None of these persons, either individually or in concert with others, reaches the initial 3% transparency declaration threshold;
> European and international institutional shareholders, whose number and interest can be measured by the intensity of contacts at the many roadshows, by the regular publication of analysts’ reports and by the level of trading volumes

over recent years (an average daily trading volume on NYSE Euronext of 304 000 shares in 2012 and 247 000 shares in 2011).

The company has been informed that certain individual shareholders have decided to arrange to consult together when questions of particular strategic importance are submitted by the Board of Directors to the Shareholders' Meeting. Each of these shareholders, however, remains free to vote as he or she chooses.

1.4. At the May 2011 and May 2012 Shareholders' Meetings, shares were deposited and votes cast in respect of an average 51.8% of Solvay SA's capital.

1.5. At December 31, 2012, Solvay SA did not hold any shareholding requiring a legal or statutory transparency declaration.

2. Capital and dividend policy

2.1. Policy in respect of capital

2.1.1. Since being converted into a société anonyme and listed on the Stock Exchange in 1969, the company has not made public calls for capital from its shareholders, instead self-financing out of its profits, only a portion of which are distributed (see "Dividend policy" below).

2.1.2. By resolution of the Extraordinary Shareholders' Meeting of May 12, 2009, the Board of Directors was authorized, for a period of five years from that date, to acquire or dispose of, on the stock exchange, company shares representing up to 20% of its capital (i.e. 16 940 000 shares), at a price of between EUR 20 and EUR 150. No use was made of this facility in 2012.

2.1.3. In December 1999, the company introduced a new annual stock option program for Group executives worldwide. These programs are covered in part or totally by own shares purchased by the Solvay group on the stock exchange. Since January 2007, the covering program has been handled by Solvay Stock Option Management SPRL. This covering program was authorized for a five-year period by the Extraordinary Shareholders' Meeting of May 12, 2009.

The most recent annual program of stock options (exercisable from January 1, 2016 to March 15, 2020) was offered in March 2012 to around 430 Group executives, at an exercise price of EUR 88.71 per share. This price represents the average closing price of the Solvay share on NYSE Euronext during the 30 days preceding the offering of options. 97.2% of these stock options were accepted by these executives.

At December 31, 2012, Solvay Stock Option Management SPRL's holdings of Solvay SA shares represented 2.05% (1 735 010 shares) of the company capital.

In 2012, stock options representing a total of 684 773 shares were exercised (it should be noted that options are in principle exercisable over a period of five years[2] after being frozen for three years).
The stock options exercised break down as follows:
> 2001 stock option plan: 16 800 shares;
> 2002 stock option plan: 13 000 shares;
> 2004 stock option plan: 245 623 shares;
> 2005 stock option plan: 82 600 shares;
> 2007 stock option plan: 32 500 shares;
> 2008 stock option plan: 294 250 shares.

Voting and dividend rights attached to these shares are suspended as long as they are held by the company.

Finally it should be mentioned that, under the tender offer by Solvay SA for the shares of Rhodia, liquidity agreements were concluded with employees receiving free shares or options

2. Increased to eight years in the case of the 1999 to 2002 Stock Options Plans, for beneficiaries in Belgium. Increased to 10 years in the case of the 2005 to 2007 Stock Options Plans, for beneficiaries in Belgium.

Stock options plans

Issue date	Exercise price (in EUR)	Exercise date	Acceptance rate
2001	62.25	02/2005-12/2009	98.6%
2002	63.76	02/2006-12/2010	98.4%
2003	65.83	02/2007-12/2011	97.3%
2004	82.88	02/2008-12/2012	96.4%
2005	97.30	02/2009-12/2013	98.8%
2006	109.09	02/2010-12/2014	97.2%
2007	96.79	01/2011-12/2015	97.6%
2008	58.81	01/2012-12/2016	96.9%
2009	72.34	01/2013-12/2017	98.2%
2010	76.49	01/2014-12/2018	98.1%
2011	65.71	01/2015-12/2019	93.8%
2012	88.71	01/2016-03/2020	97.2%

on Rhodia shares to enable these beneficiaries to retain their rights and to sell their Rhodia shares during a specified period after the close of the tender offer. The free shares exposure is fully covered.

2.1.4. At its March 16, 2012 meeting, the Board of Directors implemented its annual stock option plan in favor of around 430 Group executives, including the Members of the Executive Committee. These include Mr. Christian Jourquin and Mr. Bernard de Laguiche (also directors). The latter persons therefore abstained, for ethical reasons, from the deliberations of the Board of Directors that concerned them with respect to stock options.

The Board of Directors noted their declaration of abstention, deeming that their participation in this plan fell under Article 523 §3.2 of the Companies' Code covering routine operations undertaken under normal market conditions and normal market safeguards for operations of the same type. At this request, the number of options granted in 2012 to the Chairman of the Executive Committee until May 10, 2012, Mr. Jourquin, was decreased to 0. Mr. de Laguiche accepted 20 000 options.

2.1.5. Independently of the authorization mentioned in paragraph 2.1.2. above and in a defensive context, the company has the ability to buy back its own shares on the stock market, up to 20% of the subscribed capital, with no price floor or cap, in the event of a threat of serious and imminent damage, such as, for example, a hostile public takeover bid.
This system was renewed in May 2011 for a three-year period by an Extraordinary Shareholders' Meeting of the company.

2.1.6. At its December 12, 2012 meeting, the Board of Directors approved a new compensation policy – further set out in Annex 2. This policy includes the design of a new Long Term Incentive (LTI) program for its Group executives. This new LTI program is centered around (i) the launch of a Performance Share Unit plan (PSU), associated with multi-year performance criteria and settled in cash and (ii) the continuation of a Stock Option plan (SOP).

2.2. Dividend policy

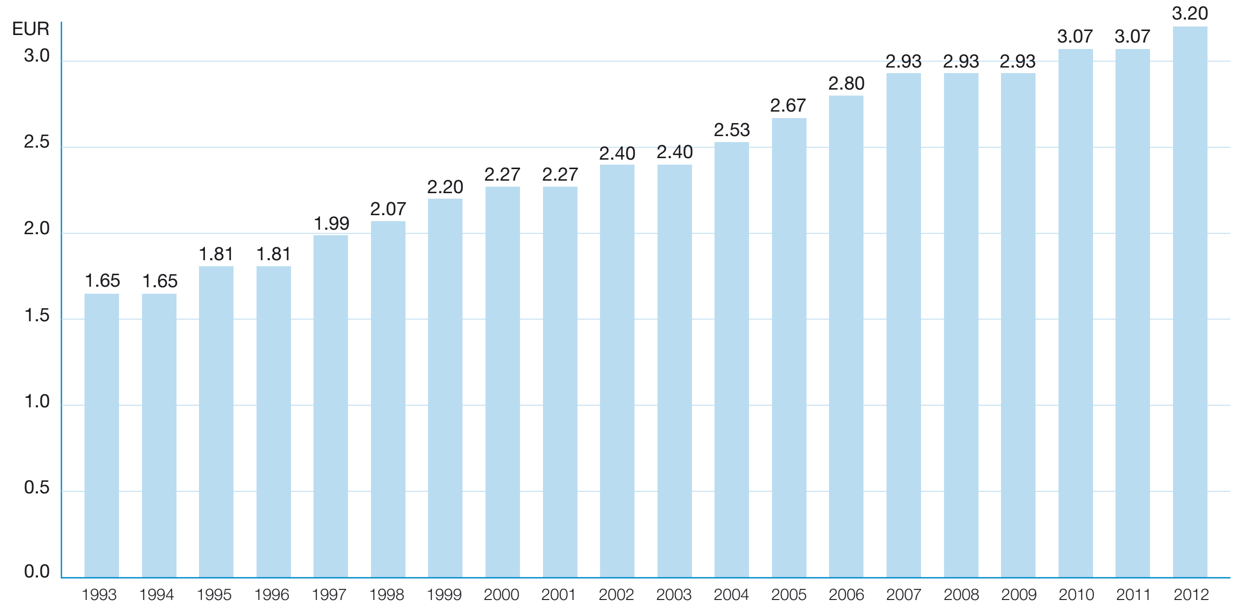
2.2.1. Board policy is to propose a dividend increase to the Shareholders' Meeting whenever possible, and as far as possible, never to reduce it. This policy has been followed for many years. The graph below illustrates the application of this policy over the past 20 years.

2.2.2. The annual dividend is paid in two installments, in the form of an advance payment (interim dividend) and a payment of the balance. The method to set the advance payment includes a guidance of 40% (rounded) of the total previous year's dividend, and takes into account the results for the first nine months of the current year.

In this way, for 2012, an interim dividend of EUR 1.20 gross per share (EUR 0.90 net after Belgian withholding tax of 25%) was approved by the Board of Directors on October 24, 2012. This interim dividend, which was paid on January 17, 2013, is to be offset against the total dividend for 2012.

As to the balance, once the annual financial statements have been completed, the Board of Directors proposes a dividend, in accordance with the policy described above, which it submits to the Ordinary Shareholders' Meeting for approval.
The second dividend installment, i.e. the balance after deducting the advance payment, is payable in May.

Solvay dividend (gross) from 1993 to 2012 (in EUR)



The dividend for 2012, proposed to the General Shareholders' Meeting of May 14, 2013, is EUR 3.20 gross per share (EUR 2.4 net per share), up 4.3% compared with the dividend for 2011. Given the interim dividend payment made on January 17, 2013, the balance of EUR 2.00 gross per share (EUR 1.50 net per share) will be payable from May 21st, 2013.

2.2.3. Shareholders who have opted to hold registered shares receive the interim dividend and the balance of the dividend automatically and free of charge by transfer to the bank account they have indicated, on the dividend payment date. Shareholders owning dematerialized shares receive their dividends via their banks or as they elect and arrange.

Coupons representing the interim dividend and dividend balance are payable at KBC Bank SA and CBC Banque SA:
> KBC Bank SA, Havenlaan 2, 1080 Brussels (Belgium);
> CBC Banque SA, Grand-Place 5, 1000 Brussels (Belgium).

2.2.4. The company has not, up to this point, proposed optional dividends to its shareholders, i.e. stock instead of cash dividends. This option does not offer any tax or financial benefit in Belgium to make it attractive to investors.

3. Shareholders' Meetings

It should be noted that the law of December 20, 2010 concerning the exercise of certain rights of shareholders in listed companies has modified the provisions of the Companies' Code concerning the holding of general meetings. The by-laws of Solvay SA have been adapted accordingly, with the ensuing amendments coming into force on January 1, 2012.

3.1. Place and date

The company's annual Ordinary Shareholders' Meeting is held every year on the second Tuesday of May at 10.30 at the registered office or any other place indicated in the notice of meeting.
The Board tries to organize any necessary Extraordinary Shareholders' Meeting immediately before or after the annual Ordinary Shareholders' Meeting.

3.2. Agenda

The Shareholders' Meeting is convened by the Board of Directors, which also sets its agenda. Shareholders may, however, request the calling of a Shareholders' Meeting and set its agenda where those shareholders together represent 20% of the capital, as required by the Companies' Code.
One or more shareholders owning together at least 3% of capital may also, under the conditions provided for by the Companies' Code, call for items to be included on the agenda of any shareholders' meeting and submit proposals for decisions concerning the items to be included or already included on the agenda of an already convened Meeting.

The agenda of the Ordinary Shareholders' Meeting as a rule includes the following items:
> the Board of Directors' report on the financial year, including the Corporate Governance report and the compensation report;
> the auditor's report for the year;
> the consolidated financial statements for the year;
> approval of the annual financial statements;
> setting the dividend for the year;
> discharge of the directors and the statutory auditor in respect of the financial year;
> setting the number of directors and of independent directors, the length of their terms of office and the rotation of renewals;
> election of directors and of the external auditor (renewals or new appointments);
> the company's compensation report (included in Chapter 6 below), which is communicated to the Works' Council as provided by law;
> setting the auditor's annual fee for the external audit for the duration of the auditor's appointment; and
> approval of change of control clauses in significant contracts (e.g. joint ventures).

Extraordinary Shareholders' Meetings are required in particular for all matters affecting the content of the company's by-laws. Every time the Board of Directors prepares a special report in advance of an Extraordinary Shareholders' Meeting, this special report is enclosed with the notice of the meeting and is published on the company's internet site.

3.3. Procedure for calling meetings

The notices convening Shareholders' Meetings set forth the place, date and time of the meeting, the agenda, the reports, proposed decisions on each item to be voted on, and the procedure for taking part in the meeting or for appointing proxies. Holders of registered shares receive notice of the meeting by post-office mail at the address they have given, including notification of participation and proxy forms, except where recipients have agreed, individually, expressly and in writing, to receive notice of meetings and attached documents by another means of communication. Persons owning dematerialized shares are notified of meetings by announcements in the press. These notices of meetings are published in the official Belgian gazette (Moniteur Belge/ Belgisch Staatsblad) and in the financial press, in particular the Belgian, French, and Dutch-language newspapers. The major banks established in Belgium also receive the necessary documentation to pass on to Solvay shareholders among their clients.

3.4. Participation in Shareholders' Meetings and appointment of proxies

3.4.1. Since January 1, 2012, the registration procedure has been obligatory for participating in and voting at the Shareholders' Meeting.

Shareholders must complete the registration of their securities by 24.00 hours (Belgian time) on the 14th calendar day prior to the relevant Shareholders' Meeting.

For holders of registered shares, shares are registered automatically by virtue of being in the company's register of registered shares on the registration date.

Dematerialized shares are registered by virtue of their being recorded in the accounts of a recognized account holder or a clearing organization.

Shareholders are admitted to the Shareholders' Meetings and may exercise their voting rights with the shares which have gone through the legal registration procedure, regardless of the number of shares they hold on the date of the particular Shareholders' Meeting.

3.4.2. Shareholders should also indicate to the company and, where applicable, to the person they have designated to that effect, their desire to take part in the Shareholders' Meeting, no later than the sixth calendar day preceding the date of the Shareholders' Meeting.
Holders of registered shares must send to the company the signed original notice of participation, using the form attached to their notice of meeting.

Holders of dematerialized shares should send the company a certificate from the recognized account holder or the clearing organization certifying the number of shares that are registered in their name in their accounts at the registration date and for which they wish to participate in the Shareholders' Meeting.

More detailed information on arrangements for taking part in the Shareholders' Meeting will be made available to shareholders on the company website (http://www.solvay.com/EN/Investors/Corporategovernance/ShareholdersMeetings.aspx).

3.4.3. The exercise of voting rights attached to shares that are jointly owned or the usufruct and bare property rights of which have been separated, or shares belonging to a minor or a legally incapacitated person, follows special legal and statutory rules, a common feature of which is the appointment of a single representative to exercise the voting right. Failing this, the voting right is suspended pending such appointment.

3.4.4. Shareholders vote at Shareholders' Meetings in person or by proxy. The form of proxy is determined by the Board and will be available on the company website once the Shareholders' Meeting in question has been called. Proxies must be received at the location indicated or, where applicable, at the email address mentioned in the notice no later than the sixth calendar day preceding the date of the Shareholders' Meeting.

The appointed agent does not have to be a shareholder of the company.

In the event that certain shareholders exercise their right to add items or proposals for decisions to the agenda of a Shareholders' Meeting, the proxies already notified to the company remain valid for the subjects they cover. Regarding the new items, the reader is referred to the provisions of the Companies Code.

The appointed agent may not deviate from the specific voting instructions given to him by a shareholder, except for the exceptions provided by the Companies Code.

In the absence of specific instructions on each agenda item, the agent who finds himself in a situation of potential conflict of interest with his principal, within the meaning of Article 547bis, § 4 of the Companies Code, may not vote.

Invalid proxy forms will be excluded from the count. Abstentions formally expressed as such during a vote or on proxy forms are counted as such.

3.4.5. Each shareholder who complies with the formalities for admission to the Shareholders' Meeting is entitled to ask questions in writing concerning the items on the agenda. These questions can be submitted by mail to the registered office or electronically to the email address specified in the notice. Written questions must reach the company no later than the sixth calendar day before the date of the Shareholders' Meeting.

3.5. Procedure

3.5.1. The Shareholders' Meeting is chaired by the Chairman of the Board or, in his absence, by the Vice-Chairman or a Director delegated this task by his colleagues.
The Chairman will preside over the discussions following Belgian practice for deliberative meetings. He will take care to ensure that questions from the Meeting are answered, whilst respecting the agenda and confidentiality commitments. He will appoint the secretary of the meeting, who as a rule is the Corporate Secretary, and will appoint two shareholders as tellers.

3.5.2. Resolutions in Ordinary Shareholders' Meetings are passed by a simple majority of votes of shareholders present and represented on a "one share, one vote" basis.

3.5.3. In the case of Extraordinary Shareholders' Meetings, the company respects the legal rules governing quorums and majorities.

3.5.4. Voting is, as a general rule, public, by show of hands or by electronic voting. Votes are counted and the results announced immediately.
Provision is made for secret balloting in exceptional cases when a particular person is involved.
This procedure has never been requested to date. This by-law was amended at the Extraordinary Shareholders' Meeting of May 9, 2006 so as to set a threshold of 1% of capital to be reached by one or more shareholders acting in concert, and only when there is more than one candidate for a given office.
The minutes of the Shareholders' Meeting are drawn up and adopted by shareholders at the end of the meeting.
They are signed by the Chairman, secretary, tellers and those shareholders who wish to do so. Minutes of Extraordinary Shareholders' Meetings are notarized.

3.5.5. The minutes containing the voting results will be published on the company's internet site (www.solvay.com) no later than the 15th calendar day after the date of the Shareholders' Meeting. Minutes of the most recent Shareholders' Meetings are also available on the company's internet site (www.solvay.com). Copies or official extracts may be obtained on request by shareholders, in particular under the signature of the Chairman of the Board.

3.6. Documentation

Documentation relating to Shareholders' Meetings (notice of meeting, agenda, proxy and notification of participation forms, annual report, special report of the Board of Directors if any, etc.) is available every year on the Internet site www.solvay.com from the time of giving notice of the meeting and at least until the holding of the meeting in question.
This documentation is available in French and Dutch (official versions) and in English (unofficial translation).

4. Board of Directors

4.1. Role and mission

The Board of Directors is the highest management body of the company.
The law accords to it all powers that are not reserved, by law or by the by-laws, to the Shareholders' Meeting.
In the case of Solvay SA, the Board of Directors has reserved certain key areas for itself and has delegated the remainder of its powers to an Executive Committee (see below).
It has not opted to set up a Management Committee (Comité de Direction/ Directiecomité) as defined by Belgian law.

The main key areas which the Board of Directors has reserved for itself are:

1. Matters for which it has exclusive responsibility, either by law or under the by-laws, for example:
> the preparation and approval of the consolidated periodic financial statements and those of Solvay SA (quarterly – consolidated only, semiannual and annual) and the related communications;
> adoption of accounting standards (in this case the IFRS standards for the consolidated accounts and Belgian standards for the Solvay SA unconsolidated accounts);
> convening Shareholders' Meetings and drawing up the agenda and proposals for resolutions to be submitted to them (concerning, for example, company financial statements, dividends, amendments to the by-laws, etc.).

2. Setting the general strategies and general policies of the Group.

3. Approving the reference frameworks for internal control and for risk management.

4. Adopting the budget and long-term plan, including investments, R & D and financial objectives.

5. Appointing the Chairman, Members of the Executive Committee, General Managers and the Corporate Secretary, and setting their missions and the extent of the delegation of powers to the Executive Committee.

6. Supervision of the Executive Committee and ratification of its decisions, where required by law.

7. Appointing from among its members a Chairman and as a the case may be, a Vice-Chairman, and creating from among its members an Audit Committee, a Compensation Committee, a Nomination Committee and a Finance Committee, defining each Committee's mission and determining its composition and its duration.

8. Major decisions concerning acquisitions, divestitures, the creation of joint ventures and investments. Major decisions are considered to be those involving amounts of EUR 50 million or more.

9. Setting the compensation of the Chairman of the Executive Committee and of Executive Committee Members.

10. Establishing internal Corporate Governance and Compliance rules.

In all matters for which it has exclusive responsibility, the Board of Directors works in close cooperation with the Executive Committee, which in particular is responsible for preparing most of the proposals for decisions by the Board of Directors.

4.2. Modus operandi and representation

4.2.1. Board Members have available to them the information needed to carry out their functions in the form of dossiers drawn up under instructions from the Chairman and sent out to them by the Corporate Secretary several days before each session.
They may also receive additional information of any kind that may be of use to them from, depending on the nature of the question, the Chairman of the Board, the Chairman of the Executive Committee or the Corporate Secretary. Decisions to obtain outside expertise, when necessary, are taken by the Board of Directors, for those subjects falling within its authority.

4.2.2. The company is validly represented with regard to third parties by the joint signature of persons with the following capacities: the Chairman of the Board of Directors and/or directors belonging to the Executive Committee. For documents relating to the day-to-day management of the company, the signature of a single director member of the Executive Committee is sufficient. Powers may also be delegated on a case-by-case basis as needs arise.

4.2.3. Subject to in the provisions of 2.1.4. (Article 523 of the Companies Code), the Directors of the company were not confronted in 2012 with conflict of interest situations requiring the implementation of the legal procedures provided for by the Companies' Code.

On the other hand, and in a very limited number of cases, one or the other member has preferred, for ethical reasons, to abstain from participating in debates and in voting.

4.3. Composition

4.3.1. Size & Composition

At December 31, 2012, the Board of Directors consisted of 15 members, as listed on page 149.

4.3.2. During 2012, until the Ordinary Shareholders' Meeting on May 8, 2012, the Board of Directors was chaired by Mr. Aloïs Michielsen, with Mr. Denis Solvay as Vice-Chairman, As announced, Mr. Aloïs Michielsen who reached the age limit of 70 years left the Board of Directors of Solvay and his chairmanship after the Ordinary Shareholder's Meeting on May 8, 2012.

Mr. Nicolas Boël following an unanimous decision of the Board, succeeded Mr. Aloïs Michielsen as Chairman of the Board with effect from May 9, 2012.

At the Ordinary Shareholders' Meeting of May 8, 2012:
> the directorship of Mr. Jean-Marie Solvay was renewed for a four-year term;
> Mr. Jean-Pierre Clamadieu was appointed as Director to replace Mr. Aloïs Michielsen, whose term he will complete;
> Mr. Jourquin resigned as a member of the Board; and
> the Board Members was reduced from sixteen to fifteen, taking effect on May 10, 2012 since Mr Christian Jourquin did not wish to complete his term as a Board Member. No replacement has been designated.

At the Ordinary Shareholders' Meeting on May 14, 2013, the Board of Directors will propose:
> to renew for a four-year term the directorship of Chevalier Guy de Selliers de Moranville, Mr. Nicolas Boël, Mr. Bernard de Laguiche, Baron Hervé Coppens d'Eeckenbrugge, Mrs. Evelyn du Monceau and Mr. Jean-Pierre Clamadieu;
> not to reassign the directorship of Mr. Jean van Zeebroeck who reached the age limit for Directors of 70 years;
> to appoint Mrs. Françoise de Viron as a new independent Director for a four-year term;
> to appoint Mrs. Amparo Moraleda Martinez as an independent Director to replace Mrs. Petra Mateos who has not requested renewal of her term of office.

Terms of office and age limit

Directors are appointed by the Shareholders' Meeting for four years. They may be reappointed.

The age limit for membership on the Board is the annual Shareholders' Meeting following the member's 70th birthday.

4.3.3. Criteria for appointment

The Board of Directors applies the following primary criteria when proposing candidates for election to directorships by the Ordinary Shareholders' Meeting:
> ensuring that a substantial majority of directors on the Board are non-executive. At December 31, 2012, 13 out of 15 directors were non-executive, and two belonged to the Executive Committee (Mr. Jean-Pierre Clamadieu and Mr. Bernard de Laguiche);
> ensuring that a large majority of non-executive directors are independent according to the criteria defined by law and further tightened by the Board of Directors (see "criteria of independence" below).
In this respect, at December 31, 2012, the independent status of 9 out of 13 non-executive directors has been recognized by the Ordinary Shareholders' Meeting;
> ensuring that the members of the Board of Directors together reflect the shareholder structure and possess the wide range of competences and experience required by the Group's activities;
> ensuring that the Board of Directors' international composition appropriately reflects the geographic extent of its activities. At December 31, 2012, the Board included members of seven different nationalities;
> ensuring that the candidates it presents commit to devoting sufficient time to the task entrusted to them. In this respect, attendance at Board Meetings was very high in 2012 (95.4%);
> ensuring, finally, that it does not select any candidate holding an executive position in a competing company or who is or was involved in the external audit of the Group;
> Belgian law and the by-laws of the company permit spontaneous candidacies for the post of director, providing that these are addressed to the company in writing at least 40 days before the Ordinary Shareholders' Meeting.

As required by law, the Board of Directors, consisting of 13 men and 2 women at December 31, 2012, will take care, when mandates are next renewed, to comply, within the relevant deadlines, with the requirement that at least one-third of the Board be women.

The Chairman of the Board, working together with the Chairman of the Nomination Committee, gathers the information allowing the Board of Directors to verify that the selected criteria have been met at the time of appointment, renewal and during the term of office.

4.3.4. Criteria for independence

Based on Belgian law, the Board of Directors sets the criteria for determining directors' independence. Each director fulfilling these criteria is presented to the Ordinary Shareholders' Meeting for confirmation.
The legal criteria of independence as contained in article 526ter of the Companies' Code (introduced by the law of December 17, 2008 (art. 16) are as follows:

1. During a period of five years before appointment, not having acted as an executive member of the management body or a member of the executive committee or managing director in the company or in a company or person affiliated with

	Year of birth	Year of first appoint-ment	Solvay SA mandates, and expiry date of directorship	Diplomas and activities outside Solvay	Presence at meetings in 2012 as a function of date of appointment
Mr. Nicolas Boël (B)	1962	1998	2013 From May 9, 2012: Chairman of the Board of Directors, Chairman of the Finance Committee and Chairman of the Compensation Committee Member of the Nomination Committee	MA in Economics (Catholic University of Louvain), Master of Business Administration (College of William and Mary – USA). Director of Sofina.	7/7
Mr. Jean-Pierre Clamadieu (F)*	1958	2012	2013 Chairman of the Executive Committee, Director and Member of the Finance Committee and invited to the Compensation and Nomination Committees	Engineering degree from the Ecole des Mines (Paris). Director of Axa, Faurecia.	3/3
Mr. Bernard de Laguiche (F/BR)*	1959	2006	2013 Member of the Executive Committee, Director and Member of the Finance Committee	MA in Economics and Business Administration HSG (University of St. Gallen, Switzerland).	7/7
Mr. Jean-Marie Solvay (B)	1956	1991	2016 Director and Member of the Innovation Board	Advanced Management Programme – Insead. CEO of Albrecht RE Immobilien GmbH & Co. KG.,Berlin (Germany), Director of Heliocentris GmbH & Co. KG., Berlin (Germany), Chairman of the Board of the International Solvay Institutes.	7/7
Chevalier Guy de Selliers de Moranville (B)	1952	1993	2013 Director Member of the Finance and Audit Committees	Civil engineering degree in mechanical engineering, and MA in Economics (Catholic University of Louvain). President and Co-Founder of HCF International Advisers, Member of the Supervisory Board and Chairman of the Audit Committee of Advanced Metallurgical Group (Netherlands), Vice-Chairman of the Board of Ageas SA, Chairman of the Board of Ageas UK, member of the Board of Ivanplats Ltd. and various other mandates in unlisted companies.	6/7
Mr. Denis Solvay (B)	1957	1997	2014 Director, Vice-Chairman of the Board of Directors until May 8, 2012 inclusive and Member of the Compensation and Nomination Committees	Commercial engineering degree (Free University of Brussels). Director of Eurogentec, Director and Member of the Executive Committee of Abelag Holding.	7/7
Mr. Jean van Zeebroeck (B)	1943	2002	2014 Independent Director Member of the Compensation and Nomination Committees	Doctorate of Law and diploma in Business Administration (Catholic University of Louvain), MA in Economic Law (Free University of Brussels), Master of Comparative Law (University of Michigan – USA). General Counsel of 3B-Fibreglass Company.	7/7
Mr. Jean-Martin Folz (F)	1947	2002	2014 Independent Director Member of the Compensation and Nomination Committees From May 9, 2012: Chairman of the Nomination Committee	Ecole Polytechnique and Mining Engineer (France). Former Chairman of the managing board of PSA Peugeot-Citroën, Chairman of Eutelsat, Director of Saint-Gobain, of Société Générale, of Alstom and of Axa.	6/7
Prof. Dr. Bernhard Scheuble (D)	1953	2006	2014 Independent Director Chairman of the Audit Committee	MSc,Nuclear Physics & PhD, Display Physics (Freiburg University – Germany). Former Chairman of the Executive Committee of Merck KGaA, (Darmstadt) and former Member of the E. Merck OHG Board of Directors.	7/7
Mr. Anton van Rossum (NL)	1945	2006	2014 Independent Director Member of the Audit Committee	MA in Economics and Business Administration (Erasmus University Rotterdam). Board Member of Crédit Suisse (Zurich), Supervisory Board Member of Munich Re (Munich), Chairman of the Supervisory Board of Royal Vopak (Rotterdam), Chairman of the Supervisory Board of Erasmus University Rotterdam and Chairman of the Netherlands Economics Institute (Rotterdam).	5/7
Mr. Charles Casimir-Lambert (B/CH)	1967	2007	2015 Independent Director Member of the Audit Committee	MBA Columbia Business School (New York)/London Business School (London), Master's degree (lic.oec.HSG) in economics, management and finance (University of St.Gallen – Switzerland). Supervision of family's global interests.	7/7
Mrs. Petra Mateos-Aparicio Morales (ES)	N/A	2009	2013 Independent Director Member of the Finance Committee	PhD in Economics and Business Administration (Universidad Complutense, Madrid – Spain). Former Executive Chairwoman of Hispasat (Spain and International), Former President of Hisdesat; Tenured Professor of Finance at the University of Business Administration, UNED Madrid, Board of Trustees ANECA, Member of the International Consultive Board of Science, University and Society of CRUE, Vice President of Spain US Chamber of Commerce.	7/7
Baron Hervé Coppens d'Eeckenbrugge (B)	1957	2009	2013 Independent Director Member of the Finance Committee	MA in Law from the University of Louvain-la-Neuve (Belgium), Diploma in Economics and Business, ICHEC (Belgium). Group Director Petercam SA, Director of Vital Renewable Energy Company LLC (Delaware).	7/7
Mr. Yves-Thibault de Silguy (F)	1948	2010	2015 Independent director Member of the Compensation and Nomination Committees	MA in Law from the University of Rennes, DES in public law from the Université de Paris I, graduate of the Institut d'Etudes Politiques de Paris and the Ecole Nationale d'Administration. Vice-Chairman and Lead Director of the VINCI group, Director of LVMH, Chairman of the Supervisory Board of Sofisport (France) and Trustee of the International Financial Reporting Standards Foundation (IFRS Foundation), Chairman of YTSeuropaconsultants.	6/7
Mrs. Evelyn du Monceau (B)	1950	2010	2013 Independent director Member of the Compensation and Nomination Committees	MA in Applied Economics from the Catholic University of Louvain. Vice Chairwoman of the Board and Chairwoman of the Remuneration and Nomination Committee of UCB SA, Member of the Board of Directors of La Financière de Tubize SA, Director of FBNet Belgium, Member of the Foundation Commission Corporate Governance. Member of the Orientation Council of NYSE Euronext Brussels.	7/7

* Full-time activity in the Solvay group.

the same within the meaning of article 11 of the Companies' Code. The Board of Directors has added to this criterion a minimum one-year waiting period for the Shareholders' Meeting to recognize the independence of a nonexecutive director of Solvac leaving its Board of Directors to join the Solvay Board of Directors;

2. Not having sat on the board of directors in the capacity of a non-executive director for more than three successive terms of office or more than twelve years;

3. During three years prior to appointment, not having been part of the senior management, within the meaning of article 19.2 of the law of September 20, 1948 on the organization of the economy, of the company or of a company or an affiliated person within the meaning of article 11 of the Companies' Code;

4. Not having received compensation or any other significant benefit of a patrimonial nature from the company or an affiliated company or person within the meaning of article 11 of the Companies' Code, with the exception of any profit percentages (tantièmes) or fees received in the capacity of non-executive member of the management body or a member of the supervisory body;

5. a) Not holding any ownership rights in the company representing a tenth or more of the capital, or the company equity, or a category of shares of the company;

b) Where the person in question holds ownership rights of under 10%:

a) When these ownership rights are added to those held in the same company by companies over which the independent director has control, these ownership rights may not reach one tenth of the capital, of the company equity, or a category of shares of the company;

or

b) The use of these shares or the exercise of the rights attached to the same may not be subject to contract stipulations or to unilateral commitments to which the independent member of the management body has subscribed;

c) Not to represent in any way a shareholder meeting the conditions of this item;

6. Not maintaining, or having maintained during the past financial year, a significant business relationship with the company or with an affiliated company or person within the meaning of article 11 of the Companies' Code, either directly or in the capacity of partner, shareholder, member of the management body or of member of senior management, within the meaning of article 19.2 of the law of September 20, 1948 on the organization of the economy, of a company or a person maintaining such relationship;

7. Not having been, during the past three years, a partner or salaried employee of the current or previous external auditor of the company or of an affiliated company or person within the meaning of article 11 of the Companies' Code;

8. Not being an executive member of the management body of another company in which an executive director of the company acts as a non-executive member of the management body or member of the supervisory body, nor maintaining other major connections with the executive directors of the company as a result of functions exercised in other companies or bodies;

9. Not having, either within the company or within an affiliated company or person within the meaning of article 11 of the Companies' Code, a spouse or legally cohabiting partner, or parents or relations up to the second degree of kinship holding the position of member of the management body, of member of the executive committee, of a day-to-day executive manager or of member of senior management, within the meaning of article 19.2 of the law of September 20, 1948 on the organization of the economy, or falling under one of the other cases defined in items 1 to 8.

At December 31, 2012, 9 out of 15 directors fulfilled the criteria of independence, as confirmed by a vote of the Ordinary Shareholders' Meeting of May 10, 2011:

- > Mr. Jean-Pierre Clamadieu, Chairman of the Executive Committee and CEO, was not recognized as independent at the time of his appointment as Director in 2012 (criterion no.1);
- > Mr. Bernard de Laguiche, Member of the Executive Committee, was not recognized as independent at the time of the renewal of his directorship in 2009 (criterion no. 1);
- > Mr. Nicolas Boël, Mr. Denis Solvay, Mr. Jean-Marie Solvay and Chevalier Guy de Selliers de Moranville, having been Directors of the company for over 12 years, are not independent for this reason (criterion no. 2).

4.3.5. Appointment, renewal, resignation and dismissal of Directors

The Board of Directors submits directors' appointments, renewals, resignations or dismissals to the Ordinary Shareholders' Meeting for approval. It also submits to it the vote on the independence of the Directors fulfilling the related criteria, after informing the Works' Council of the same. It also first seeks the opinion of the Nomination Committee, which is tasked with defining and assessing the profile of any new candidate using the criteria of appointment and of specific competences it sets.

The Ordinary Shareholders' Meeting decides on proposals made by the Board of Directors in this area by a simple majority. When a directorship becomes vacant during a term of office, the Board of Directors may appoint a new member, subject to ratification by the next following Ordinary Shareholders' Meeting.

4.3.6. Frequency, preparation and holding of Board meetings

The Board of Directors met seven times in 2012. Five ordinary meetings are planned in 2013.

The dates of ordinary meetings are set by the Board of Directors itself, more than one year before the start of the financial year. Additional meetings can, if needed, be called by the Chairman of the Board of Directors, after consulting with the Chairman of the Executive Committee.

The agenda for each meeting is set by the Chairman of the Board of Directors after consulting with the Chairman of the Executive Committee.

The Corporate Secretary is charged, under the supervision of the Chairman of the Board of Directors, with organizing meetings, and sending notices of meetings, agendas and the dossier containing the item-by-item information required for decision-making.

To the extent possible, he ensures that directors receive notices of meetings and complete files at least five days before the meeting. The Corporate Secretary prepares the minutes of the Board meetings, presenting the draft to the Chairman and then to all members.

Finalized minutes that have been approved at the following Board meeting are signed by all Directors having taken part in the deliberations.

The Board of Directors takes its decisions in a collegial fashion by a simple majority of votes. Certain decisions that are considered particularly important by the company's by-laws require a three quarters majority of its members. The Board may not validly transact its business unless half of its members are present or represented. Given the very high level of attendance, the Board of Directors has never been unable to transact business.

4.4. Evaluation and training

4.4.1. Evaluation

In 2010, the Board of Directors undertook an evaluation, focused primarily on its own composition, modus operandi, information and interactions with executive management, and the composition and modus operandi of the committees created by it. Board members were invited to express their views on these various points based on a questionnaire drawn up with the help of the Belgian Governance Institute, now named GUBERNA.

The Chairman of the Board then met individually with each Board member. In addition to the subjects listed above, the meetings focused on assessing the individual directors' contributions to the Board's work and, where applicable, the renewal of their directorships.

The improvements decided upon by the Board at the end of this evaluation process were: increasing the time allotted to questions and answers during executive management's presentation of quarterly results, and also the addition of Human Resources to the list of regular executive management presentations to the Board.

The next evaluation of the Board will take place in 2013.

4.4.2. Training

An induction program is provided for new Directors, aimed at acquainting them with the Solvay group as quickly as possible. The program includes a review of the Group's strategy and sectors of activity and of the main challenges in terms of growth, competitiveness and innovation, as well as finance, research & development, human resources management, the legal context, compliance and the general organization of operations. This program is open to every Director who wishes to participate.

It also includes visiting industrial or research sites.

4.5. Committees

4.5.1. Rules common to the various Committees

> The Board of Directors has set up on a permanent basis the following specialized Committees: the Audit Committee, the Finance Committee, the Compensation Committee and the Nomination Committee;

> These Committees do not have decision-making powers. They are advisory in nature and report to the Board of Directors, which takes the decisions. They are also called on to give opinions at the request of the Board of Directors or Executive Committee. After presentation to the Board of Directors, the Committees' reports are attached to the minutes of the Board meeting;

> Terms of office on the four Committees are for two years and are renewable. The composition of these Committees is communicated on the company's internet site;

> Members of the permanent Committees (except for Executive Committee members) receive separate compensation for this task;

> The Board of Directors may set up a temporary ad hoc committee to liaise with the Executive Committee on an important issue. One such committee was set up at the end of 2009 to examine the reinvestment of the proceeds of the sale of the Group's pharmaceuticals activities.

The terms of members of various committees matured on May 1, 2012. The Board of Directors decided to extend these until the date of the Ordinary Shareholders' Meeting on May 8, 2012 in order to reflect the changes ensuing on Mr. Aloïs Michielsen's departure on that date.

The Board further decided to have the renewal dates of the Committees coincide with the dates of Ordinary Shareholders' Meetings in the future. The new composition of Committees therefore took effect on May 9, 2012 for a period of two years, ending on the date of the Ordinary Shareholders' Meeting to be held in May 2014.

4.5.2. The Audit Committee

In 2012, the Audit Committee was composed of Prof. Dr. Bernhard Scheuble (Chairman), Chevalier Guy de Selliers de Moranville, Mr. Anton van Rossum and Mr. Charles Casimir-Lambert. These are independent non-executive directors, with the exception of Chevalier Guy de Selliers de Moranville. The

Secretariat of this Committee is provided by a member of the Group's internal legal staff.

This Committee met five times in 2012, including four times before the Board meeting scheduled to consider the publication of periodic results (quarterly, semiannual and annual).
Participation in Audit Committee meetings was very high, (100%).

The mission of the Audit Committee is set out in a "Terms of Reference" document (see Annex 1). It integrates the requirements of article 526 bis of the Corporate Law.
The main tasks of the Audit Committee include:

> ensuring the conformity of financial statements and communications of the Company and the Group to generally accepted accounting principles (IFRS for the Group, Belgian accounting law for the parent company);
> monitoring the effectiveness of the Group's internal control systems and risk management;
> examining the areas of risk that can potentially have a material effect on the Group's financial situation;
> verifying the scope/programs and results of internal audit;
> making a proposal to the Board of Directors on the appointment of the external auditor;
> examining the scope of the external audit and the way it is implemented;
> monitoring the scope and the nature of the additional services provided by the external auditor.

At each meeting, the Audit Committee hears reports from the Chief Financial Officer, the head of the Group Service Internal Audit and the Auditor in charge of the External Audit (Deloitte, represented by Mr. Eric Nys). It also examines the quarterly report by the Group General Counsel on significant ongoing legal disputes and reports on tax and intellectual property disputes. It meets alone with the auditor in charge of the external audit whenever it deems such meetings useful. The Chairman of the Executive Committee and CEO (Mr. Jean-Pierre Clamadieu) is invited, once a year, to discuss the major risks to which the Group is exposed.
The Directors belonging to this Audit Committee fulfill the criterion of competence by their training and by the experience gathered during their previous functions (see section 4.3. concerning the composition of the Board of Directors).

4.5.3. The Finance Committee

In 2012, until the Ordinary Shareholders' Meeting on May 8, 2012, the Finance Committee consisted of Mr. Aloïs Michielsen (Chairman), Mr. Christian Jourquin (Chairman of the Executive Committee) and Mr. Bernard de Laguiche (Member of the Executive Committee and Chief Financial Officer) and three Directors, Mrs. Petra Mateos-Aparicio Morales, Chevalier Guy de Selliers de Moranville and Baron Hervé Coppens d'Eeckenbrugge. Effective May 9, 2012, Mr. Nicolas Boël became a Member and Chairman, replacing Mr. Michielsen; and effective May 11, 2012, Mr. Jean-Pierre Clamadieu succeeded Mr. Christian Jourquin as a Member of the Finance Committee.
The secretary of this Committee is Mr. Michel Defourny.

This Committee met four times in 2012. Participation of the members of the Finance Committee was very high (100%).
The Committee gives its opinion on financial matters such as the amounts of the interim and final dividends, the levels and currencies of indebtedness in the light of interest rate developments, the hedging of foreign-exchange and energy risks, the policy of buying in own shares, the content of financial communication, the financing of major investments, etc. It finalizes the preparation of the press releases announcing the quarterly results. It may also be called on to give opinions on Board policies on these matters.

4.5.4. The Compensation Committee

In 2012, until the Ordinary Shareholders' Meeting on May 8, 2012, the Compensation Committee consisted of Mr. Aloïs Michielsen (Chairman), Messrs. Denis Solvay, Jean van Zeebroeck, Jean-Martin Folz, Yves-Thibault de Silguy and Mrs. Evelyn du Monceau. A majority of the members of this Committee have independent Director status within the meaning of the law. Effective May 9, 2012, Mr. Nicolas Boël succeeded Mr. Aloïs Michielsen as Member and Chairman.
The Chairman of the Executive Committee is invited to meetings, except for matters that concern him personally.
Mr. Jean-Pierre Clamadieu succeeded Mr. Christian Jourquin as an invited guest of the Compensation Committee from May 11, 2012.
The secretary of this Committee was Mr. Daan Broens until September 30, 2012 and has been Mr. Michel Defourny since then.
The meetings are prepared by the Group General Manager Human Resources, who attends the meetings.

This Committee met four times in 2012. Participation of the members of the Compensation Committee was very high (100%).

The Compensation Committee fulfills the missions imposed on it by law.
In particular it advises the Board of Directors on compensation policy and compensation levels for members of the Board of Directors and the Executive Committee, and is yearly informed about the compensation of General Management. It also gives its opinion to the Board of Directors and/or Executive Committee on the Group's principal compensation policies (including long term incentive plans). It also prepares the report on compensation.

The Compensation Committee has the expertise necessary to perform its missions.

4.5.5. The Nomination Committee

In 2012, until the Ordinary Shareholders' Meeting on May 8, 2012, the Nomination Committee consisted of Mr. Aloïs Michielsen (Chairman), Messrs. Denis Solvay, Nicolas Boël, Jean van Zeebroeck, Jean-Martin Folz, Yves-Thibault de Silguy and Mrs. Evelyn du Monceau. A majority of the members of the Nomination Committee are independent non-executive Directors.
Since May 9th, 2012, Mr. Jean-Martin Folz has chaired this Committee.

The Chairman of the Executive Committee is invited to meetings, except for matters that concern him personally.
Mr. Jean-Pierre Clamadieu succeeded Mr. Christian Jourquin as an invited guest of the Nomination Committee effective May 11, 2012.
The secretary of this Committee is Mr. Michel Defourny.

The Committee met four times in 2012. The participation of members of the Nomination Committee was very high (100%).

The Nomination Committee gives its opinion on appointments to the Board of Directors (Chairman, Vice-Chairman, new members, renewals and Committees), to Executive Committee positions (Chairmanship and Members) and to General Management positions.

5. Executive Committee

5.1. Role and Mission

5.1.1. The Board of Directors defines the role and mission of the Executive Committee.
The main decision on delegation of powers dated back to December 14, 1998 and was replaced by a decision of the Board of Directors dated October 24, 2012. This decision took effect on January 1st, 2013.
The Board of Directors on the same time, approved the internal rules of the Executive Committee.

5.1.2. The Executive Committee, acting collectively, has been assigned the following main tasks by the Board of Directors:
> The day-to-day management of the company;
> Oversees the proper organization and functioning of the Company, its subsidiaries and affiliates, ensures oversight of their activities, including the introduction of processes for the identification, management and monitoring of the principal risks;
> Introduces a process of talent management and appoints senior executives of the Group (with the exception of its own members, the General Managers and the Corporate Secretary, for which the Board expressly reserves an exclusive power of appointment);
> Sets senior executive compensation (other than the compensation of its own members);
> Decides on acquisitions and divestitures (including intellectual property) up to a ceiling of EUR 50 million (including debts and other commitments). The Board is informed of decisions involving amounts over EUR 10 million;
> Takes capital expenditure ("Capex") decisions up to a ceiling of EUR 50 million. The Board is informed of decisions involving amounts over EUR 10 million;
> Takes decisions on substantive business operations and financial transactions not involving a change in the financial structure of the company and/or the Group;
> Proposes to the Board of Directors, for its decision, the key Group policies, and sets the others;
> The Executive Committee proposes to the Board of Directors for its decision:
  – The general strategies (including the effect of these strategies on the budget, the five-year plan and resource allocation) and general policies of the Group, in particular as regards remuneration, the annual investment and research programs;
  – Appointments to General Management functions and the position of Corporate Secretary;
  – The general organization of the Company and/or the Group;
  – Major financial transactions that modify the financial structure of the Company and/or the Group;
  – The consolidated periodical accounts and those of Solvay SA (quarterly consolidated only, half-yearly and annual) and the related communication;
> The Executive Committee executes the decisions of the Board or Directors;
> The Executive Committee submits to the Board of Directors all questions lying within the latter's competence and reports to it regularly on the exercise of its mission.

5.2. Delegation of powers

The execution of Executive Committee decisions and the following up on its recommendations is delegated to the Executive Committee member (or another General Manager) in charge of the activity or of the function corresponding to the decision or recommendation.

The Board of Directors in its resolution dated October 24, 2012, expanded the right for the Executive Committee to delegate its powers, under its responsibility, and in compliance with procedures and authorization limits set by the Executive Committee, to one or more of its members, of the General Managers of the Group and/or heads of Global Business Units and Functions. In particular it has delegated the power to undertake binding M&A transactions including capital expenditures up to a ceiling of EUR 10 million.

5.3. Composition

5.3.1. Size and composition
At December 31, 2012, the Executive Committee had seven members. Mr. Jourquin's term of office as Chairman of the Executive Committee ended on May 10, 2012. Mr. Clamadieu succeeded Mr. Jourquin effective May 11, 2012.
On January 1, 2013, the composition of the Executive Committee was reduced from seven to six members, as a result of Mr. Jean-Michel Mesland taking another appointment within the Group.

5.3.2. Terms of office and age limits
Executive Committee members are appointed by the Board of Directors for two-year renewable terms. The Board of Directors has set an age limit of 65 for Executive Committee membership. An exception to this rule was granted by the Board of Directors on December 14, 2011 for of Mr. Gilles Auffret, whose mandate was renewed for a further two-year term. This exception was justified by the transition situation due to the integration of Rhodia into the Solvay group.

5.3.3. Criteria for appointment

The Executive Committee is a collegial body made up of executives, generally coming from the Group's senior management. Apart from the Chairman, its members at the end of 2012 were the Chief Financial Officer, the Group General Managers of the three Sectors (Chemicals, Plastics and Rhodia), the Group General Manager Technology, Research Services and Procurement, and the Region General Manager Asia-Pacific.

Effective January 1, 2013, the role of the members of the Executive Committee will change. Each will be in charge of the supervision of a number of Global Business Units/Functions; for the CEO and the CFO, this new role will be assumed in addition to their respective specific responsibilities.

All Executive Committee members have employment contracts with the Solvay group, except for MM. Christian Jourquin and Jean-Pierre Clamadieu, who have self-employed status (until May 10, 2012 for Mr. Jourquin).

5.3.4. Appointment and renewal procedure

The Chairman of the Executive Committee is appointed by the Board of Directors based on a proposal by the Chairman of the Board of Directors and with recommendations by the Nomination Committee and the outgoing Chairman of the Executive Committee.

The other Executive Committee members are also appointed by the Board of Directors, but on the proposal of the Chairman of the Executive Committee in agreement with the Chairman of the Board of Directors and with the concurrence of the Nomination Committee.

Executive Committee members' performance is assessed annually by the Chairman of the Executive Committee. This assessment is undertaken together with the Chairman of the Board and with the Compensation Committee whenever proposals are made for setting variable compensation.

The performance of the Chairman of the Executive Committee is assessed annually by the Compensation Committee.

5.4. Frequency, preparation and procedure of meetings

5.4.1. The Executive Committee met 20 times in 2012. Meetings are generally held at the Company's registered office, but can also be held elsewhere at the decision of the Executive Committee Chairman. The Executive Committee sets the dates of its meetings before the start of the financial year. Additional meetings can be convened by the Chairman of the Executive Committee, who sets the agenda based, inter alia, on proposals from the Executive Committee members.

5.4.2. The Corporate Secretary, who acts as secretary to both the Board of Directors and the Executive Committee, is responsible, under the supervision of the Chairman of the Executive Committee, for organizing meetings and sending out notices of meetings and agendas.

Documents and information relating to the agenda items are made available to the members of the Executive Committee prior to the meetings.

The Corporate Secretary drafts minutes consisting on a list of decisions taken during the meeting. These are read and approved at the end of the meeting. They are immediately distributed.

They are not signed, but the Chairman of the Executive Committee and the Corporate Secretary may deliver certified conformed copies of extracts.

It should be noted that the Executive Committee organized certain meetings in tele- or video-conference format.

5.4.3. The Executive Committee takes its decisions by a simple majority, with its Chairman having a casting vote. If the Chairman of the Executive Committee finds himself in a minority he may, if he wishes, refer the matter to the Board of Directors which will then decide on the matter. In practice, however, almost all Executive Committee decisions are taken unanimously, so that the Chairman has never made use of his casting vote. Attendance at meetings was 100% in 2012.

	Year of birth	Year of first appointment	Term of office ends	Diplomas and main Solvay activities	Presence at meetings (as a function of date of appointment)
Mr. Jean-Pierre Clamadieu (F)	1958	2011	2013	Engineering degree from the Ecole des Mines (Paris). Deputy CEO until May 10, 2012 and CEO from May 11, 2012.	20/20
Mr. Bernard de Laguiche (F/BR)	1959	1998	2014	MA in Economics and Business Administration HSG (University of St. Gallen – Switzerland). Executive Committee Member in charge of Finance/Information Systems.	20/20
Mr. Jacques van Rijckevorsel (B)	1950	2000	2015	Civil Engineering degree in Mechanics (Catholic University of Louvain). Advanced studies in Chemical Engineering (Free University of Brussels). AMP Harvard, Executive Committee member in charge of the Plastics Sector.	20/20
Mr. Vincent De Cuyper (B)	1961	2006	2014	Chemical engineering degree (Catholic University of Louvain), Master in Industrial Management (Catholic University of Leuven), AMP Harvard. Executive Committee member in charge of the Chemicals Sector.	20/20
Mr. Jean-Michel Mesland (F)	1957	2007	2013	Engineering degrees from the Ecole Polytechnique and the Ecole des Mines (Paris) – AMP Harvard. Executive Committee member in charge of Technology, Research Services and Procurement.	20/20
Mr. Roger Kearns (US)	1963	2008	2014	Bachelor of Science – Engineering Arts (Georgetown College – Georgetown), Bachelor of Science – Chemical Engineering (Georgia Institute of Technology – Atlanta), MBA (Stanford University). Executive Committee member in charge of Asia-Pacific Regional Management.	20/20
Mr. Gilles Auffret (F)	1947	2011	2014	Engineering degree from the Ecole Polytechnique, graduate of the Ecole Nationale d'Administration (ENA), the Ecole des Sciences Politiques and the Ecole Nationale de la Statistique et de l'Administration Economique (ENSAE). Executive Committee Member in, charge of the Rhodia Sector.	20/20

The topics submitted to the Executive Committee are presented and discussed in the presence of the heads of the involved entities (GBUs, Functions). For important projects, it sets up ad hoc working teams, led mainly by Executive committee members chosen on the basis of the competences required.

6. Compensation report

6.1. Description of the procedure for:

6.1.1. Developing a compensation policy:

a) for Directors:
   Directorships of Solvay SA are remunerated with fixed emoluments, the common basis of which is set by the ordinary Shareholders' Meeting, and any complement thereto by the Board of Directors on the basis of article 27 of the by-laws, which states that "Directors shall receive emoluments payable from overhead costs; the shareholders' meeting shall determine the amount and terms of payment.
   That decision shall stand until another decision is taken.
   The Board of Directors shall be authorized to grant directors with special duties (the Chairman, vice-chairmen, directors charged with day-to-day management, members of the Executive Committee) fixed emoluments in addition to those provided for in the above paragraph.
   Each of the Directors responsible for day-to-day management is also entitled to variable compensation determined by the Board of Directors on the basis of their individual results and of the consolidated results of the Solvay group.
   The sums referred to in the two preceding sub-sections are also paid out of overhead costs."

b) for Executive Committee members: compensation policy is decided by the Board of Directors based on proposals by the Compensation Committee.

   In 2005, based on a proposal by the Compensation and Nomination Committee, the Board of Directors updated its compensation policy for its main senior managers, including the members of the Executive Committee. This policy is set out in an annex 2 to this document.

   In 2012, the Group reviewed its compensation policy to better align with market practices and reinforce the link between variable pay and business performance. The new compensation policy is further set out in annex 2. The policy introduces a new harmonized short term incentive plan and redesigns the long term incentive program, which will be partly linked to the achievement of pre-defined multi-year Group performance level. It becomes effective in 2013.

6.1.2. Setting individual compensation:

a) for Directors:

(i) The Ordinary Shareholders' Meetings of June 2005 and May 2012 (for Board attendance fee) decided to set Directors' pay, starting from the 2005 financial year, and to grant:
   – an annual gross fixed compensation of EUR 35 000 per Director and, on top of this, an individual attendance fee increased to EUR 4 000 gross per Board meeting attended instead of EUR 2 500;
   – EUR 4 000 gross for members of the Audit Committee and EUR 6 000 gross for its Chairman for each meeting of the Committee;
   – EUR 2 500 gross per member of the Compensation Committee, Nomination Committees and Financial Committee and EUR 4 000 gross for the Chairmen of these Committees, on the understanding that a Director belonging to both the Compensation Committee and the Nomination Committee does not receive double compensation;
   – the Chairman of the Board, the Chairman of the Executive Committee and the Executive Directors do not receive attendance fees for taking part in these Committees.

(ii) For the Chairman of the Board of Directors until May 8, 2012, the Board of Directors made use of the authorization conferred on it by article 27 of the bylaws to grant an additional fixed compensation of EUR 86 026 gross to the Chairman of the Board of Directors by reason of the work load and the responsibility attached to this task. The Chairman of the Board of Directors also receives a contractual amount of EUR 161 344 a year to compensate the postponement of his rights to the Solvay complementary pension, which should have been paid at the end of his mandate as Chairman of the Executive Committee, but which has not owing to his role as Chairman of the Board.
   For the Chairman of the Board of Directors effective May 9, 2012, the Board of Directors has made use of the authorization conferred on it by article 27 of the bylaws to grant an additional yearly fixed compensation of EUR 250 000 gross in 2012 by reason of the work load and the responsibility attached to this task. In 2012, this translated into the payment of an amount of EUR 161 290 gross.

(iii) Directors do not receive any variable compensation linked to results or other performance criteria. They are not entitled to stock options, nor to any supplemental pension scheme.

(iv) The company reimburses Directors' travel and subsistence expenses for meetings and while exercising their Board and Board Committee functions.
   The Chairman of the Board of Directors is the sole non-executive Director having permanent support provided by the Group (office, secretariat, car). The other non-executive directors receive logistics support from the General Secretariat as and when needed. The company also carries customary insurance policies covering the activities of Board Members in carrying out their duties.

b) for Executive Committee members: The compensation of the Chairman and the members of the Executive Commit-

tee is set as a global gross amount. This includes not only the gross compensation earned at Solvay SA, but also amounts received, contractually or as directors' emoluments, from companies throughout the world in which Solvay SA holds majority or other shareholdings.
Individual compensation is set by the Board of Directors based on recommendations by the Compensation Committee.

6.2. Declaration concerning compensation policy for the Chairman and members of the Executive Committee.

The compensation policy adopted by the Board of Directors in 2005, which remained in effect for the 2012 financial year, is set out in Annex 2 to this document.
This policy contains the basic compensation principles, indicating the relationship between compensation and performance, including the criteria for assessing the Executive Committee member in relation to the objectives, and the relative importance of various compensation components.

The Group reviewed its policy in 2012. The new policy effective from 2013, is set out in Annex 2. It does not apply to Mr. Clamadieu, whose compensation package is governed by specific arrangements; the level and structure of the compensation package are aligned with market practices for a similar function in a comparable organization.

6.3. Amount of the compensation and other benefits granted directly or indirectly to Directors (executive and non-executive) by the company or by an affiliated company.

(see table below)

6.4. Amount of compensation and other benefits granted directly or indirectly to the Chairman of the Executive Committee.

(see table opposite)
The Chairman of the Executive Committee receives stock options as explained below. He does not, however, receive shares as part of his compensation package. In the area of

GROSS COMPENSATION AND OTHER BENEFITS GRANTED TO DIRECTORS

Compensation (EUR)	2011		2012	
	Gross amount	Including Board of Directors and Committees attendance fees	Gross amount	Including Board of Directors and Committees attendance fees
A. Michielsen (until May 8, 2012)				
– Fixed emoluments + attendance fees	55 000.04	20 000.00	28 419.37	16 000.00
– “Article 27” supplement	238 201.07		86 025.54	
– Compensation for complementary pension rights	446 755.23		161 344.22	
N. Boël				
– Fixed emoluments + attendance fees	62 500.04	27 500.00	65 500.04	30 500.00
– “Article 27” supplement from May 9, 2012			161 290.30	
D. Solvay	65 000.04	30 000.00	73 000.04	38 000.00
C. Jourquin (until May 10, 2012)	55 000.04	20 000.00	28 607.54	16 000.00
JP. Clamadieu (effective May 11, 2012)			34 580.67	12 000.00
J-M. Solvay	55 000.04	20 000.00	63 000.04	28 000.00
G. de Selliers de Moranville	81 000.04	46 000.00	85 000.04	50 000.00
J. van Zeebroeck	65 000.04	30 000.00	73 000.04	38 000.00
J-M. Folz	62 500.04	27 500.00	69 000.04	34 000.00
B. de Laguiche	55 000.04	20 000.00	63 000.04	28 000.00
B. Scheuble	79 000.04	44 000.00	87 000.04	52 000.00
A. Van Rossum	66 000.04	31.000.00	71 000.04	36 000.00
C. Casimir-Lambert	71 000.04	36 000.00	79 000.04	44 000.00
H. Coppens d'Eeckenbrugge	65 000.04	30 000.00	73 000.04	38 000.00
Mrs. P. Mateos-Aparicio Morales	65 000.04	30 000.00	73 000.04	38 000.00
Mrs. E. du Monceau	65 000.04	30 000.00	73 000.04	38 000.00
Y-T. de Silguy	60 000.00	25 000.00	69 000.04	34 000.00
	1 711 956.94	**467 000.00**	**1 516 768.20**	**570 500.00**

Compensation and other benefits granted to the Chairman of the Executive Committee until May 10, 2012 (EUR)	2011	2012
Base compensation	776 804	279 817
Variable compensation	955 468	0
Pension and death-in-service and disability coverage (costs paid or provided for)	229 481	0
Other compensation components[1]	22 402	5 641

Compensation and other benefits granted to the Chairman of the Executive Committee effective May 11, 2012 (EUR)	2011	2012
Base compensation		640 000
Variable compensation		775 467
Pension and death-in-service and disability coverage (costs paid or provided for)		309 750
Other compensation components[1]		4 650

1. Company vehicles.

extra-legal pension rights, given his self-employed status in Belgium, the Chairman of the Executive Committee has his own separate contractual regime, with pension, death-in-service and disability rules.
Given that Mr Jourquin was aged over 60, the early departure of the Chairman of the Executive Committee was deemed retirement. This means that no severance indemnity was paid to him. The Chairman of the Executive Committee was entitled to his pension capital given his recognized service at the date of departure. In the case of retirement prior to age 65, a reduction of 0.5% by month of anticipation is applied to this capital.

6.5. Global amount of compensation and other benefits granted directly or indirectly to the other members of the Executive Committee by the company or an affiliated company.

(see table below)

Variable compensation consisted of an annual incentive based on the performance of the Solvay group (ROE) and on each Executive Committee member's performance against individual objectives. In 2011 (for ROE 2010), the Board did not make use of its discretionary powers to increase the ROE share of variable remuneration, preferring to smooth the ROE fluctuations resulting from the major changes in the shape of the Group in 2010 and 2011. In 2012 (for ROE 2011), the Board made use of its discretionary powers to increase the ROE share of variable remuneration to smooth the ROE fluctuations with previous year.

The variable compensation of Messrs. Clamadieu and Auffret for 2011 was set under the rules in force at Rhodia and as a function of their objectives. For 2012, the variable compensation of Mr Clamadieu was set according to the agreement entered into with Solvay. The 2012 variable remuneration of Mr Auffret was still set under the rules in force at Rhodia.

The law (Art. 520 ter of the Companies' Code) provides that from 2011 onwards, in the absence of statutory provisions to the contrary or express approval by the general meeting of shareholders, at least one quarter of the variable compensation of Executive Committee members must be based on predetermined criteria of performance that are objectively measurable over a period of at least two years, and another quarter at least should be based on predetermined performance criteria that are objectively measurable over a period of at least three years.
Given the significant changes under way in terms of organizational and business scope, the Board asked the Shareholders' Meeting and received its authorization to continue the current system for 2011 and 2012, given that the system was already based on predetermined and objectively measurable performance criteria.

As announced in the previous Corporate governance statement, the compensation policy was reviewed in 2012. The new compensation policy set out in Annex 2 comes into effect in 2013 and is in full compliance with article 520 ter of the Companies code.

Executive Committee members receive stock options as explained below. They do not, however, receive shares as part of their compensation packages.

Compensation and other benefits granted to the other members of the Executive Committee (EUR)	2011	2012
Base compensation	2 648 581	3 207 214
Variable compensation	1 704 062	2 630 344
Pension and death-in-service and disability coverage (costs paid or provided for)	643 573	697 382
Other compensation components[2]	87 884	81 328

2. Representation allowance, luncheon vouchers, company car, housing allowance,...

Executive Committee member's expenses, including those of its Chairman, are governed by the same rules as apply to all Group management staff, that is: the justification of all business expenses, item by item. Private expenses are not reimbursed.
In the case of mixed business/ private expenses (like cars), a proportional rule is applied in the same way as to all management staff in the same position.

In the area of insurance, the Company subscribes the same type of cover for Executive Committee members as it does for its senior managers.

Pensions and retirement and death-in-service coverage for Executive Committee members are based in principle on the provisions of the schemes applicable to senior executives in their base countries.

The pensions and death-in-service coverage of Messrs. Clamadieu and Auffret reflect the conditions they had at Rhodia. In the case of Mr. Clamadieu these take the form of a formal undertaking by Solvay SA.

6.6. Stock options

(see table below)

In March 2012, the Board of Directors allotted, on the proposal of the Compensation Committee, stock options to around 430 senior Group managers. The exercise price amounts to EUR 88.71 per option, with a three-year vesting period. Executive Committee members together were granted 174 427 options in 2012, compared with 109 000 in 2011.

6.7. Most important provisions of their contractual relationships with the company and/or an affiliated company, including the provisions relating to compensation in the event of early departure.

Executive Committee members, including the Chairman, have directorships in Group subsidiaries as a function of their responsibilities.
Where such directorships are compensated, they are included in the amounts given above, regardless of whether the position is deemed to be salaried or undertaken on a self-employed basis under local legislation.

No Executive Committee member, including the Chairman, will benefit from any departure indemnity linked to the exercise of their office. If their service ends early, only the legal system applies.

Stock options allotted in 2012 to Executive Committee members

Country	Name	Function	Number of options
Belgium	Jourquin Christian	Chairman of the Executive Committee (until May 10, 2012)	0 (at his request)
Belgium	Clamadieu Jean-Pierre	Chairman of the Executive Committee (effective May 11, 2012)	61 266
Belgium	de Laguiche Bernard	Member of the Executive Committee	20 000
Belgium	van Rijckevorsel Jacques	Member of the Executive Committee	18 000
Belgium	De Cuyper Vincent	Member of the Executive Committee	17 000
Belgium	Mesland Jean-Michel	Member of the Executive Committee	14 000
Thailand	Kearns Roger	Member of the Executive Committee	15 000
France	Auffret Gilles	Member of the Executive Committee	29 161
TOTAL			**174 427**

Stock options held in 2012 by Executive Committee members

Country	Name	Options held at 31/12/11	granted in 12/2012	exercised in 2012	expired in 2012	31/12/11		
						held	exercisable	non exercisable
Belgium	Jourquin Christian (until 10/5/2012)	180 000	0	0	0	180 000	130 000	50 000
Belgium	Clamadieu Jean-Pierre	0	61 266	0	0	61 266	0	61 266
Belgium	de Laguiche Bernard	128 000	20 000	28 000	0	120 000	60 000	60 000
Belgium	van Rijckevorsel Jacques	115 000	18 000	19 000	0	114 000	60 000	54 000
Belgium	De Cuyper Vincent	91 000	17 000	16 000	0	92 000	43 000	49 000
Belgium	Mesland Jean-Michel	69 000	14 000	9 500	0	73 500	31 500	42 000
Thailand	Kearns Roger	66 800	15 000	5 300	0	76 500	32 500	44 000
France	Auffret Gilles	0	29 161	0	0	29 161	0	29 161
TOTAL		**649 800**	**174 427**	**77 800**	**0**	**746 427**	**357 000**	**389 427**

Mr. Jean-Pierre Clamadieu's contract includes a 24-month non-competition clause, but with no more than 12 months' pay.

Executive Committee members' contracts do not contain a clause providing a right of claw-back of variable compensation in case of erroneous financial information.

7. Chairmen's roles in achieving harmony between the Board of Directors and the Executive Committee

The Chairman of the Board of Directors and the Chairman of the Executive Committee work together, through constructive dialogue and frequent exchanges, to harmonize the work of the Board of Directors (including its Committees) with that of the Executive Committee.
The following measures have been introduced to achieve this:

> the two Chairmen meet as often as is necessary on matters of common interest to the Board of Directors and the Executive Committee;
> the Chairman of the Board of Directors and the Executive Committee meet every month to discuss the financial reporting;
> the Chairman of the Board has access to all information necessary to exercise his functions;
> the Chairman of the Executive Committee is a member of the Board of Directors, where he presents the Executive Committee's proposals.

8. Main characteristics of risk management and internal control systems

The Solvay group has set up an internal control system designed to provide a reasonable assurance that (i) current laws and regulations are complied with, (ii) policies and objectives set by the company are implemented and (iii) financial and non-financial information is reliable.
This system has five components: the control environment, the risk management process, management controls, internal control supervision, and the disclosure of financial information.

1. The control environment

Our control environment is made up of various elements such as a Code of Conduct that acts as a reference framework for the Group, a management philosophy expressed in Values, a clear organizational and hierarchical structure supported by job descriptions linked, where appropriate, to delegations of power and management bodies (Board of Directors and Committees, Executive Committee, etc.), the workings of which are described in this Corporate Governance Statement.

2. The risk management process

Taking calculated risks subject to compliance with laws and regulations and the Code of Conduct is inherent in the development of the business of the Solvay group. In order to identify, assess and manage opportunities successfully and at the same time limit risks that are potentially significant for the activities of the Group, the Company has set up risk management systems.

Risk management is integrated in strategic and operational decision-making process and is seen as an essential management tool and an aid for making the decisions to achieve the company's short-, medium- and long-term aims.

The Group Service "Risk Management and Insurance" (RMI), headed by the Group Risk Manager, is in charge of setting up global, systematic, coherent management of risks across the Group.

Solvay has adopted the FERMA reference framework for risk management. This framework structures the process of risk management in following phases, taking into account the organization's strategic objectives:
> Risk analysis (identification, quantification and evaluation),
> Decision on how to manage the material risks,
> Implementation of risk management actions,
> Monitoring.

The Group Service RMI assists entities in the process of managing their risks, in particular by providing them with methods and tools and via training sessions.

More information on this topic can be found in the "Risk Management" section of this Annual Report, in particular with regard to risk management actions recently carried out within the Group, the Group's main risks and the actions taken to avoid or reduce them.

This approach to risk management enables a consistent implementation throughout the organization. It is applied in the decisions and actions of Group staff. It makes it possible to move forward in a clearly defined framework, and thus with confidence.

3. Management control activities (First level control)

Management is responsible for internal control in operations.

The Solvay group has set up reporting systems to gather and circulate the information of relevance to the various levels of the company.
Such systems are in place in, for example, the financial, operational (in particular for production processes), human resources, HSE (in particular with regard to safety at work and the environment), commercial, and legal (in particular compliance) areas.

In the financial area, the Solvay group has set up a reporting

system based on IFRS standards, common to all its subsidiaries. The information provided every month mainly originates from the integrated IT systems (ERPs). These ERPs are common to most parts of the Group.
We should also emphasize that the IT systems are managed centrally.

The financial data are consolidated monthly and analyzed at every level of responsibility of the company (such as for example the local finance manager, the controller and the management of the activity in question, Group Accounting and the Executive Committee) and in various ways such as, for example, variance analysis, plausibility and consistency checks, ratio analysis and comparison with forecasts. The results are also validated quarterly by the Audit Committee, taking into account the work carried out by the external auditor.

The monitoring of financial data is supported by the use of common ERPs, by an organization based on major financial processes that are managed centrally and integrated, where appropriate, in the Shared Services Centers, and by application of uniform procedures.

4. Internal-control supervision (Second level control)

The Audit Committee is in charge of monitoring the effectiveness of internal control systems. It supervises the work of the Group Service "Internal Audit" with regard to financial, operational, and compliance monitoring. In particular, it verifies the scope, programs and results of the internal audit work and ensures that its recommendations are properly implemented. The Mission Statement of the Audit Committee is given in Appendix 1 to this Corporate Governance Statement.

The Group Service "Internal Audit" assesses independently the effectiveness of the internal control system. Internal Audit's mission,covers in particular the following areas:
> Risks, including fraud, are identified and managed;
> Operational, management and (material) financial information is reliable;
> The actions of the employees are in line with the Group's policies, standards and procedures.

The internal audit assignments are planned and defined in terms of content on the basis of a risk analysis; the controls focus on the areas perceived as having the highest risks. All the entities within the Group are visited by Internal Audit at least every three years.
The recommendations of the Group Service "Internal Audit" are implemented by management.
Other entities carry out activities of the same type in very specific areas. For example:
> The Group Service "Health Safety & Environment" carries out health, safety, and environmental audits;
> The Group Service "Organization, Design & Performance" carries out management systems audits (e.g. Quality Management);
> The Group Functions "Legal and Compliance" support the various audit activities of the Group to ensure that prevailing legislation is complied with and applied correctly. In particular, the Group Service "Ethics and Compliance" controls the implementation and enforcement of the Group's Values and Code of Conduct, intervening in case of potential infringement.

An Ethics Helpline, managed by a third party, is progressively being made available to employees to enable them to report potential violations in a confidential manner.

5. Disclosure of financial information

The Solvay group publishes quarterly results. Publication of these results is subject to various checks and validations carried out in advance.

> Publication is carried out under the supervision and control of the Executive Committee;
> The Audit Committee validates it, in particular ensuring that the IFRS accounting principles are complied with and that it gives a fair and relevant picture of the business of the Group;
> The Finance Committee finalizes its preparation;
> The Board of Directors approves it.

9. External Audit

The audit of the company's financial situation, its financial statements and the conformance of the statements with respect to the Companies' Code and the by-laws, and of the entries to be recorded in the financial statements, is entrusted to one or more auditors appointed by the Shareholders' Meeting from among the members, either physical or legal persons, of the Belgian Institute of Company Auditors.

The mission and powers of the auditor(s) are those set by the law.
The Shareholders' Meeting sets the number of auditors and fixes their emoluments in accordance with the law. Auditors are also entitled to reimbursement of their travel expenses for auditing the company's plants and administrative offices.

The Shareholders' Meeting may also appoint one or more alternate auditors. Auditors are appointed for three-year renewable terms, which may not be revoked by the Shareholders' Meeting other than for good reason.
The audit mandate of Deloitte Réviseurs d'Entreprises SC s.f.d. SCRL expires at the ordinary Shareholders' Meeting of 2013.
The Board of Directors, based on the proposal of the Audit Committee, proposes to the ordinary Shareholders' Meeting to be held on 14 May 2013 to renew the audit mandate of Deloitte Réviseurs d'Entreprises SC s.f.d. SCRL, represented by Mr. Eric Nys, for three years. The Board also proposes to appoint Frank Verhaegen as alternate representative of Deloitte Réviseurs d'Entreprises SC s.f.d. SCRL for three years.
The proposed yearly audit fees are EUR 1 146 300. They include the audit of the statutory accounts of Solvay SA as well as the audit of the Group consolidation.

10. Code of Conduct

The Solvay Code of Conduct sets out how Solvay wishes to carry out its business and how it wishes to interact with all its stakeholders in an ethical and compliant manner. It is based on a strong tradition of values that are historically ingrained in the Group's culture. This Code applies to every Solvay employee wherever Solvay operates or conducts its business.

The Solvay Code of Conduct provides general guidance to all employees about how to behave in the workplace, in Solvay's businesses and while representing Solvay in their communities. It is not an exhaustive document anticipating every situation employees may face in their day-to-day business. Rather, the Code highlights the guiding principles that form the basis of the Group's policies.

The Code of Conduct is part of the Group's constant effort to maintain and strengthen trust both among all its employees and between the Group and its partners, including its employees, their representatives, shareholders, customers and suppliers, government agencies and all other third parties.

To obtain the widest possible involvement of all employees in implementing the Code, the Group will continue to promote a rich and balanced social dialogue between senior management and social partners.

The Solvay group takes various measures to ensure that the Code is applied, including targeted training programs, in order to minimize the danger of violation and there are provisions for clear sanctions where necessary.

The Legal and Compliance function contributes to or enhances the compliance culture. They are under the authority of the Group General Counsel. The Ethics and Compliance department has the more specific objective of strengthening a culture based on ethics and on compliance with the Solvay Values and Code of Conduct.
Compliance Officers have been appointed in all four geographic zones where the Group is active. These are assisted by a network of experienced employees tasked, in addition to their other responsibilities, with supporting activities in this area.

The Group encourages its employees to take up any difficulty or question relating to the application of the Code of Conduct with its hierarchy or other identified interlocutors (Compliance Officers, legal staff, human resources).
It is also progressively introducing the opportunity, on a worldwide basis, of turning to an Ethics Helpline in the form of an external service to voice any difficulties or pose questions in complete confidence. The Ethics Helpline is managed in accordance with applicable legislation and in particular the laws governing data protection.

In the joint ventures, Board representatives make every effort to have rules adopted that are in line with the Group's Code of Conduct.

11. Preventing insider trading

The Group has established a policy for preventing insider trading, and a manual containing strict rules of confidentiality and non-use of "inside information" for both regular and occasional insiders. This policy and manual have been widely circulated within the Group.

The interpretation and oversight of compliance with these rules are entrusted to a Transparency Committee composed of the Group Corporate Secretary (chairman), who is also head of Corporate Communications, the Chief Financial Officer, the Group General Counsel and the Group General Manager Human Resources. In particular, this Committee advises the Board of Directors, the Executive Committee and any employee confronted with a difficult situation.

This policy is applied equally by the Executive Committee and the Board of Directors.

Moreover, in conformity with the law of August 2, 2002, persons exercising managing responsibilities within the Group, and persons who are closely related to them, that is:
> the members of the Solvay SA Board of Directors;
> the members of the Executive Committee;
> the Corporate Secretary;
> the Group General Manager Human Resources; and
> the Group General Counsel;
have been informed and are regularly reminded of their obligation to declare to the Financial Services and Markets Authority every transaction involving Solvay shares.

12. Internal organization of the Solvay group

The internal organization of the Solvay group is described on page 16 of this Annual Report.

13. Relations with shareholders and investors

13.1. Performance of the Solvay share

Solvay shares are dually listed on NYSE-Euronext Brussels -the primary listing- and, since January 2012, on NYSE-Euronext Paris under the unique mnemonic code of SOLB. Furthermore, Solvay joined the CAC 40 stock index on September 21, 2012. Both these events reflect the Group's long history in France as well as its economic weight and growth perspectives in the country.

On December 31, 2012, its price was EUR 108.6, as against EUR 63.7 at the end of 2011. During 2012, the average price was EUR 87.7 and the highest price was EUR 109.8 (December 20, 2012).

Average daily trading volume as reported by Euronext was 304,000 shares in 2012, compared with 247,000 shares in 2011.

13.2. Active financial communication

Throughout the year the Investor Relations Team has endeavored to communicate in a timely and effectively manner with, and present financial and strategically relevant facts about and developments concerning Solvay to various investor groups, equity and credit analysts and other stakeholders, on a worldwide basis. To that end, in the course of the year, the Investor Relations team members have held regular contacts with financial analysts and institutional and retail investors, including updates with facts regarding financial and strategic trends and have organized selected presentations, visits and roadshows.

The Group is very attentive to the equal treatment of all shareholders.

The Group's communication policy is to disseminate, as soon as reasonably possible, information that is of material interest to the market in the form of press releases and/or press conferences and public presentations available in the Group internet website.

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Investor Relations
Rue de Ransbeek, 310
B-1120 Brussels (Belgium)
e-mail: investor.relations@solvay.com
Internet: www.solvay.com

13.3. Individual investors

For many years the Group has maintained very close relations with individual investors both by taking part in fairs and conferences and by providing regular information on the life of the Group (press releases, the annual report, etc.) on request. In 2012, the Solvay group actively continued its meetings with individual investors.

By way of example:
> In March 2012, the Solvay group was presented at the "Day of the Investor" in Zwijnaarde (Ghent), an event attended by nearly 150 persons;
> In April 2012, Solvay took part in the "Investors' Event", organized by the Netherlander federation of Investments Clubs and Investors, VFB (Vlaamse Federatie van Beleggingsclubs en Beleggers), and attended every year by more than 1 000 participants;
> In May 2012, Solvay's participation in the "Finance Day" organized by the Belgian magazine MoneyTalk offered a further opportunity to meet individual shareholders.

13.4. Roadshows and meetings for institutional stakeholders

Roadshows and meetings with senior Group managers are organized regularly for international financial professionals (analysts, portfolio managers, press, etc.).

In 2012, over 500 contacts were established at meetings and events organized in Europe (Brussels, London, Paris, Frankfurt, Geneva, Zurich, Edinburg, Dublin, Milan, etc.), the United States and Canada. The Group senior management team also held a Capital Markets Day on April 24th 2012, to disclose its strategic vision and its value-creation growth ambition.

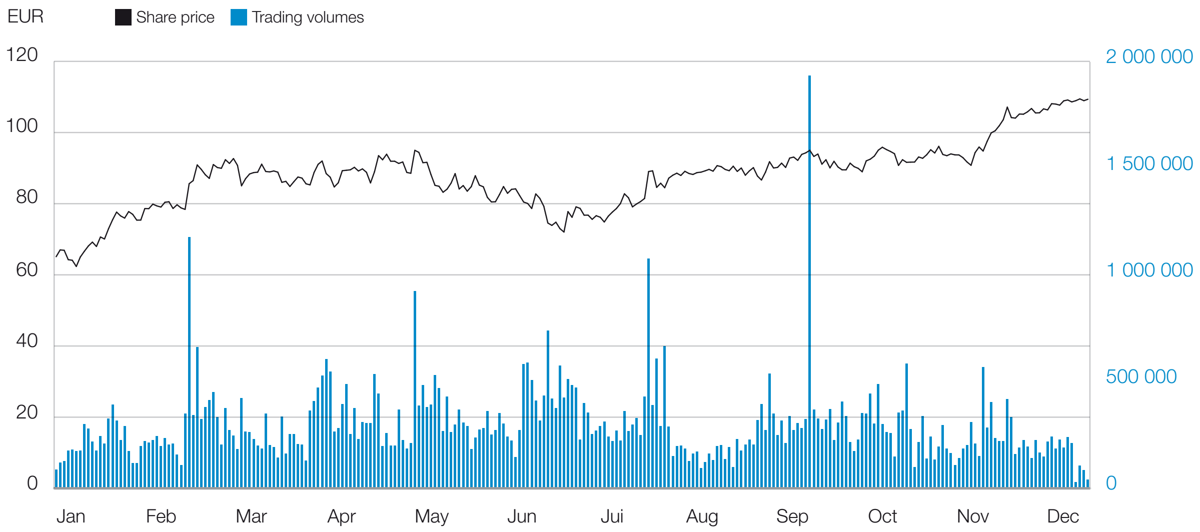
Conference telephone calls with management are also systematically organized, every quarter, to comment on Group results.

13.5. A specific internet site

A dedicated internet site, www.solvay.com/investors, provides shareholders and investors with the latest published financial and strategic information from the Group. The site informs investors and shareholders of many valuable services. It provides useful contacts with sell-side analysts who closely track the Group.

The internet site also offers a way to join a Shareholders' and Investors' Club in order to receive e-mail notification in three languages (French, Dutch, English) of the publication of information of various kinds: agendas of certain meetings, including the annual Shareholders' Meeting, draft wording of by-law amendments, special reports of the Board of Directors, publication of the annual report, unconsolidated parent-company accounts, payment of dividends, etc.

Solvay share prices and trading volumes from January 1st, 2012 to December 31st, 2012



The Solvay share compared with indexes in 2012

ANNEX 1

Audit Committee Mission Statement

1. Members

The Audit Committee consists of a Chairman and at least two other members, all three of whom are non-executive directors and at least two of whom are independent directors.
The Members of this Audit Committee are competent in this area through training and experience acquired in their previous positions.

2. Guests

The Audit Committee invites the following persons to report to its meetings:
a) the Chief Financial Officer;
b) the Head of the Group Service 'Internal Audit';
c) a representative of the Group's statutory auditor.

3. Frequency of meetings

The Audit Committee meets at least four times a year prior to the publication of the annual, semiannual and quarterly results. Additional meetings may be organized to discuss and agree on the scope of audit plans and on audit costs, and to discuss other important financial questions.

4. Main tasks of the Audit Committee

a) The Audit Committee ensures that the annual report and accounts, the periodic financial statements and all other important financial communications by the Group conform to generally accepted accounting principles (IFRS for the Group, Belgian accounting law for the parent company). These documents should provide a fair and relevant view of the business of the Group and of the parent company and meet all legal and stock-market requirements.

b) The Audit Committee regularly examines the accounting strategies and practices that are applied in preparing the Group's financial reports, making sure that these conform to good practices and meet the requirements of the appropriate accounting standards.

c) The Audit Committee regularly examines the scope of the external audit and the way it is implemented across the Group.
The Audit Committee studies the recommendations of the external audit and the auditor's report to the Board of Directors.

d) The Audit Committee monitors the effectiveness of the Group's internal control systems, and in particular the financial, operational and conformity controls, along with risk management. The Audit Committee also satisfies itself that the electronic data processing systems used to generate financial data meet the applicable standards.
The Audit Committee ensures that these systems meet legal requirements.

e) In respect of the internal audit, the Audit Committee verifies the scope/ programs/results of the work of the internal audit department and makes sure that the internal audit organization has the necessary resources.
The Audit Committee checks that internal audit recommendations are properly followed up.

f) The Audit Committee verifies and monitors the independence of the external auditor, in particular concerning supplementary services requested from the auditor outside its legal mission. In this respect, it is the Audit Committee that proposes the external auditor to the Board of Directors, which will transmit the candidacy for approval and appointment (including remuneration) by the Ordinary Shareholders' Meeting.
Additionally, in consultation with the Chief Financial Officer, the Audit Committee participates in the choice of head of the Group Service Internal Audit.

g) The Audit Committee examines areas of risk that can potentially have a material effect on the Group's financial situation. These include, for example, foreign-exchange risk, major legal disputes, environmental questions, product-liability issues, etc.
During such examination, the Audit Committee examines the procedures in place to identify these major risks and to quantify their potential impact on the Group and the way the control systems work.

5. Minutes

As a committee of the Group's Board of Directors, the Audit Committee prepares minutes of each of its meetings and submits them to the Board.

ANNEX 2

Compensation policy for General Managers

To assess relevant competitive practice, Solvay takes as its frame of reference a selection of European Chemical and industrial manufacturing companies with international operations and annual sales revenues and headcount reasonably close to its own. The composition of this group is reviewed on a periodic basis to assure that it continues to reflect the company's strategic orientation.

For executives with a non-European home country and who are based outside Europe, the home country practice (ideally weighted towards the chemicals sector) constitutes the reference. For data relating to the international market, the services of internationally recognized compensation consultants are retained.

Solvay's objective is to provide total compensation levels that are at or around the median of the chosen reference market for normal performance and close to the upper quartile level of the market in case of outstanding collective and individual performance.

The compensation of the General Managers comprises: the Base Salary (reviewed on an annual basis), Annual Incentives, Long-term incentives and Other Benefits

In 2012, the Group has reviewed its compensation policy to better align Annual Incentives and Long-Term Incentives to market practices and reinforce the link between variable pay and business performance. The new compensation policy covers the Executive Committee members[3], the General Managers and the Heads of large Global Business Units. The new compensation policy is effective as of 2013.

Former Compensation Policy

In 2012, the following Annual Incentives and Long-term incentives were applicable to Solvay's General Managers and to the members of the Executive Committee1(including Mr Jourquin as CEO until May 2012).

Annual incentives

The annual incentive comprised an individual bonus depending on achievement of predetermined individual goals approved by the Board of Directors and a Group performance bonus.

The individual bonus target (assuming full achievement of objectives) ranged from 25% to 50% of the base salary depending upon position. The actual bonus ranged from zero in the case of poor performance up to 150% of the target in case of outstanding achievement.

The overall Group performance bonus was linked to the ROE (return on equity of the past year). The target ROE bonus was set at 50% of Base Salary for Mr Jourquin as CEO until May 2012, 30% for Members of the Executive Committee and 25% for other General Managers, for an ROE between 9 and 10%.

Long-term incentives

The long-term incentive was delivered through periodic grants of stock options. Each year, the Board of Directors, upon the recommendation of the Compensation Committee, set the number of stock options that were granted respectively to the Chairman of the Executive Committee, the members of the Executive Committee and the other General Managers.
The number of stock options allotted in 2012 to Executive Committeee Members is set under 6.6.
For other General Managers, the target number of stock options grant was 5 000.

The option strike price is equal to the average closing price of the Solvay share on Euronext Brussels during the 30 days preceding the start of the offer. The options vest as from the first day of the year following the third anniversary of the grant and expire eight years after the grant.

New Compensation Policy

As from 2013, a new compensation policy will be applicable, to better align to market practices and reinforce the link between variable pay and business performance, while supporting the integration of both former Rhodia and Solvay groups. The new policy introduces a new harmonized Short Term Incentive (STI) plan providing for annual bonus linked to the Group business performance and redesigns the Long Term Incentive (LTI) plan to introduce a link with the Group Performance.

Annual Incentives (STI)

Annual Incentives (Short Term Incentive) will be partly linked to the Group performance and partly linked to individual performance.

The target annual incentive ranges, according to position level, from 50% (General Managers and Heads of large GBUs) to 60% (Members of the Executive Committee) of base salary. The target short-term incentive will consist of 3 components weighted as follows:
> 30 % depending on the individual performance of the manager as measured against a set of pre-determined objec-

3. Excluding Messrs Clamadieu and Auffret whose compensation packages are governed by specific arrangements.

tives, approved, for Executive Committee Members, by the Board of Directors;
> 60% linked to the actual performance achieved towards pre-set collective Group performance objective;
> 10% related to a Group sustainable development indicator.

The actual annual incentive can vary from 0% in case of poor performance up to 200% of target in case of outstanding collective and individual performance.

Long Term Incentives (LTI)

Considering the development of market practices and the market positioning of the current long term incentive plan, the Group has redesigned the LTI to (i) better align to the desired market positioning level, by enhancing the overall value of the LTI package and (ii) introducing a direct link with the Group performance. The new long-term incentives will consist in a 50/50 mix of Stock Options (SOP) and Performance Share Units (PSU).

With respect to stock options, two main changes are introduced. The budget allocated to stock options will be enhanced targeting upper market level, and the number of SOP allocated will not be pre-defined, but will be derived from the fixed budget, considering the fair value of the SOP (according to the Monte Carlo Model) at grant date.

In addition to the SOP plan, a PSU plan is introduced. The PSU plan, settled in cash, provides for a possible pay-out in 3 years time if pre-set performance objectives are met (REBITDA, CFROI), with a +/- 20% adjustment depending on the actual performance versus the initial pre-set objective. The minimum pay-out can vary between 0 (if the minimum performance required or "threshold" is not met), 80% if the performance minimum "threshold" is met up to 120% for a performance exceeding a pre-defined ceiling performance.

In its sole discretion the Executive Committee (or the Board of Directors for the Executive Committee members) may decide/recommend individual grants of + or - 50% of the target to reward special or unique achievements or circumstances or to acknowledge insufficient performance, while respecting the split 50/50 between SOP and PSU grants.

Each annual LTI plan is subject to prior Board approval.

In its sole discretion, the Executive Committee (or the Board of Directors for Executive members) assesses the achievement of the targets and the Executive Committee (or the Board of Directors for Executive members) may also re-evaluate the targets in case of material change of perimeter or other unexpected circumstances.

Short Term and Long Term Incentives applicable from 2013 (see table next page)

Other benefits

The General Managers are entitled to retirement, death-in-service and disability benefits, as a rule, on the basis of the provisions of the plans applicable in their home country. Other benefits, such as medical care and company cars or car allowances, are also provided according to the rules applicable in the host country.The nature and magnitude of these other benefits are largely in line with the median market practice.

Compensation of the Chairman of the Executive Committee as of 2013

The base salary of the Chairman of the Executive Committee remains at EUR 1 million. The Annual Incentive target is set at 100% of such base salary, with a maximum of 150%. In accordance with the new Group compensation policy, Long Term Incentives will be composed of a 50/50 mix of stock options and so-called Performance Share Units with a global target grant of EUR 1 million and a maximum grant of EUR 1.416 million.

Short Term and Long Term Incentives applicable from 2013

	Comex				Other General Managers & Heads of large GBUs			
SHORT TERM INCENTIVES - STI								
	Target STI in % of Base Salary	Part of STI linked to **Individual performance**	Part of STI linked to **Group performance**	Part of STI linked to **Sustainable Development** Indicator	**Target STI in % of Base Salary**	Part of STI linked to **Individual performance**	Part of STI linked to **Group performance**	Part of STI linked to **Sustainable Development** Indicator
	60%	**30%**	**60%**	**10%**	**50%**	**30%**	**60%**	**10%**
	Actual STI pay-out can vary between 0 and 200%, according to the level of individual or Group performance achieved.							
LONG TERM INCENTIVES - LTI								
Performance Share Units (PSU)	Target Grant		Vesting after 3 years		Target Grant		Vesting after 3 years	
	EUR 250 000 The corresponding number of PSU is determined at grant date based on the fair value of the PSU		between 0% and 120% of granted PSU number depending on the actual achievement over a 3 years period of the pre-set Group Performance targets		**EUR 200 000** The corresponding number of PSU is determined at grant date based on the fair value of the PSU		between 0% and 120% of granted PSU number depending on the actual achievement over a 3 years period of the pre-set Group Performance target	
Stock Options (SOP)	Target Grant				Target Grant			
	EUR 250 000 The corresponding number of SOP is determined at grant date, based on the fair value of the SOP				**EUR 200 000** The corresponding number of SOP is determined at grant date, based on the fair value of the SOP			
	– Each annual Long Term Incentive plan is subject to prior approval by the Board of Directors. – The Board of Directors may decide individual grants of +/ - 50% of the target to reward special achievements or circumstances or to acknowledge poor performance, with respecting the split 50/50 between SOP and PSU's grants.							

Notes

1) Excluding Messrs Clamadieu and Auffret whose compensations are governed by specific agreements

2) The Board of Directors assesses the achievement of the targets and may also re-evaluate the targets in case of material change of perimeter or other unexpected circumstances

GLOSSARY

General

Carechem: Carechem 24 is a multilingual telephone advice service providing access to a team of trained responders 24-hours-a-day, 365-days-a-year. Carechem 24 provides companies all over the world with emergency product support during a harzardous materials incident.

CEO: Chief Executive Officer.

CFO: Chief Financial Officer.

Code of Conduct: Solvay expresses its commitment to responsible behavior and integrity, taking into account the sustainable growth of its business, and its good reputation in the communities in which it operates.

Comex: Executive Committee.

Environmental Protection Agency: The U.S. Environmental Protection Agency (EPA or sometimes USEPA) is an agency of the United States federal government which was created for the purpose of protecting human health and the environment by writing and enforcing regulations based on laws passed by Congress.

FERMA: Federation of European Risk Management Associations.

GBU: Global Business Unit.

Global Safety Panel: The safety panel has duties to monitor health and safety policies and practices, as well as to continue ongoing dialogue between the company and its workers and make recommendations on improvements.

Human Rights: The Universal Declaration of Human Rights is generally agreed to be the foundation of international human rights law adopted in 1948. Whatever our nationality, place of residence, gender, national or ethnic origin, colour, religion, language, or any other status, the international community on December 10 1948 made a commitment to upholding dignity and justice for all of us.

Internal control process (ICP): The ICP is applied to the most important business processes and builds on the following steps and activities: (i) risk analysis of the process; (ii) design of controls to reduce the risks; (iii) deployment of controls; (iv) controls' effectiveness assessment by Internal Audit.

ISO 14001: The ISO 14000 family addresses various aspects of environmental management. It provides practical tools for companies and organizations looking to identify and control their environmental impact and constantly improve their environmental performance. ISO 14001:2004 and ISO 14004:2004 focus on environmental management systems.

ISO 26000: ISO 26000 is a global standard which provides guidelines for organizations to operate in a socially responsible manner. The standard was published in 2010 after five years of negotiations among a large number of stakeholders worldwide. Representatives of governments, NGOs, industry, consumer groups and the world of work were involved in its development. It represents therefore an international consensus.

Loss prevention process: Loss prevention aims at maintaining production flow and profitability of the plants by providing risk mitigation. It also contributes to increase the protection of people and the environment.

PEM: Proton Exchange Membrane.

Open Innovation: Innovation that is enriched with outside expertise, through partnerships with the academic world and by shareholdings in start-ups, either directly or via investment funds.

PAEK: Polyaryletherketone.

PEEK: Polyetheretherketone.

Product Stewardship: A responsible approach in managing risks throughout the entire life cycle of a product beginning at the design stage to the end of life.

PVC: Polyvinyl chloride.

R&I: Research & Innovation.

REACH: REACH is the European Community Regulation on chemicals and their safe use (EC 1907/2006). It deals with the Registration, Evaluation, Authorisation and Restriction of Chemical substances. The law entered into force on 1 June 2007.

Red Lines: The red lines are essential rules which must be followed by all Group employees to the extent that they cover topics which constitute major risks.

Responsible Care®: Responsible Care® is the global chemical industry's unique initiative to improve health, environmental performance, enhance security, and to communicate with stakeholders about products and processes.

Risk appetite: A drawn line, being a function of probability and severity, which separates acceptable risks from unacceptable risks, following a risk profiling analysis.

Risk profiling: Solvay developed systematic risk management tool, based on Zurich Hazard Analysis method, which supports the risk management policy and framework. It is based on team work exercises and uses probability and severity to measure risk.

Safety Data Sheets: Safety data sheets are the main tool for ensuring that manufacturers and importers communicate enough information along the supply chain to allow safe use of their substances and mixtures.

SCU: Solvay Corporate University.

Seveso Regulations: The Control of Major Accident Hazards Involving Dangerous Substances Regulations. These regulations (often referred to as 'COMAH Regulations' or 'Seveso Regulations') give effect to European Directive 96/82/EC. They apply only to locations where significant quantities of dangerous substances are stored.

VCM: Vinyl chloride.

Financial

Basic earnings per share: Net income (Solvay's share) divided by the average number of shares for IFRS calculation of earnings per share.

Diluted earnings per share: Net income (Solvay's share) divided by the average number of shares for IFRS calculation of diluted earnings per share.

Dividend yield (net): Net dividend divided by the closing share price on 31 December.

Dividend yield (gross): Gross dividend divided by the closing share price on 31 December.

DJ Stoxx: Dow Jones Stoxx is a European stock index composed of the most important 665 European values.

DJ Euro Stoxx: Dow Jones Euro Stoxx is a paneuropean stock index which includes the most important 326 values of the general Dow Jones index, belonging to eleven countries of the Eurozone.

EBIT: Operating result.

Equity (per share): Equity divided by the average number of shares for calculating IFRS results. The same denominator is used in calculating cash flow and REBITDA per share.

Free cash flow: Cash flow from operating activities (including dividends from associates and joint ventures) + cash flow from investing activities (excluding acquisitions and sales of subsidiaries and other investments).

FTSEurofirst 300: The FTSEurofirst 300 Index tracks the equity performance across the region of the 300 largest companies ranked by market capitalisation in the FTSE Developed Europe Index.

IFRS: International Financial Reporting Standards.

LTI: Long Term Incentive.

M&A: Mergers and Acquisitions.

Natural Currency Hedge: A natural hedge is an investment that reduces the undesired risk by matching cash flows (i.e. revenues and expenses).

Net financial expenses: comprises cost of borrowings minus interest income on lendings and short-term deposits, plus other gains (losses) on net indebtedness and costs of discounting provisions (namely, related to post-employment benefits and HSE liabilities).

NYSE Euronext: Global operator of financial markets and provider of trading technologies.

OCI: Other Comprehensive Income.

PPA: Purchase Price Allocation - The PPA impacts are created by the reevaluation of assets, liabilities and contingent liabilities of Rhodia at fair value at acquisition date (IFRS 3).

PSU: Performance Share Unit.

REBIT: Recurring operating result.

REBITDA: Operating result before depreciation and amortization, non-recurring items, financial charges and income taxes.

ROE: Return on equity.

SOP: Stock Option.

STI: Short Term Incentive.

Velocity: Total number of shares traded during the year divided by the total number of listed shares, using the Euronext definition.

Velocity adjusted by free float: Velocity adjusted as a function of the percentage of the listed shares held by the public, using the Euronext definition.

NOTES

Notes

Shareholder's Diary

May 13, 2013
Announcement of 1st quarter 2013 results

May 14, 2013
General Shareholders' Meeting (at 10:30 a.m.)

May 15, 2013
Conference call on 1st quarter 2013 results

May 16, 2013
Quotation ex-dividend (coupon n. 92)

May 21, 2013
Payment of final dividend 2012 (coupon n. 92)

July 31, 2013
Announcement of the 2nd quarter and six months 2013 results
(at 7.30 a.m. Press release)

October 25, 2013
Announcement of the 3rd quarter and nine months 2013 results and the interim dividend announcement for 2013
(at 7.30 a.m. Press release)

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