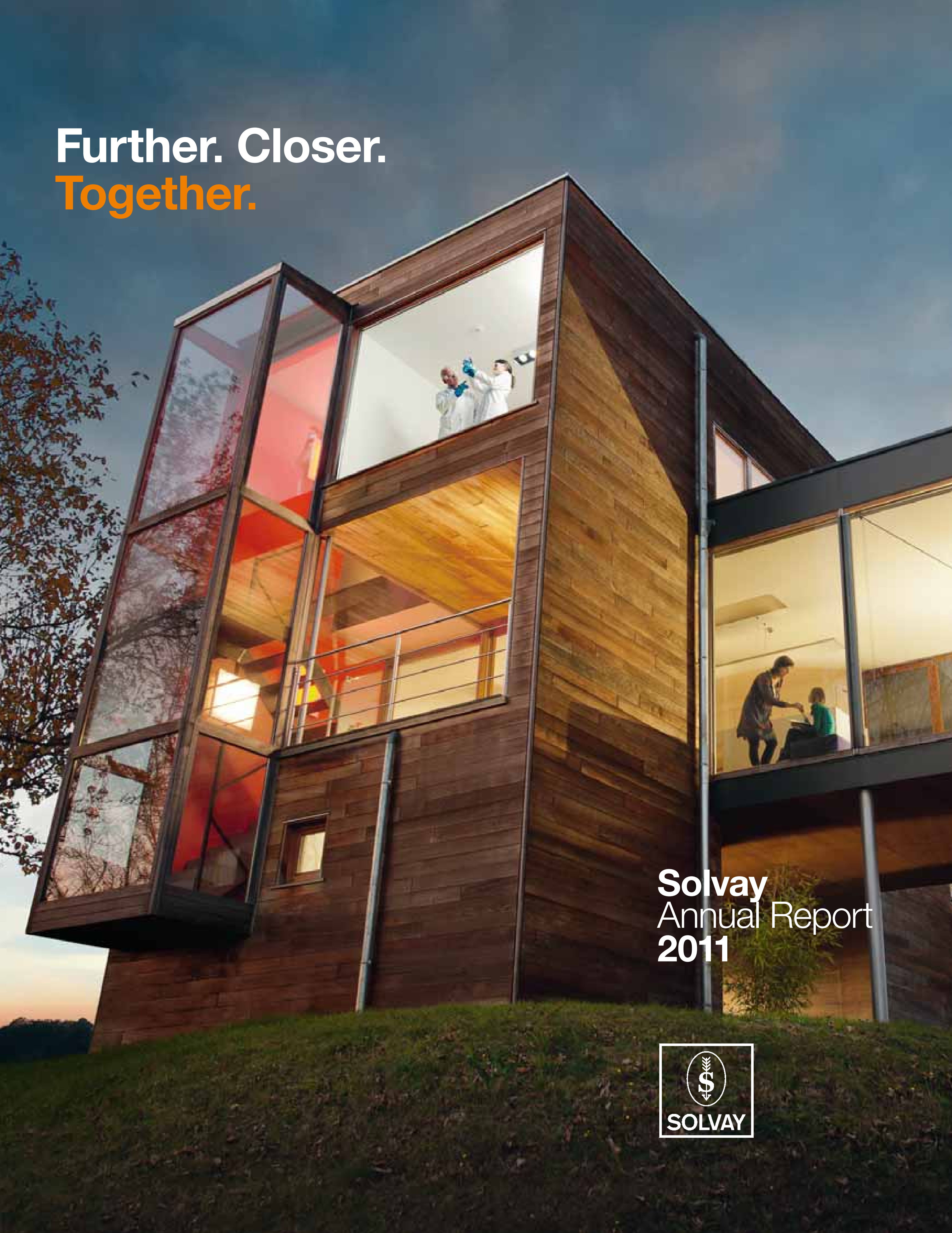
Further. Closer.
Together.



Solvay
Annual Report
2011

SOLVAY

Table of content

Solvay group key figures

Financial data

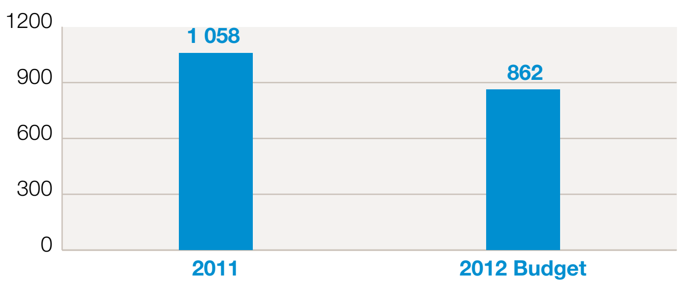
	IFRS					PRO FORMA[8]
	2007	2008	2009	2010[1]	2011	2011
	EUR million					
Operating situation						
(Net) sales[2]	9 572	9 490	8 485	5 937	8 001	12 693
REBITDA[3]	1 662	1 436	1 439	930	1 208	2 068
REBITDA as % of (net) sales	17%	15%	17%	16%	15%	16%
REBIT[4]	1 192	965	969	571	748	1 408
Net result	828	449	553	1 823	296	784
Total depreciation and amortization[5]	593	417	496	607	455	655
Free Cash flow[6]	402	531	789	117	371	656
Capital expenditure	777	1 320	567	457	4 797	1 058
Research expenditure	556	564	555	125	156	218
Personnel costs	2 081	1 981	2 016	1 281	1 422	
Added value	3 921	3 083	3 306	3 838	2 345	
Financial situation						
Shareholders' equity	4 459	4 745	5 160	6 708	6 653	
Net debt[7]	1 307	1 597	1 333	-2 993	1 760	
Net debt / shareholders' equity	29%	34%	26%		26%	
Return on equity (ROE)	18%	9%	11%	27%	4%	
Gross distribution to Solvay shareholders	240	241	241	240	250	
Persons employed						
Persons employed at December 31	28 340	29 433	28 204	14 720	29 121	

1. The 2010 figures only have been restated to take the changes in joint venture accounting, applied as from 1 January 2011, into account. Joint ventures are now accounted for using the equity method instead of the proportionate method.
2. Sales in 2007 to 2009 and net sales from 2010.
3. REBITDA: operating result before depreciation and amortization, non recurring elements, financial charges and income taxes.
4. REBIT = Recurrent EBIT.
5. Including impairment of: -123 in 2007, +54 in 2008, -25 in 2009, -248 in 2010 and +5 in 2011.
6. Cash flow from operating activities + cash flow from investing activities, excluding acquisitions and sales of subsidiaries and other investments + dividends from associates and JVs.
7. Liabilities (+) / Assets (-).
8. The pro forma figures show the income statement (1) as if the acquisition of Rhodia had become effective from the 1st of January 2010, (2) harmonizing the accounting rules and (3) eliminating the Purchase Price Allocation (PPA) impacts.

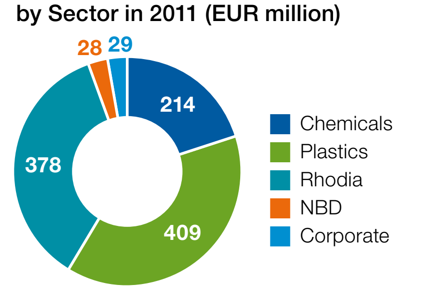
Expenditure for the future

Capital expenditure, acquisitions and R&D in 2011 (pro forma) = EUR 1 276 million

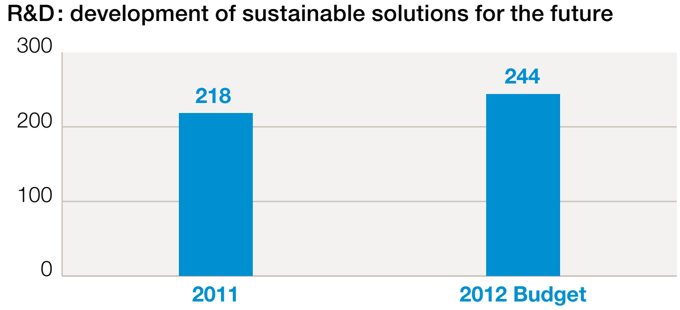
Capital expenditure & acquisitions



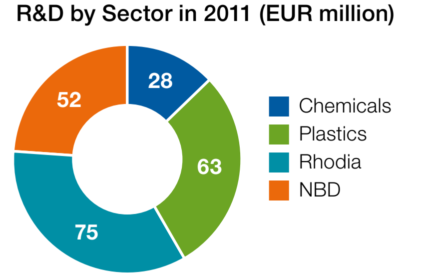
Total capital expenditure & acquisitions by Sector in 2011 (EUR million)



R&D: development of sustainable solutions for the future

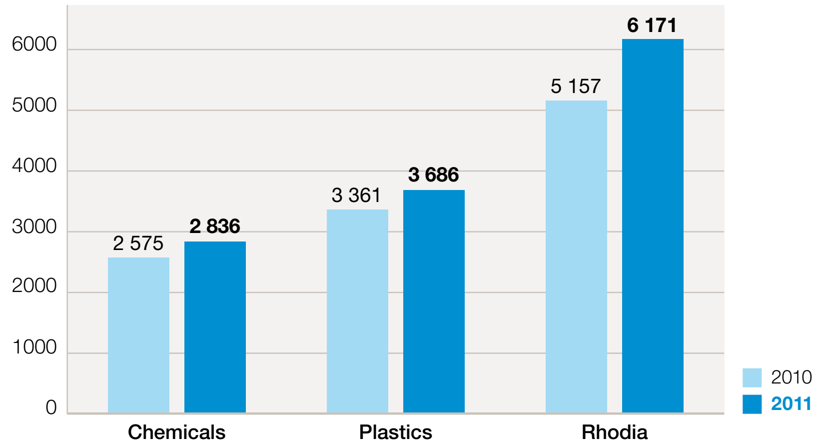


R&D by Sector in 2011 (EUR million)

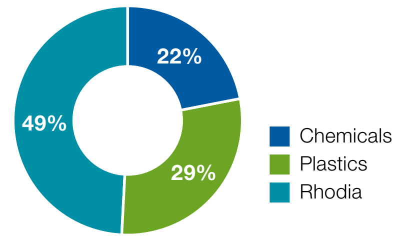


Key financial data (pro forma, continuing operations)[8]

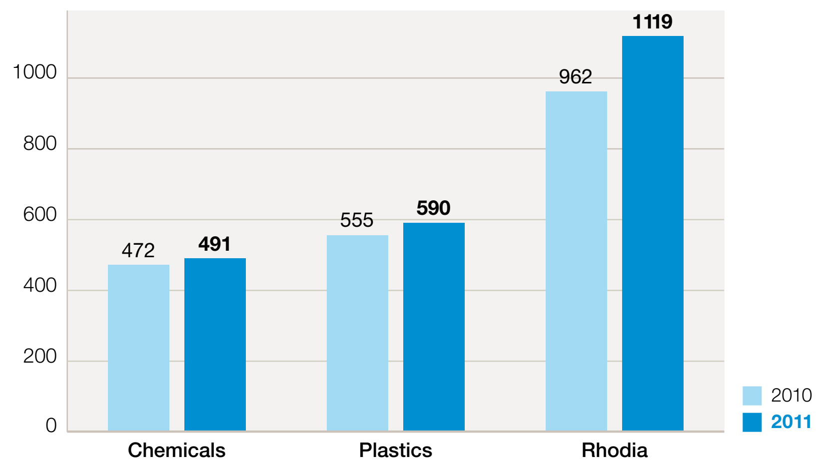
Net sales 2011 = EUR 12 693 million



Net sales by Sector in 2011

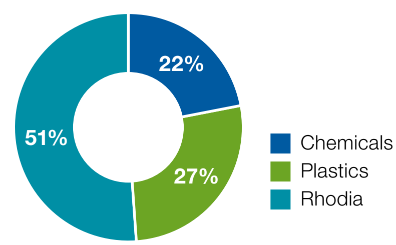


REBITDA 2011 = EUR 2 068 million (including "Corporate & Business Support": EUR -79 million and "New Business Development": EUR -53 million)



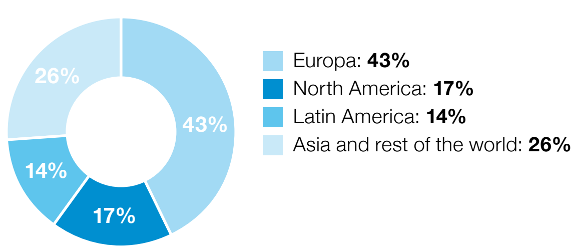
REBITDA* by Sector in 2011

* Excluding "Corporate & Business Support" and "New Business Development".

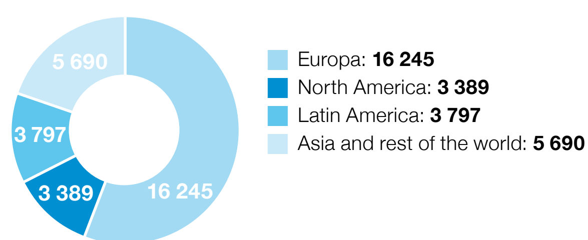


A global presence

Net sales 2011 = EUR 12 693 million



Employees as of December 31, 2011: 29 121 full time equivalent



End markets

Net sales 2011 = EUR 12 693 million

Consumer goods	28%	Environment	4%
Construction	17%	Agriculture, forestry and fishing	4%
Automobile industry	15%	Paper	2%
Electricity and electronics	7%	Other industries	18%
Energy	5%		

2011 Highlights

February 22, 2011
Bulgaria
Solvay secures the development of its fluorinated products by acquiring a fluorite mine in Bulgaria.

March 3, 2011
SOLEF® PVDF
Solvay announces a 50% increase in its SOLEF® PVDF production capacity in response to strongly growing demand.

May 30, 2011
Seoul
Solvay and Korea's EWHA University set up a joint research and development center in Seoul.

June 8, 2011
China
Solvay and Tianjin Soda Ash Plant establish a partnership to create a soda ash plant in China.

June 9, 2011
FOMBLIN-Y® and GALDEN®
Solvay announces that it is increasing its FOMBLIN-Y® and GALDEN® production capacity in response to rapidly growing demand.

June 23, 2011
Specialty polymers
Solvay to invest EUR 120 million in the production of high-added-value specialty polymers in China.

July 26, 2011
Plextronics
Solvay commits EUR 10 million to support Plextronic's development of innovative technology in organic light-emitting diodes and photovoltaic cells.

July 28, 2011
Saudi Arabia
Solvay to form a joint venture with Sadara to build a hydrogen peroxide megaplant in Saudi Arabia.

August 23, 2011
Fluorine gas
Solvay is developing a fluorine gas production unit that will greatly reduce greenhouse gas emissions in the photovoltaic and semiconductor industries.

October 3, 2011
Rare earth
The Group launches the recycling of rare earth from magnets after announcing initiatives to recycle rare earths in energy-saving lamps and rechargeable nickel metal hydride batteries.

October 5, 2011
Thailand
Solvay commissions the world's largest hydrogen peroxide plant in Thailand.

October 27, 2011
Nicolas Boël
Appointment of Nicolas Boël as future Chairman of the Board of Directors of Solvay, effective May 9, 2012.

November 4, 2011
Eco-efficient Products and Processes
Inauguration in Shanghai (China) of the Eco-efficient Products and Processes laboratory, a mixed research unit with CNRS, ENS Lyon and East China Normal University, dedicated to green chemistry.

November 9, 2011
eSpheres
Solvay creates eSpheres, a spin-out for managing "environment, health and safety" information.

November 25, 2011
Orbeo
The Solvay group increases its leadership in energy efficiency and CO_2 with the acquisition of Orbeo.

December 5, 2011
BLUECAR®
Solvay provides strategic materials for the batteries of the BLUECAR® electric car (Bolloré group).

December 27, 2011
Group headquarters buildings
Signing of sales contract for the Group's headquarters buildings in Ixelles (Belgium).

February 15, 2012
Pipelife
Wienerberger acquires Solvay's stake in Pipelife, one of the world's leading suppliers of plastic pipe systems.

Solvay acquires Rhodia

April 4, 2011
Solvay announces its intention to create, with Rhodia, a major player in Chemicals and a global leader in its businesses.

April 7, 2011
Solvay files its friendly tender offer for Rhodia with the French Financial Markets Authority.

May 10, 2011
The French Financial Markets Authority approves Solvay's friendly tender offer for Rhodia.

June 14, 2011
Solvay launches its friendly tender offer for Rhodia shares at EUR 31.60 per share.

June 30, 2011
Solvay notifies its friendly tender offer for Rhodia to the European Commission.

August 5, 2011
The European Commission approves Solvay's acquisition of Rhodia.

August 31, 2011
Solvay's friendly tender offer for Rhodia is a complete success.

September 13, 2011
Initiation of the squeeze-out procedure.

Further. Closer. Together.

Solvay has just passed through a historic year in which we continued to implement our growth and geographic expansion strategy, taking us out further, towards tomorrow's sources of growth.

We have delivered a profound structural transformation to create an organization that is closer to our markets and to our customers. We have successfully acquired Rhodia. Together we are creating a major player in sustainable chemistry.

In 2008, during one of the periodic strategic reviews designed to give the Group a vision in phase with the world around it, Solvay's Executive Committee decided to project itself far into the future, with the long-term horizon of the Group's 175th anniversary in… 2038. If this future celebration is to crown a history of continuing success, Solvay will need to adapt and align its processes with the major trends that characterize the development of the human community. We set to work with enthusiasm and have come an impressively long way in just a few years.

A CRUCIAL STEP

2011 was a pivotal year for the Group, in which it took a major step in its strategic journey towards a more sustainable Solvay, which began with the sale of the pharmaceutical activities. The successful friendly tender offer for Rhodia has doubled the size of the Group, enriched its portfolio and extended its frontiers.

The integration of the company that is now Solvay's third Sector is under way. The outcome will be a Group that is even more powerful and ambitious than before.

In addition to this undeniable success, Solvay took many other initiatives in 2011, also in line with the strategic criteria that led to the acquisition of Rhodia:

- strengthening the Group's presence in fast-growing countries,
- developing its high-added-value activities,
- growing in products with reduced environmental and energy footprints, and
- reducing the cyclicality of its business portfolio.

IMPRESSIVE ACHIEVEMENTS

The 2011 roll of achievements is even more impressive now that Solvay includes the initiatives of the new Rhodia Sector.

For all Sectors combined, Solvay submitted 322 patents, 199 from the Chemicals and Plastics Sectors – this is an absolute record for the latter – and 123 from the Rhodia Sector. The Group's innovation policy has never been so prolific.

On the industrial side, the Group in its new configuration was involved in no less than five major projects in China. In this way Solvay will be nourished even more by the incredible dynamism and trends that are driving Chinese society. In Thailand, Solvay has commissioned a new hydrogen peroxide megaplant with a capacity of 330 kilotons. An initial agreement has also been signed to create a similar industrial facility, based on Solvay's exclusive technology, in Saudi Arabia.

Chairmen's Message

The Group has continued to develop its high-added-value activities, increasing its fluoropolymer production capacity at both Spinetta (Italy) and Tavaux (France) and has put into service new production capacity for highly dispersible silica at the Rhodia Sector plant at Chicago Heights, IL (United States).

Solvay made progress in 2011 in its constant search for new sources of sustainable growth. This includes the decision to create a new research and development center, focused on new energy forms and electronics, at the heart of a very highly regarded Korean university campus.

Also in South Korea, Solvay is testing a new fluorine technology that can reduce greenhouse gas emissions during the manufacture of solar cells and semiconductors.

The Group announced the development of an innovative process for recycling rare earths, in collaboration with Umicore.
The Rhodia Sector also launched a new research partnership with the French Centre National de la Recherche Scientifique (CNRS), Ecole Normale Superieure de Lyon (France) (ENS Lyon) and East China Normal University in Shanghai, focusing on green chemistry.

VERY GOOD RESULTS

In terms of financial results, 2011 was a particularly good year.

Pro forma net sales for 2011 amounted to EUR 12 693 million, an improvement of 14%. The economic context remained sustained throughout 2011.
The share of sales in fast growing regions is rising strongly. In 2011, Solvay realized 40% of its sales in Latin America, Asia and in the rest of the world.

Pro forma REBITDA for 2011 amounted to EUR 2 068 million compared to EUR 1 862 million in 2010, an increase of 11%.

The improvement in REBITDA in the Plastics Sector (+6% to EUR 590 million) is explained by the record operating performance of Specialty Polymers in a context of very sustained activity.

REBITDA of the Chemicals Sector again improved compared to the preceding period, increasing by 4% to EUR 491 million. The result from Essential Chemicals was up by 9% compared to 2010, buoyed by increased demand in most of its activities and good profitability.

The Rhodia Sector posted a strong 16% progression to a record EUR 1 119 million REBITDA, illustrating a successful execution of its profitable growth strategy and confirming the ambitions attached to its acquisition. The Sector benefited from its resilient, high quality portfolio, its strong exposure to fast growing regions and its excellent pricing power.

THE STRENGTH TO CHANGE

2011 saw the crystallization of many changes introduced as part of the strategic maneuvers to prepare Solvay for the future.

Last April, the Group formally adopted a new operating structure. Lighter, more efficient and less expensive to run, it brings Solvay closer to its customers and gives greater autonomy to employees in the field. A key goal of this new decentralized and more delegation-based organization is to improve the responsiveness vital in times of crisis. Rhodia had already launched a similar approach, with objectives that converge with and fundamental principles that are comparable with the Solvay program.

In 2011 the Group also relocated its headquarters activities from its historic Ixelles site to the Solvay campus in the north of Brussels. This site, still in the greater Brussels area, has a strong culture of research and technology. The move serves to reinforce and highlight two essential features of the Group: innovation and operating excellence.

Finally, in late 2011, following the very rapid success of its offer for Rhodia, Solvay went on to launch a powerful and ambitious new project to integrate the two companies, to give birth to a new chemical leader resolutely focused on sustainable development. Implementation of this target will already begin in the first half of 2012.

What emerges is an even more powerful Solvay, with the critical mass and strategic assets to approach with confidence the troubled times ahead in the global economy. Pooling their talents allows Rhodia and Solvay to be even more ambitious. United, the new Group creates for all its stakeholders a value far greater than the sum of what its component parts could generate by acting alone.

These great prospects are being realized under new talent: already in May of this year, Nicolas Boël and Jean-Pierre Clamadieu take over the reins of this new Group: the first as Chairman of the Board of Directors and the second as Chief Executive Officer. We wish them all the brilliant success that Solvay deserves.

Christian Jourquin
Chairman of the Executive Committee

Aloïs Michielsen
Chairman of the Board of Directors

In September 2011, Solvay acquired Rhodia to become a major player in the chemical industry, with high-added-value products and applications. The new Group ranks among the top ten chemical players worldwide.


SOLVAY,
world leader in
chemistry.
SOLVAY

International chemical group

AS MAJOR PLAYER IN CHEMISTRY, SOLVAY IS COMMITTED TO SUSTAINABLE DEVELOPMENT AND FOCUSES ON CONTINUOUS IMPROVEMENT, INNOVATION AND OPERATIONAL EXCELLENCE. SOLVAY DEVELOPS HIGH-ADDED-VALUE PRODUCTS AND SOLUTIONS FOR THE FOLLOWING MARKETS: CONSUMER GOODS, CONSTRUCTION, AUTOMOTIVE, ELECTRONICS, ENERGY, ENVIRONMENT AND WATER.

1/3

OF SALES ARE FROM PRODUCTS MEETING SUSTAINABLE DEVELOPMENT CHALLENGES

A responsible leader

Our research and development projects are consistent with the Group's declared **sustainable development** objective: providing technology solutions to the major challenges facing society.

FOUNDED IN BELGIUM IN 1863 BY ERNEST SOLVAY

EUR 12.7 BILLION NET SALES

EUR 2.1 BILLION REBITDA

Our **innovation** efforts focus on renewable energy, conserving natural resources, reducing emissions and waste, developing technologies with reduced environmental impact, and advanced materials recycling processes.

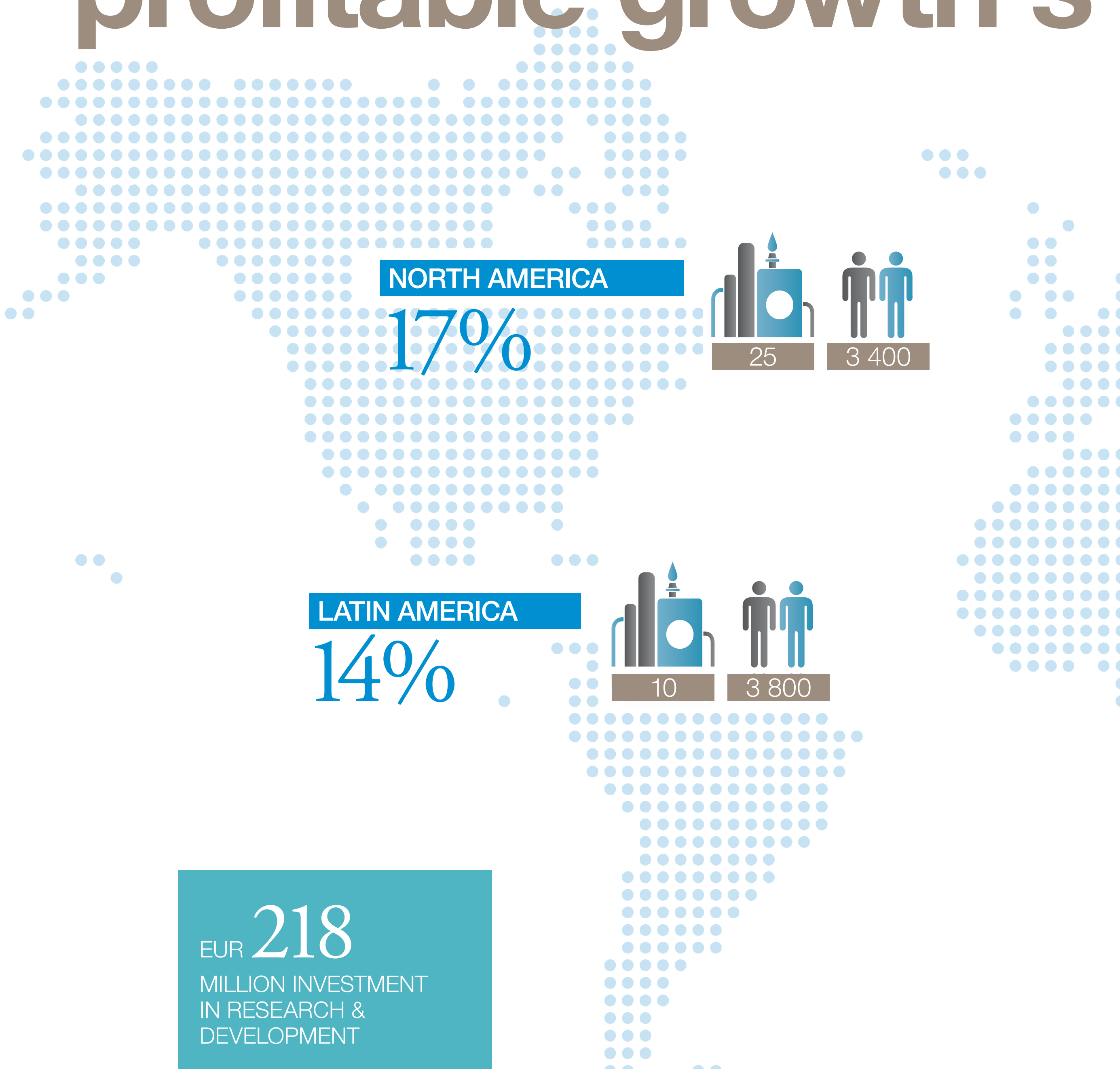
29 100 EMPLOYEES

Dual listing in Paris and Brussels

NYSE Euronext

90% OF ITS SALES IN MARKETS WHERE IT IS AMONG THE TOP 3 GLOBAL

World player with a profitable growth s



EUR 218
MILLION INVESTMENT IN RESEARCH & DEVELOPMENT

1700
EMPLOYEES IN R&D

12 major research centers across the world

322
NEW PATENTS REGISTERED IN 2011

sustainable and trategy

EUROPE

43%

40 | 16 200

ASIA-PACIFIC / REST OF THE WORLD

26%

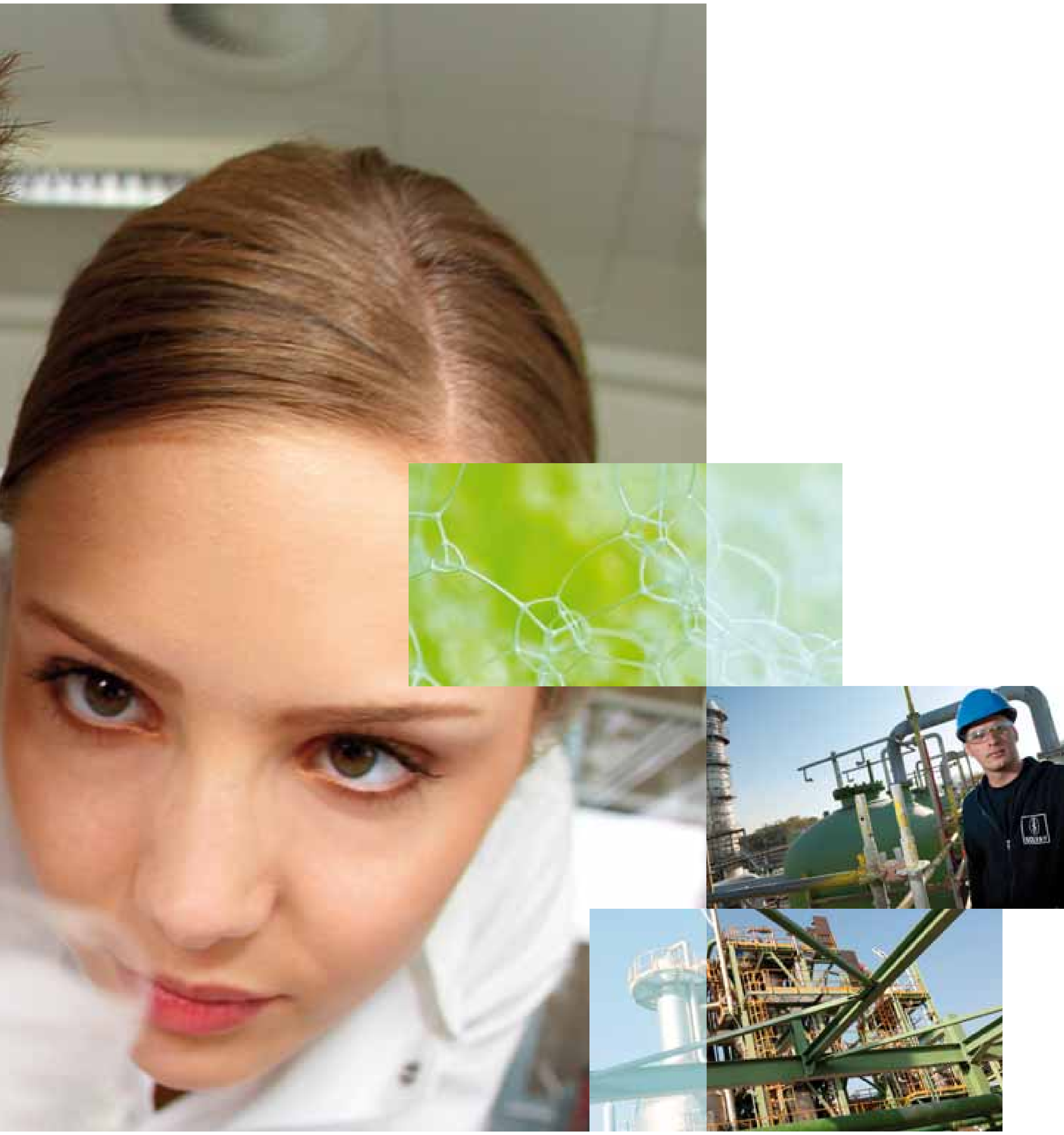
35 | 5 700

40%
OF SALES FROM HIGH-GROWTH COUNTRIES

PRESENT IN
55 COUNTRIES
AND ON 110
PRODUCTION SITES

The figures in this leaflet are pro forma.

World leadership



#1 **Specialty Polymers**
High-Performance Engineering Polymers and Compounds, Fluorinated Polymers, High Barrier Polymers

#1 **Essential Chemicals**
Hydrogen Peroxide, Sodium Carbonate and Sodium Bicarbonate

#1 **Silica & Rare Earth Systems**
High Performance Silicas and Rare Earth-based formulations

#1 **Consumer Chemicals**
Surfactants, Phosphorus Chemistry and Diphenols

#2 **Polyamide & Intermediates**
Polyamide 6.6 and Polyamide 6.6-based Engineering Plastics

#3 **Vinyls & Acetow**
PVC & Cellulose Acetate Tow

Leader in its

CONSUMER GOODS

For everyday comfort, we develop a wide range of products used in detergents, personal and domestic care products, food, human health, animal nutrition, textiles, artificial leather and sports equipment. 28%*

CONSTRUCTION

Our products, including blowing agents and flame retardants, are used in paints and coatings, thermal insulation, windows, electrical wiring and cabling as well as pipes and fittings for heating and cooling systems. 17%*

AUTOMOTIVE

We offer a wide range of innovative solutions for sustainable mobility: silicas to improve the energy efficiency of tires, materials for fuel and air intake systems, cooling and heating system components, flat glass, lubricants and polyamide-based engineering plastics to reduce vehicle weight. 15%*

activities

ENERGY

We offer advanced solutions and products to increase the energy efficiency or energy storage volume of lithium batteries, for producing energy from solar, wind and other renewable resources, and materials for fuel cells and membranes for gas diffusion and heat transfer. 5%*

ENVIRONMENT

Our products help protect the environment in areas of daily life and across industry: air emission control, soil remediation, water supply and treatment, membrane technologies for gas separation, and high-performance polymers for water purification membranes. 4%*

ELECTRONICS

We offer high quality products for electricity and mobile electronics: conductive and photovoltaic materials, coatings and coating additives for flat panel displays, semiconductors, medical imaging, digital cameras, energy-efficient lighting products and OLEDs, insulation products and organic electronics. 7%*

** Percentage of the sales.*

SOLARIMPULSE™ | SOLVAY

AROUND THE WORLD IN A SOLAR AIRPLANE | MAIN PARTNER

As first main partner of the ‘zero fuel’ solar aircraft, Solvay is supporting this technological challenge with funding, engineering know-how and chemistry expertise. 11 Solvay products, 15 applications and more than 6 000 separate parts optimize the aircraft’s energy system and ultra-light structure.

2003
ANNOUNCEMENT OF THE PROJECT, FEASIBILITY STUDY (EPFL)

2004
TECHNOLOGY PARTNERSHIP WITH SOLVAY

2005-2008
CONCEPT, DESIGN AND CONSTRUCTION

2009
FIRST “FLEA HOP” FLIGHT

2010
26-HOUR FLIGHT (FIRST NIGHT FLIGHT)

2011
EUROPEAN FLIGHTS (BRUSSELS AND PARIS LE BOURGET)

2014
ROUND-THE-WORLD FLIGHT IN STAGES

FIRST INTERNATIONAL FLIGHTS

After its experimental night flight in 2010, Solar Impulse entered a new phase in spring 2011 by making its first international flights. From its Swiss base it first flew to Brussels, and from there to Paris, where it entered the world of aviation as a special guest of the Paris Air Show. In doing so it conveyed important messages about alternative energies for the future of the planet, especially to the European authorities. These flights have also proved a true popular success, keenly followed by Group employees, for whom the choice of Brussels as the first landing destination outside Switzerland honored Solvay's commitment to the project.

'REVOLUTIONARY' PRODUCTS

The Group's contribution, based on research into innovative materials and technical solutions and the study of their behavior in extreme conditions, is vital for Solar Impulse. 11 Solvay products, 15 applications and over 6 000 parts are present in the aircraft: fluoropolymer-based films (ECTFE HALAR®), used in the photovoltaic panels that capture solar energy that is then stored in the lithium batteries (SOLEF® PVDF, F1EC®). Solvay products and plastics (TORLON® Polyamide-imide, SOLKANE® 365mfc fluorinated solvent, PRIMOSPIRE® polyphenylene ultra-polymer, etc.) help lighten the overall weight, strengthen the structure and optimize the energy chain. All of these products are also found in everyday applications (computers, cell phones and electric car batteries, solar panels, insulation, consumer electronics and the like).

A CHALLENGE THAT REFLECTS A STATE OF MIND

During the summer, the Solar Impulse HB-SIA prototype made several less publicized flights in Switzerland, providing ongoing training for the ground crews and allowing pilots Bertrand Piccard and André Borschberg to continue their preparation for an initial intercontinental flight in 2012. These flights, which have also demonstrated the validity of Solvay's commitment to this ambitious project, are part of the project to fly round the world in 2014, a step requiring modifications of the aircraft's design in terms of weight and range. Work has started on building a second prototype (HB-SIB), capitalizing on the experience gained so far.

CHANGING TO PRESERVE

This demonstration project, a true challenge of the future, combines high technology with promotion of behavioral change, both of which are keys to the future of our planet. Solvay's participation has also enabled it to partner with top-flight players – including the Federal Polytechnic School of Lausanne (EPFL) – offering it new opportunities for development as part of an open innovation approach.

SOLVAY, a world leader in chemistry.

Combining our talen a new Solvay

With the integration of Rhodia, Solvay has become a major world player in chemistry that generates nearly EUR 13 billion of net sales, is a world leader in 90% of the markets it serves, achieves 40% of its sales in high-growth countries and invests EUR 218 million a year in R&D.

Following Solvay's friendly tender offer for Rhodia, supported by the markets, integration of the two companies commenced without delay and is moving ahead at a sustained pace and with a structured approach. Tangible and very concrete achievements were already visible by the end of 2011, foreshadowing many others.

For example, in December 2011 the Executive Committee approved a comprehensive plan that will reduce the Group's annual purchases by approximately EUR 250 million over the next three years. This considerable gain will result from combining efforts already under way with the powerful leverage of the integration of Rhodia into the Solvay group.

On January 1, 2012, Solvay created a new Global Business Unit (GBU), Solvay Energy Services, to provide energy and CO_2 related services to the Group and to external customers. This new GBU, which combines the best practices of both companies, has a powerful synergetic potential, identified from the start of the integration of Rhodia and Solvay.

The Group is undertaking in parallel a large number of integration projects, each focused on specific operational areas. The mutual familiarization phase, completed in late 2011, has given all Group decision-makers a very good understanding of the characteristics and strengths of both Rhodia and Solvay.

The next step, which started at the very beginning of 2012, is to develop new organizational options, capitalizing on the qualities of the various components of the Group in its new configuration. Instead of implementing integration through the sole, discretionary authority of the purchaser, Solvay has opted for a method that is more difficult, but that the Group believes will benefit all stakeholders. The integration is proceeding with respect for the competences of all involved, taking advantage of what is best on both sides. This work has focused initially on a number of key corporate support functions: Finance, Legal, Communications, Public Affairs and Human Resources.

The integration allows rapid outlining of the new Group. New organizations will be established in the first half of 2012, following the usual procedures for informing and consulting with social partners, as required for any such changes.

The employees of the new Solvay are fully involved in – and many of them, very hard at work on – the profound changes that are transforming the Group. Solvay

will continue to evolve – something each employee is fully aware of. To operate the new organization, with its expanded industrial base and new headquarters, Solvay intends to deploy a new management style, in tune with today's world and based on shared core values:

- mutual respect, including a deeply anchored HSE culture,
- the quest for ever more ambitious performance, and
- mobilization of everyone's efforts, especially through increased delegation, collaboration and training.

True to its tradition, Solvay has had the strength to change. In just a few years, the transformation has been profound and the steps taken dramatic. The sense of community and cohesion of the Solvay shareholders has made it possible to build, through all the ups and downs, a strong industrial Group resolutely focused on sustainable and profitable growth.

The Executive Committee and the Board of Directors together took the well-thought-out decision to sell the Pharmaceuticals business, the success of which Solvay could no longer ensure by acting alone, but the sale of which would provide the resources to secure the future of the Group.

Today, the Group is constructing an exciting and ambitious vision of the future, building on the respective qualities of our companies. This vision will be carried by the major trends that prefigure the world of tomorrow. The megatrends most relevant to the new Group are clearly identified:

- The geographic paradigm change is being confirmed with a shift towards high-growth economies. This trend is already established and the integration of Rhodia gives Solvay the muscle to be a champion, able to make its mark and grow rapidly in the most dynamic areas of our planet.
- Sustainable development: the Group needs to capitalize on its strengths and expertise to implement a strategy aimed at providing products and solutions that meet the vital challenges that face mankind today.
- The Group will need to rebalance its product portfolio and outlets, offering its customers innovative and differentiated products and services, in which its core competencies realize their full potential.
- Solvay will have to respond to the growing scarcity of raw materials by minimizing its consumption through the development of recycling and the rise of renewable energy technologies and bio-based materials.
- Solvay will also need to adapt to ever more stringent regulations, by introducing production processes that are more sparing of natural resources and water, and are also cleaner, including in greenhouse gas emissions (in particular CO_2).
- Finally, all our new business activities and our future acquisitions will need to be consistent with the principles of sustainable development.

The Group's efforts are now tending towards a supreme objective, the creation of a new and winning Solvay, built for geographic expansion and focused on sustainable development.

Strong involvement in the

"International Year

1. Closing event in Brussels, December 1, 2011.
2. The group of young scientists present their vision of the world and chemistry by 2050 at the closing event of IYC 2011.
3. Open doors at the plant, Jemeppe (Belgium), May 21, 2011.

# of Chemistry 2011”

2011 was declared “International Year of Chemistry” by the 63rd UN General Assembly. The objective: to emphasize the importance of chemistry for sustainable development in all aspects of life on the planet. Solvay was closely involved in this initiative, especially in the organization of the January 28, 2011 opening at the headquarters of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in Paris and of the closing ceremony held in Brussels on December 1, 2011.

Supported by UNESCO, “International Year of Chemistry 2011” was a global event. Four goals were established: to put across the message that chemistry intends to respond to the needs of the planet, to increase young people’s interest in our professions, to generate enthusiasm for chemistry focused on the future, and to celebrate the work of Marie Curie and women’s contributions to chemistry.

Group companies, both abroad and in Belgium, contributed to the objectives of the International Year of Chemistry. At our Jemeppe-sur-Sambre (Belgium) site, some 70 staff members answered questions from 1 300 visitors during the “Weekend of Chemistry and Life Sciences” organized by Essenscia, the Belgian Federation for Chemistry and Life Sciences Industries. Another example is the presentation of the EOLYS POWERFLEX™ diesel fuels additive at the “Regards sur la chimie” (Looking at Chemistry) exhibition. Solvay also co-sponsored the “Chemistry for a Better World” exhibition at the scientific station of the University of São Paulo, Brazil. This interactive project, built around the megatrends that prefigure tomorrow’s world (health care and nutrition, construction, energy, resources, mobility and communication), was conducted under the auspices of the Brazilian Chemical Industry Association (ABIQUIM) and the Brazilian Society of Chemistry.

BRUSSELS: A CHOICE INSPIRED BY ERNEST SOLVAY

If 2011 marked the 100th anniversary of the awarding of the Nobel Prize to Marie Curie, the year was as important for the Group, which celebrated the centenary of the first Physics and Chemistry Council, established by Ernest Solvay, in which Marie Curie also participated. Hence the choice of Belgium and Brussels for the closing ceremony of the event on December 1, 2011, largely inspired by the role of our country in this industry and by the personality of Ernest Solvay.

The closing ceremony allowed a group of young people – including Solvay employees – to share their ideas on humanity’s expectations of chemistry. Demonstrating chemistry’s contribution to the resolution of issues vital to the planet (demography, growing needs, limited resources and endangered environment) in 2050 was central to the debate of this closing day, for which the Group mobilized extensive resources.

First Solvay Physics and Chemistry Council, attended by Ms. Marie Curie Brussels, 1911.

Goldschmidt / Planck / Rubens / Lindemann / Hasenohrl / Nernst** / Brillouin / Sommerfeld / de Broglie* / Hostelet / Solvay / Knudsen / Herzen / Jeans / Rutherford** / Lorentz* / Warburg / Wien* / Einstein* / Langevin / Perrin* / Ms. Curie* ** / Poincare / Kamerlingh-Onnes*.*

** Nobel prize in Physics   ** Nobel prize in Chemistry*

Financial Statements part 1

Financial Statements

Operating result[1] improving in each Sector of activity

THIS MANAGEMENT REPORT COVERS BOTH THE CONSOLIDATED ACCOUNTS OF THE SOLVAY GROUP AND THE STATUTORY ACCOUNTS OF SOLVAY SA

- Creation of a major player in the global chemical industry following the acquisition of Rhodia in September 2011
- Pro forma[2] net sales[3] (EUR 12 693 million) up by 14% in a context of globally sustained activity
- Strong improvement in pro forma REBITDA[1] of 11% to EUR 2 068 million
- Generation of Free Cash Flow[4] from continuing operations: EUR 656 million on a pro forma basis
- Pro forma net income from continuing operations of EUR 825 million compared to EUR 406 million in 2010
- 2011 dividend proposed: EUR 3.0667 gross per share (unchanged from 2010)

1. REBITDA: operating result before depreciation and amortization, non-recurring elements, financial charges and income taxes.
2. The pro forma figures show the income statement (1) as if the acquisition of Rhodia had become effective from the 1st of January 2010, (2) harmonizing the accounting rules and (3) eliminating the Purchase Price Allocation (PPA) impacts.
3. 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 (for example temporary).
4. Cash flow from operating activities + cash flow from investing activities, excluding acquisitions and sales of subsidiaries and other investments + dividends from associates and JVs.

The Management Report for the accounting period ending on December 31, 2011, consisting of pages 11 to 17, 147 to 159 (Management of Risks) and 179 to 207 (Corporate Governance Statement), has been prepared in accordance with article 119 of the Companies' Code and was approved by the Board of Directors on February 15, 2012.

CREATION OF A MAJOR PLAYER IN CHEMISTRY, A WORLD LEADER IN ITS FIELDS OF ACTIVITY

Solvay has created with Rhodia a major player in the chemical industry with sales of EUR 12.7 billion, 40% of which are generated in high growth countries, and a REBITDA of EUR 2.1 billion. This new Group now ranks among the top 10 chemical companies worldwide.

The Group is supported by positions of excellence: 90% of its sales are made in activities where it is among the top three producers worldwide. It is one of the world leaders in high-performance specialty polymers and the world leader in soda ash and hydrogen peroxide. It is also leader in specialty chemicals (silica, rare earth formulations), products for consumer goods markets (surfactants and natural polymers, acetate tow) and polyamide 6.6-based engineering plastics.

The complementary nature of Rhodia's and Solvay's industrial activities gives the new Group exposure to very diverse markets: consumer products, construction, automotive, energy, water, environmental, electronics, etc.

This new Group, listed on NYSE Euronext in Brussels and Paris, is keen to gain recognition as a major worldwide chemical group resolutely committed to sustainable development and focused on innovation and operating excellence.

INTEGRATION OF RHODIA INTO SOLVAY IS PROGRESSING AS PLANNED

The integration process is combining Solvay's and Rhodia's strengths and excellence.

Significant actions have already been launched.

- Cost savings programs in procurement and logistics to generate savings of EUR 250 million per year have been initiated and will be fully effective within three years.
- The new organization of the corporate functions should be in place by mid 2012. The program to align the other functions continues.
- Solvay Energy Services was created on January 1, 2012.

Solvay is confident in its capacity to deliver the announced integration synergies of EUR 250 million per year by 2014. These come on top of the Horizon program savings amounting to EUR 120 million per year from the end of 2012. These two optimization programs should together generate more than EUR 100 million in gross savings[5] during 2012.

BUSINESS PROGRESS (PRO FORMA)

The Rhodia acquisition was closed on September 16, 2011. Only Rhodia's fourth quarter results are included in the consolidated IFRS financial statements of the Solvay group. To give complete and comparable information, Solvay has published pro forma adjusted financial results, in addition to the consolidated IFRS accounts for 2011. All comments below on business progress in 2011 relate to the pro forma figures.

Net sales for 2011 amounted to EUR 12 693 million, an improvement of 14%.

The economic context remained sustained throughout 2011 for most activities, as seen in the increased sales volumes in Chemicals (+4%), Plastics (+2%) and Rhodia (+3%).

Activity was particularly dynamic in Specialty Polymers, in Advanced Materials and in Consumer Chemicals, with sales volumes up by 6%, 19% and 6% respectively at constant scope, compared to the already high levels of activity in 2010. Other activities, however, were confronted with a clear slowing of demand during the final months of the year, in particular Vinyls, fluorinated chemicals and, to a lesser degree, Polyamide Materials.

The share of sales in fast growing regions improved markedly, with the Solvay group realizing 40% of its 2011 sales in Latin America, Asia and in the rest of the world.

REBITDA for 2011 amounted to EUR 2 068 million compared to EUR 1 862 million in 2010, or an increase of 11%. Priority was given to cash generation, especially in the 4th quarter, resulting in a considerable reduction in inventories.

The improvement in REBITDA in the **Plastics Sector** (+6% to EUR 590 million) is explained by the record operating performance of Specialty Polymers in a context

5. Before associated costs, one-off costs.

EUR Million	IFRS results	Pro forma results		
	2011	**2011**	**2010**	**2011/2010**
Net sales [6]	**8 001**	**12 693**	**11 095**	**+14%**
Plastics	3 686	3 686	3 361	+10%
Chemicals	2 836	2 836	2 575	+10%
Rhodia	1 479	6 171	5 157	+20%
REBITDA	**1 208**	**2 068**	**1 862**	**+11%**
Plastics	583	590	555	+6%
Chemicals	484	491	472	+4%
Rhodia	231	1 119	962 [7]	+16%
New Business Development	-38	-53	-47	-13%
Corporate and Business Support [8]	-51	-79	-80	+1%

of very sustained activity, with higher sales prices, significantly improved industrial performances and a better product mix taking the REBITDA/net sales margin for this activity to a much improved 29%. Vinyls results came under strong pressure from late summer onwards despite major cost-reduction efforts, with REBITDA down by 4% to give a REBITDA/net sales margin of 9% compared to 10% in 2010.

REBITDA of the **Chemicals Sector** again improved, rising by 4% to EUR 491 million. For Essential Chemicals it was up by 9%, sustained by increased demand across most activities and a good profitability, with sales price increases more than compensating the higher costs of energy and some raw materials. Despite a very good first half, the REBITDA of Special Chemicals was down owing to a sharp slowing of activity during the last months of the year.

Rhodia Sector posted a strong 16% progression to a record EUR 1 119 million REBITDA, illustrating the successful execution of its profitable growth strategy and confirming the ambitions placed in this acquisition. The Sector benefited from its high quality, resilient portfolio, its strong exposure to fast growing regions and its excellent pricing power. Overall volumes progressed by 3%. Furthermore, the Feixiang acquisition, consolidated since December 2010, maintained its double-digit growth. In a context of global inflationary raw material and energy costs, the Sector's pricing power generated a net positive impact on REBITDA of EUR 158 million in the year. By segment, Consumer Chemicals and Advanced Materials were powerful growth engines, with REBITDA growing by over 30% to EUR 364 million and EUR 267 million respectively. REBITDA at Polyamide Materials was down by 23% after a very strong 2010 and a weakened activity in the second half of the year. Acetow & Eco services, operating in more mature businesses segments, saw sustained business dynamics throughout the year. Energy Services remained stable.

REBITDA of **New Business Development** amounted to EUR -53 million, reflecting research & development efforts in promising and important areas for development of the Group outside its traditional activities.

REBITDA of **Corporate and Business Support** was EUR -79 million against EUR -80 million last year.

COMMENTS ON THE OTHER KEY FIGURES OF THE 2011 INCOME STATEMENT (IFRS)

All comments on other key income statement figures below relate to the 2011 IFRS figures.

Non-recurring items amounted to EUR -188 million. The main items here are:
- the EUR -160 million revaluation at fair value of the Rhodia inventory included in the opening balance sheet on September 30, 2011;
- the reversal of a provision of EUR 27 million following the decision by the European Court of Justice to annul the fines imposed on Solvay by the European Commission in 2000 for violation of competition rules in the soda ash market for the period preceding 1990;
- a partial EUR 24 million reversal of the existing provision, following the decision by the European General Court to reduce the fine imposed on Solvay in 2006 by the European Commission for violations of competition rules in the peroxide market. (Solvay has decided to appeal this latter judgment);
- EUR 33 million of costs linked to the acquisition of the Rhodia Group; and
- EUR 15 million of restructuring costs linked to the implementation of Horizon.

Charges on net indebtedness amounted to EUR -208 million, including charges on borrowings of EUR -159 million. The gross financial debt of the Solvay group amounted to EUR 4 168 million at the

6. Following the implementation of the new organization (Horizon), an amount of EUR 272 million of sales was transferred from the Chemicals Sector to the Plastics Sector in the figures of the year 2010, without any impact on the results.
7. Restated based on the Solvay Group's accounting principles (harmonization of accounting principles).
8. Part of the corporate costs of the Rhodia Sector were booked as Corporate and Business Support costs in the pro forma full year 2011 results.

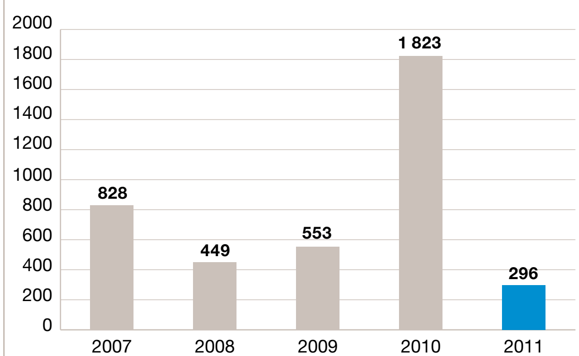
end of December 2011. Interest on cash deposits and investments amounted to EUR 39 million. The cost of discounting provisions amounted to EUR -72 million.

Income taxes amounted to EUR -19 million. Note the recognition of EUR 60 million of deferred tax assets linked to an internal sale of the activities of Solvay Advanced Polymers Belgium, a EUR 31 million impairment loss on a deferred tax asset in Belgium and a EUR 47 million reduction of deferred tax liabilities linked to the allocation of the purchase price of Rhodia.

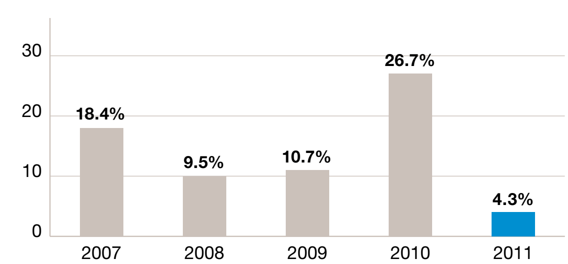
Net income amounted to EUR 296 million. The negative contribution of EUR -38 million from discontinued operations is explained primarily by the EUR -47 million working capital related adjustment subsequent to the sale of the pharmaceuticals activities.

Net income (Solvay share) amounted to EUR 247 million.

IFRS NET INCOME OF THE GROUP (EUR MILLION)



RETURN ON EQUITY (%)



ENERGY SITUATION

Energy costs are an important part of the Group's cost structure. They are estimated at about EUR 1.2 billion (in 2011 on pro forma basis).

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.

An important recent event in this context is the creation of the GBU Solvay Energy Services on January 1, 2012, combining the competencies and know-how of Solvay and Rhodia in the energy field, with the mission of optimizing the Group's and third parties' energy bills and carbon emissions. Solvay Energy Services has as its goal to optimize the Group's energy purchases and help all Business Units and production sites with managing energy and carbon emissions.

These various resources are now committed to achieving the Group's target of reducing its energy bill and greenhouse gas emissions by 20% by 2020.

FINANCING STRUCTURE

Equity amounted to EUR 6 653 million at the end of 2011, in line with equity at the end of 2010 (EUR 6 708 millions).

The Solvay group evolved from a net cash position at the end of December 2010 (EUR 2 993 million) to a net debt of EUR 1 760 million at the end of December 2011 following the acquisition of Rhodia for a total cash amount of EUR 3 953 million. At the end of 2011, the **net debt to equity ratio** was 26%, 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.

Given the success of the tender offer for Rhodia, the 880 766 **shares held by Solvay SA**, as temporary partial redeployment of the cash from the sale of the Pharmaceuticals activities, were transferred to Solvay Stock Option Management SPRL to cover the stock options program. At February 17, 2012, Solvay Stock Option Management SPRL's shareholding in Solvay amounted to 2.81%.

FREE CASH FLOW [9]

Pro forma Free Cash Flow from continuing operations was EUR 656 million in 2011.

IFRS Free Cash Flow from continuing operations was EUR 371 million in 2011.

- **IFRS Cash flow from operating activities (continuing operations)** was EUR 838 million. Besides EBIT of 515 million, it consisted of:

9. Cash flow from operating activities + cash flow from investing activities, excluding acquisitions and sales of subsidiaries and other investments + dividends from associates and JVs.

– Depreciation, amortization and impairments of assets of EUR 455 million, including EUR 111 million in the Rhodia Sector in the 4th quarter
– Working capital decreased by EUR 303 million. Apart from the impact of the sales of Rhodia inventory which had been revalued at fair value in the opening balance sheet of September 30, 2011 as a result of purchase price allocation of the acquired company, this decrease highlights the efforts delivered by the Group to diminish the working capital.

- **IFRS Cash flow from investing activities (continuing operations)** was EUR -4 679 million.
  – The biggest investment was the Rhodia acquisition for EUR 3 953 million in cash.
  – The other investments amounted to EUR 845 million. Besides health, safety and environment and maintaining its industrial assets, the Group invested in a limited number of strategic projects, with priority given to geographic expansion and sustainable development. The biggest investment in 2011 was the EUR 167 million capital increase in RusVinyl (joint venture of SolVin and Sibur for building a PVC plant in Russia).

INVESTMENTS AND RESEARCH & DEVELOPMENT IN 2011

The **investments in 2011** amounted to EUR 845 million excluding the Rhodia acquisition (EUR 1 058 million on a pro forma basis).

The **2012 investment budget** is EUR 862 million. It aims at continuing the strategic investments for sustainable development and capacity increases in high growth potential regions.

Research and Development costs in 2011 were EUR 156 million (EUR 218 million on a pro forma basis).

The **2012 Research and Development budget** is EUR 244 million, with major R&D efforts planned for Specialty Polymers, Consumer Chemicals and New Business Development.

GROUP EMPLOYEES

The Solvay group employed 29 121 full-time equivalents at 31 December 2011. Compared to the number at the end of 2010 (16 785 full-time equivalents), the evolution is mainly the result of the Rhodia acquisition, which numbered 14 255 full-time equivalents at the end of December 2011.

PARENT COMPANY RESULTS (SOLVAY SA)

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 82 million, compared with EUR 211 million in 2010. It includes dividends received from its various shareholdings (EUR 363 million in 2011) and the differential between interest paid and received on its financing activities.

The balance of extraordinary results is EUR 209 million

EUR million	Investments in 2011			Research & Development in 2011	
	IFRS		Pro forma	IFRS	Pro forma
	With Rhodia	Without Rhodia acquisition			
Plastics	409	409	409	67	63
Chemicals	214	214	214	32	28
Rhodia	164	164	378	21	75
New Business Development	28	28	28	37	52
Corporate and Business Support	3 982	29	29	0	0
Group	**4 797**	**845**	**1 058**	**156**	**218**

EUR Million	2011	2010
Profit for the year available for distribution	325	2 782
Carried forward	3 447	925
Total available to the General Shareholders' Meeting	**3 772**	**3 707**
Appropriation:		
Gross dividend	260	260
Carried forward	3 512	3 447
Total	**3 772**	**3 707**

compared with EUR 2 543 million in 2010. The main item is a EUR 177 million capital gain on an internal sale of Solvay Advanced Polymers Belgium.

The net profit of Solvay SA amounted in 2011 to EUR 325 million, compared with EUR 2 782 million in 2010.

In the absence of transfers to untaxed reserves, net income for the year of EUR 3 772 million is available for distribution.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The only event worthwhile mentioning between closing date (December 31, 2011) and the approval of this report by the Board of Directors (February 15, 2012) is Solvay's decision, announced on February 15, 2012, to sell its 50% stake in Pipelife to Wienerberger, pending anti-trust approval.

RISK MANAGEMENT

Risk management (processes, risks identified and actions undertaken to reduce them) is described on pages 147 to 159 of the 2011 Annual Report.

FINANCIAL INSTRUMENTS

The management of financial risks and any use of financial instruments to hedge them are described on pages 129 to 142 of the 2011 Annual Report.

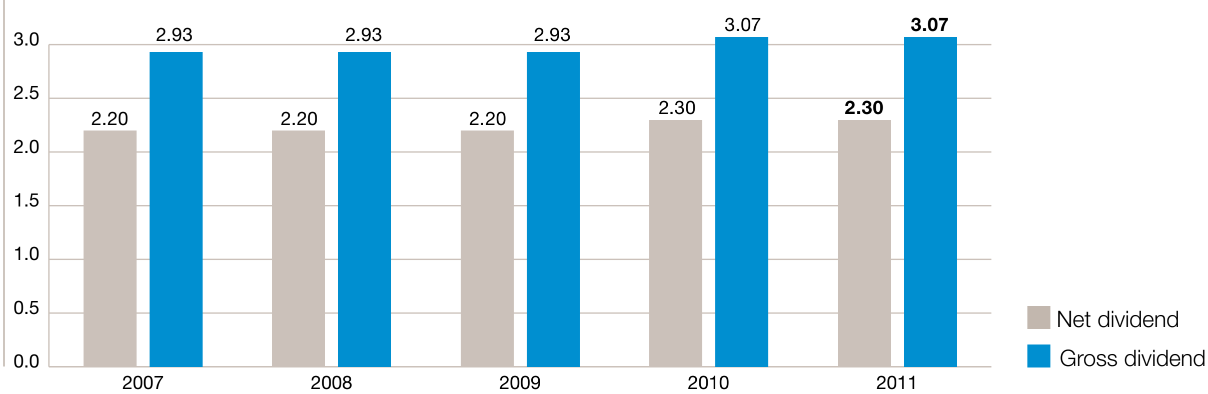
AUDIT COMMITTEE

The mission, composition and modus operandi of the Audit Committee are described on pages 201 and 204 of the 2011 Annual Report.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement is included on pages 179 to 207 of the 2011 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.

GROSS AND NET DIVIDEND PER SHARE (EUR)



IFRS Financial Information per Share

EARNINGS PER SHARE

The basic earnings per share from continuing operations amounted to EUR 3.51 (compared to EUR 0.62 in 2010).

DIVIDEND

On February 15, 2012, the Board of Directors decided to propose to the General Shareholders' Meeting of May 8, 2012 payment of a total gross dividend of EUR 3.0667 per share, the same as in 2010. Based on the closing price of February 15, 2012 (EUR 78.40), this represents a gross dividend yield of 3.9%.

This increase is in line with Group's dividend policy of increasing the dividend whenever possible and, as far as possible, never reducing it.

In line with this policy, dividend was never decreased in the last 30 years and increased in some years. Given the interim dividend of EUR 1.20 gross per share (coupon no. 89) paid on January 19, 2012, the balance of the dividend in respect of 2011, equal to EUR 1.87 gross per share (coupon no. 90), will be paid on May 15, 2012. Solvay shares will be traded 'ex-dividend' on NYSE Euronext from May 10, 2012.

IFRS CONSOLIDATED DATA PER SHARE

EUR	**2007**	**2008**	**2009**	**2010**	**2011**
Stockholders' equity	52.10	54.05	57.87	77.34[10]	75.79
REBITDA	20.13	17.44	17.52	11.44[10]	14.87
Net income	9.46	4.92	6.28	21.85	3.04
Net income (excluding discontinued operations)	9.46	4.92	2.59	0.62	3.51
Diluted net income	9.40	4.91	6.28	21.80	3.03
Diluted net income (excluding discontinued operations)	9.40	4.91	2.59	0.62	3.49
Number of shares (in thousands) at December 31	*84 701*	*84 701*	*84 701*	*84 701*	*84 701*
Average number of shares (in thousands) for calculating IFRS earnings per share	*82 586*	*82 318*	*82 143*	*81 320*	*81 224*
Average number of shares (in thousands) for calculating IFRS diluted earnings per share	*83 054*	*82 447*	*82 186*	*81 499*	*81 546*
Gross dividend	2.93	2.93	2.93	3.07	3.07
Net dividend	2.20	2.20	2.20	2.30	2.30
Highest price	123.2	97.9	77.8	81.9	111.6
Lowest price	92.3	51.45	42.0	67.8	61.5
Price at December 31	95.7	53.05	75.6	79.8	63.7
Price/earnings at December 31	10.2	10.8	12.0	3.6	21.0
Net dividend yield	2.6 %	4.2 %	3.1 %	2.9 %	2.9 %[11]
Gross dividend yield	3.5 %	5.6 %	4.1 %	3.9 %	3.9 %[11]
Annual volume (thousands of shares)	57 536	94 322	71 259	47 028	63 462
Annual volume (EUR million)	6 318	7 702	4 414	3 481	5 522
Market capitalization at December 31 (EUR billion)	8.1	4.5	6.4	6.8	5.4
Velocity (%)	71.5	113.2	85.2	56.0	77.8
Velocity adjusted by Free Float (%)	102.1	161.7	121.7	80.4	111.2

10. Restated figure 2010 to take the changes in joint venture accounting into account.
11. Based on the closing price at February 15, 2012 (EUR 78.40).

Solvay Chemicals

Bringing our excellence closer to our markets

THE CHEMICALS SECTOR CONTINUED ITS EARNINGS GROWTH IN 2011, WHILE EQUIPPING ITSELF TO BETTER MEET FUTURE CHALLENGES. ITS NEW OPERATIONAL ORGANIZATION OFFERS IT GOOD PROSPECTS FOR THE FUTURE.

Solvay Chemicals products are part of the processing of materials meeting ever increasing mobility needs.

Vincent De Cuyper
GROUP GENERAL MANAGER OF CHEMICALS SECTOR

An approach based on products and regional proximity

Operational excellence as a driver of growth.

2011 saw growing sales in all our activities, both in essential chemistry and in specialties, reflecting improved pricing and higher sales volumes, despite a slowing in certain products towards the end of the year. This growth is the outcome both of strategic projects decided in recent years and of the gradual establishment of a comprehensive approach to excellence across the Group. This dual growth path of the Sector is expected to continue in the future.

“The Chemicals Sector is working resolutely, ambitiously and with the necessary resources to develop and grow our flagship products in order to better meet our customers’ needs.”

In Thailand in September 2011, the RBU successfully commissioned the world’s largest hydrogen peroxide plant. MTP HPJV (Thailand) is Solvay’s HP joint venture with Dow and its new plant has a capacity of more than 330 000 tons a year of hydrogen peroxide at 100% concentration.

KEY FIGURES (EUR MILLION)

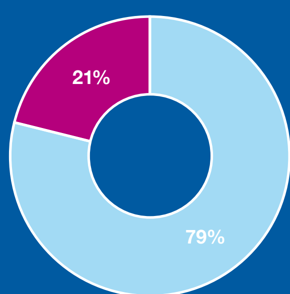
	IFRS		Pro forma[3]	
	2011	2010[1]	**2011**	2010
Net sales	**2 836**	2 575[2]	**2 836**	2 575
REBITDA	**484**	455	**491**	472
REBITDA/net sales	**17%**	18%	**17%**	18%
REBIT	**334**	297		
Total depreciation and amortization	**153**	394		
Capital expenditure and acquisitions	**214**	166		
R&D	**32**	36		
Full time equivalent	**8 114**	8 083		

1. The 2010 figures only have been restated to reflect the changes in joint venture accounting, applied as from January 1, 2011. Joint ventures are now accounted for using the equity method instead of the proportionate method.
2. Following the implementation of the new organization (Horizon), an amount of EUR 272 million of sales was transferred from the Chemicals Sector to the Plastics Sector in the figures of the year 2010, without any impact on the results.
3. After adjustments for the harmonisation of Solvay's and Rhodia's accounting rules.

NET SALES BREAKDOWN 2011: EUR 2 836 MILLION

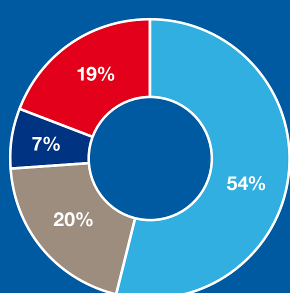
By cluster

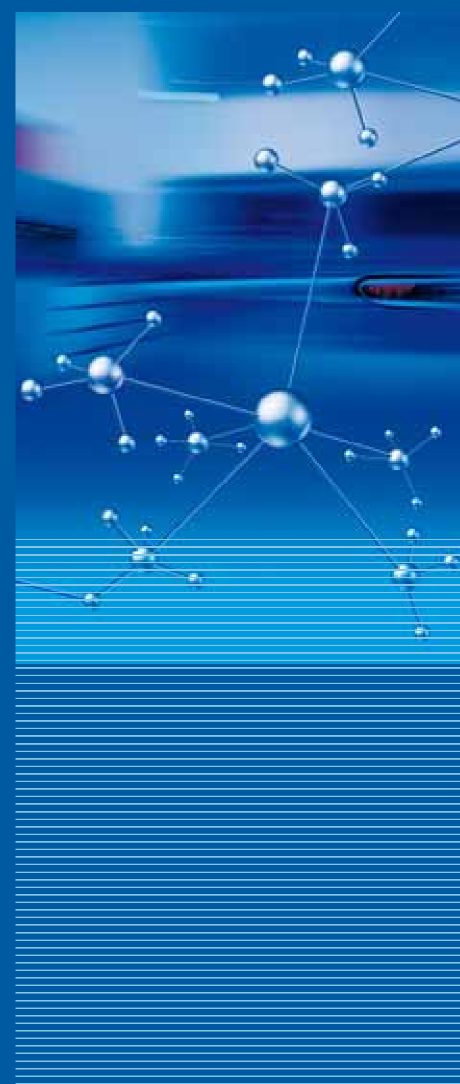
- Essential Chemicals 79%
  - **50%** EMEA
  - **17%** North America
  - **5%** Latin America
  - **7%** Asia-Pacific
- Special Chemicals 21%



By geographic area

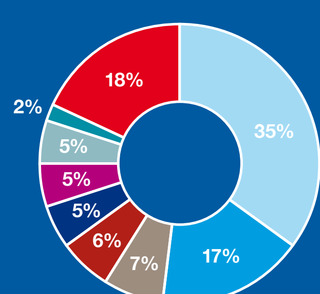
- Europe 54%
- North America 20%
- Latin America 7%
- Asia and rest of the world 19%





NET SALES BREAKDOWN 2011 BY END MARKETS: EUR 2 836 MILLION

- Consumer goods 35%
- Construction 17%
- Environment 7%
- Automobile industry 6%
- Agriculture, forestry and fishing 5%
- Paper 5%
- Electricity and electronics 5%
- Energy 2%
- Other industries 18%




Jemeppe, Belgium.

to strengthen the Group's presence in high-growth markets like Asia, to increase production in response to new demand and to integrate the concept of sustainable development in all its activities.

In addition, the Sector intends to strengthen its competitiveness in the short term through the deployment of a global operating-excellence campaign at all levels, and in the medium term through greater and focused efforts in technological innovation.


Solvay Chemicals offers a wide spectrum of specialties for the pharmaceutical and cosmetic industries.

A POSITIVE YEAR

The overall trend has been very positive for the Chemicals Sector, thanks in particular to rising demand. As a result, sales have increased steadily in both volume and price. Even so, a slowdown was recorded in the last quarter, particularly in specialties, but without weakening the results achieved earlier in the year. Operating results are again up from the previous year.

The Group is equipped to face a slowdown in the global economy, thanks to its ability to anticipate and rigorous management of its businesses, focused on cost control, consistent product quality and excellence.

THE RESOURCES FOR A PROFITABLE STRATEGY

The Chemicals Sector strategy is to increase geographic expansion in high-growth areas through investment in its flagship essential chemicals products and to accentuate worldwide the growth of its specialty products, particularly in environmental, energy, electronics and hygiene and healthcare markets, while strengthening its competitiveness through operational excellence.

This year the Sector reaped the benefits of this approach, based on high-performance products and technologies. By establishing a regional organization, close to its customers, for its essential chemicals products and a global organization, close to its major target markets, for its specialties, the Sector intends to develop products tailored to customer requirements thanks to a better understanding of their needs. Major investments are being made

EUROPE, A MIXED PICTURE

Europe, the Group's historic market, presented a mixed picture in 2011. With strong demand from the hollow glass industry and improved flat glass activity, soda ash sales volumes turned out higher than in the year before. Demand was high in Northern and Eastern Europe but lower in Southern Europe.

Moreover, as in other parts of the world, European sales of hydrogen peroxide remained stable, supported by high demand for paper pulp in countries with strong growth. Other markets, particularly the mining industry, chemical industry, food packaging and environmental applications, also performed well.

The uneven development of the European market is pushing Solvay to place particular emphasis on operational excellence to maintain its competitiveness. The Group also plans to continue developing new applications based on proven products.
In terms of competitiveness, Solvay has started sourcing a significant portion of its electricity needs in France via the Exeltium consortium and has begun converting its electrolysis activities at Tavaux (France) to the more efficient membrane technology.
Major energy-saving efforts have also been developed through a Group-wide excellence process, named "Solwatt".

ASIA, A LAND OF GROWTH

In the global context of 2011, the Asia-Pacific region stood out through its progress in many areas, confirming Solvay's strategy of expanding its presence in the area.

The deployment of EPICEROL®, an innovative and green technology for the production of epichlorohydrin, is making great strides in the Asian market. ABT, a subsidiary of Vinythai, has built a production plant with an annual capacity of 100 000 tons offering substantial advantages over existing technologies in terms of natural-resource use, energy consumption and environmental impact. This plant began operation in early 2012. A second unit based on the EPICEROL® process, also with a capacity of 100 000 tons, is on the drawing board in China to meet the rapid growth in demand linked to the production of epoxy resin. This new plant would make Solvay the world's leading producer in this activity.

Following the successful commissioning of its 250 000 tons/year unit at Antwerp (Belgium), the fruit of a joint venture with BASF and Dow, Solvay has also commissioned two new hydrogen peroxide plants in Asia. The first, commissioning of which was announced in October 2011, is located in Thailand and is a joint venture with Dow. Its annual production capacity of 330 000 tons makes it the biggest hydrogen peroxide production facility anywhere in the world. Its production is intended primarily as feedstock for the production of propylene oxide. In this way, Solvay reinforces its leading position in this new captive market. The second plant is located in China

Solvay Chemicals manufactures several detergent ingredients as well as daily hygiene products such as washing powders and liquids.

High performance liquids are applied during the production of solar cells to improve their efficiency and their durability.

The reuse of water is becoming a top priority. Peracetic acid allows municipal waste effluent to reach the microbial standards that will allow it to be reused as irrigation water on arable land.

and was built in partnership with the Huatai paper group. This provides hydrogen peroxide for the paper pulp market, along with specialty products for the food packaging industry, using production technology developed by Solvay. With an annual capacity of 50 000 tons, it gives the Group a foothold in this growing market.

In addition, the Group announced in 2011 plans to build a new hydrogen peroxide mega-unit production facility in Saudi Arabia, to provide feedstock for propylene oxide production. The project is scheduled to come online in 2015. Solvay will be partnering with Sadara Chemical Company, a joint venture between Saudi Aramco and Dow.

A variety of Solvay Chemicals products are used for the building and construction industry.

Major hydrogen peroxide expansions in Asia.

330 000

TONS/YEAR CAPACITY IN THAILAND IN PARTNERSHIP WITH DOW.

Another 50 000 tons/year in China in partnership with Huatai.

THE UNITED STATES, GATEWAY TO THE WORLD'S MOST DYNAMIC MARKETS

On January 1, 2011, Solvay quit ANSAC (American Natural Soda Ash Corporation), the export consortium for US soda ash production. The Group now has more flexible access to the markets of Latin America, Asia and Africa, giving it a greater presence in these high-growth and high-potential regions. In this way, our American operations continued to benefit from the high level of soda ash exports to Asia and South America.

The US domestic market for soda ash and hydrogen peroxide has remained strong. Moreover, given its desire to incorporate the sustainable development concept in all its activities, Solvay has developed a process to recover and utilize methane released by its trona extraction activities at Green River. This innovation reduces both greenhouse gas emissions and energy consumption related to the mining of trona and its processing into soda ash.

In addition, the Group is pursuing commercial deployment of its sodium bicarbonate-based SOLVAIR® remediation solutions, which were developed by Solvay in North America.

Blue pigments are a key component in color liquid crystal display (LCD) screens.

LATIN AMERICA, A PROMISING AREA

South America is a market with great potential that already features strong growth.
In mid-2012, we will increase our hydrogen peroxide production capacity in Brazil to 180 000 tons a year, to meet customer demand and maintain regional leadership.

Caustic soda sales grew particularly strongly, with prices well above those of 2010, in a general context of continuing good global demand.

Moreover, our peracetic acid sales posted double-digit growth, driven by new applications in food, health and agriculture.

SLOWING SPECIALTIES

The worldwide special chemicals activities have been regrouped in the new Global Business Unit Special Chemicals. In 2011, the fluoride, precipitated calcium carbonate (PCC) and Ba/Sr carbonate activities continued their sales and earnings recovery, while the life sciences activity was held back by a lack of new product development.
Overall, the end of the year saw a

Sodlium Bicarbonate BICAR® Z is incorporated into a wide range of commercial animal feeds – especially for cattle, poultry and swine – thus improving animals' performance and comfort.

The INTEROX® AG products are very low residue, stabilised hydrogen peroxide formulations especially developed for aseptic filling equipment.

slackening in business.

Solvay is continuing to pursue its strategy by focusing on development of products for promising outlets such as electronics, photovoltaics and semiconductors and by increasing its presence in Asia. It is on these fields that Solvay's new R&D Center in Korea will be concentrating.
During the year, many of Solvay's innovative projects in specialty chemicals took concrete form. A new fluorinated gases production unit, which will reduce the environmental footprint of semiconductor and solar cell manufacturing, is right now being installed on the Group's site at Onsan, Korea.

In 2011, GBU Special Chemicals also started up a new activity in cleaning agents for the electronics industry, with a first pilot production of high-purity phosphoric acid in Germany in addition to the existing offering of hydrogen peroxide and hydrofluoric acid.

Bicarbonate is particularly effective in combating deadly bacteria. A study by the Institute of Microbiology of Piacenza University in Italy has highlighted the fact that simply adding 15 g/l of bicarbonate to the water used to wash vegetables helps to improve the effectiveness of washing from 20 to 90%.

The Torrelavega plant, Spain.

Solvay Plastics

Materials and solutions for a healthy future

FOLLOWING THE REBOUND IN 2010, THE PLASTICS SECTOR CONTINUED ITS MOMENTUM IN 2011 TO REACH RECORD LEVELS IN THE FIRST HALF. WHILE SECOND-HALF RESULTS WERE LESS ROBUST, EARNINGS WERE UP. THIS NEW PROGRESS IS EXPLAINED BY THE SUCCESS OF SOLVAY'S STRATEGIC CHOICES, ESPECIALLY IN SPECIALTY POLYMERS.

Specialty polymers contribute to the design and strength of mobile applications.

Jacques van Rijckevorsel
GROUP GENERAL MANAGER OF
PLASTICS SECTOR

Meeting needs with innovation and technological excellence

Growth driven by specialties, emerging markets and operational excellence.

After a banner year in 2010, the Plastics Sector posted another year of progress, particularly in specialty polymers. Sales in emerging markets reinforced the trend. At the same time, the highly ambitious operating excellence program improved profitability. Finally, the April launch of the new Global Business Unit named Specialty Polymers encourages creativity, accountability, efficiency and entrepreneurial dynamism.

"Entrepreneurship is innovation. Science and innovative industries must move the world forward."

Solvay is investing EUR 120 million to build a plant at Changshu (China). When operational in early 2014, it will boost the production of specialty polymers.

EUR **120**
MILLION
INVESTMENT
CHANGSHU (CHINA)

KEY FIGURES (EUR MILLION)

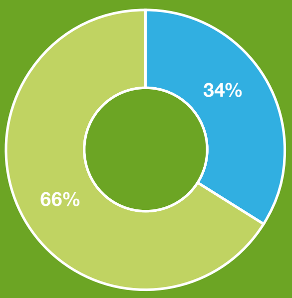
	IFRS		Pro forma[3]	
	2011	2010[1]	**2011**	2010
Net sales	**3 686**	3 361[2]	**3 686**	3 361
REBITDA	**583**	538	**590**	555
REBITDA/net sales	**16%**	16%	**16%**	17%
REBIT	**391**	344		
Total depreciation and amortization	**183**	205		
Capital expenditure and acquisitions	**409**	267		
R&D	**67**	63		
Full time equivalent	**5 067**	4 920		

1. The 2010 figures only have been restated to reflect the changes in joint venture accounting, applied as from January 1, 2011. Joint ventures are now accounted for using the equity method instead of the proportionate method.
2. Following the implementation of the new organization (Horizon), an amount of EUR 272 million of sales was transferred from the Chemicals Sector to the Plastics Sector in the figures of the year 2010, without any impact on the results.
3. After adjustments for the harmonisation of Solvay's and Rhodia's accounting rules.

NET SALES BREAKDOWN 2011: EUR 3 686 MILLION

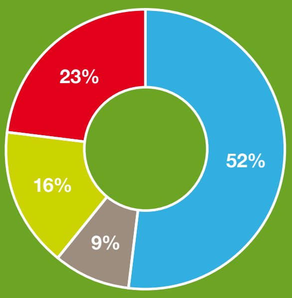
By cluster

- Specialty Polymers 34%
- Vinyls 66%
  - **38%** Vinyls Europe
  - **9%** Vinyls Asia
  - **15%** Vinyls South America
  - **4%** Plastics Integration



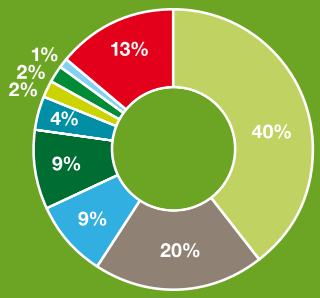
By geographic area

- Europe 52%
- North America 9%
- Latin America 16%
- Asia and rest of the world 23%



NET SALES BREAKDOWN 2011 BY END MARKETS: EUR 3 686 MILLION

- Construction 40%
- Consumer goods 20%
- Automobile industry 9%
- Electricity and electronics 9%
- Energy 4%
- Environment 2%
- Paper 2%
- Agriculture, forestry and fishing 1%
- Other industries 13%



Plastics serving health: sterile environments, sterilizable instruments and implants.

PRIORITY ON INNOVATION

Solvay's strategy in the Plastics Sector is based, as is that of the other activities, on a highly ambitious program of operating excellence, covering both products and industrial and commercial approaches. One goal is to reduce costs to improve competitiveness and profitability. In this regard, Solvay believes that it is in the top rank of the industry.

The strategy of investing in fast-growing countries is a priority for the entire Group, and for the Plastics Sector as well. The objective is to develop strong industrial positions in these regions.

Solvay is also maintaining its investment in research and development, particularly in specialty polymers, despite the crisis. The Group believes that R&D – and in particular the contribution of its research centers – will be a key factor for success and growth.

Through innovative R&D, the Plastics Sector is further diversifying its product portfolio and better spreading its risks. It is also working hard to develop new compounds and new technologies.

In 2011, Solvay launched two new R&D centers in India and South Korea. A third center will be established in China, as part of the integration of Rhodia into the Group.

In the field of vinyl products, Solvay is focusing its research efforts on technological excellence to reduce resource consumption in production processes (energy, raw materials, etc.).

Overall, the Plastics Sector significantly improved its profile during 2011, thanks in particular to good price resilience in specialty polymers, which helped reduce earnings cyclicality.

SPECIALTY POLYMERS EXPANDING FAST

The strong recovery observed in 2010 continued throughout the year, with the specialty polymers business reaching record levels. Growth was strong early in the year, and remained evident at the end of the year, despite the global crisis. The general trend over twelve months was very positive.

Solvay-produced films and resins provide sustainability, protection and high light transmission to solar panels.

There are several reasons for this development: our specialty polymers are reaping the benefits of a particularly dynamic innovation policy, with products and applications developed over the last five years now accounting for 30% of GBU Specialty Polymers sales. Furthermore, our products are aligned with the current global megatrends such as health care, energy, mobility and communication. These elements help make specialty polymers a business area of structural growth.

As the world leader in high-added-value plastics for industry, Solvay markets a range of performance products second to none in the industry. This advantageous position is the result of the Group's strategic choices in respect of specialty polymers. Today the GBU Specialty Polymers product portfolio contains more than 30 brands available in over 1 500 formulations, covering a very wide range of ever more demanding applications.

The real success last year of the new specialties launched in 2010 demonstrates unequivocally the correctness of the Group's strategic choices. In particular, Solvay was chosen to provide several products for the lithium metal polymer (LMP®) batteries of the electric car designed by the Bolloré international transport, logistics and investment group. Solvay has also launched a joint R&D program with the Bolloré group.

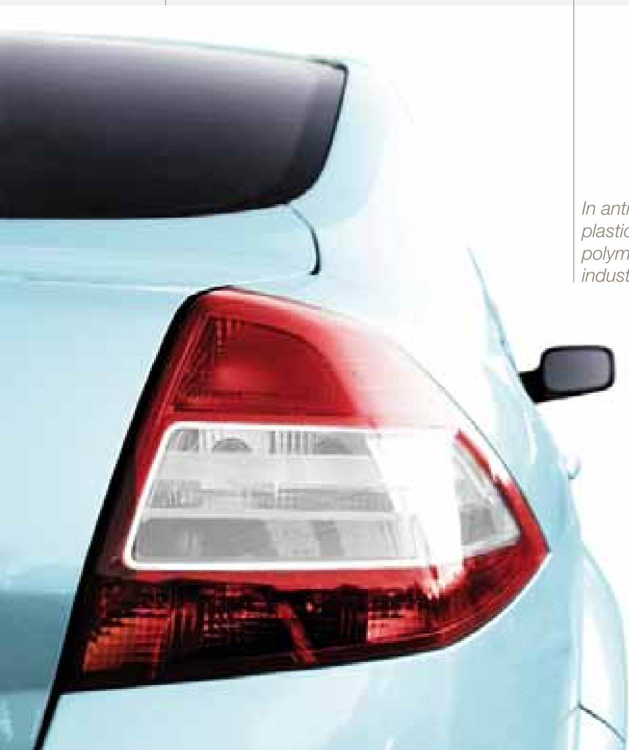
Electric cars are an integral part of the Group's sustainable development strategy. For its future in this area, it is looking to the development of products such as SOLEF® PVDF polyvinylidene fluoride, which will significantly improve the performance of Li-ion batteries. The qualities of this fluorinated polymer, which is used in the manufacture of important battery components such as binders and separators, are recognized by many automotive manufacturers.

High-added-value specialty polymers are in growing demand in Asia, owing to the expansion of the Chinese market. In 2011, Solvay began construction of a plant to produce SOLEF® PVDF specialty polymers and TECNOFLON® (FKM) fluoroelastomers, at an investment cost of EUR 120 million. The latter products are used in sealing applications that can withstand harsh chemical environments or high temperatures and that are essential in the automotive, aerospace and oil industries.
The new plant will be established on Solvay's industrial site at Changshu (China) and will become operational in early 2014. It will significantly increase the overall production capacity of the specialty polymers Group and increase its presence in China.

Solvay is also building a special polymer compounds production unit at Changshu, which should be operational from the second quarter of 2012. The Changshu site will become a strong and integrated industrial base for fluoropolymers.

With these production capacity increases in China and India, but also on its sites in Europe and the United States, Solvay Specialty Polymers will be able to better respond to customer demand.

With 12 Research & Development centers across the world, Solvay is a major contributor to advancing sustainable development in specialty polymers.



In anticorrosion paints, lubricants, interior plastics or electrical cabling, specialty polymers are ubiquitous in the automotive industry.

VINYLS MORE SENSITIVE TO ECONOMIC ENVIRONMENT

In early 2011, global demand for polyvinyl chloride (PVC) was strong, confirming the recovery observed in 2010. At Group level, the first few months even reached a historic high. However, from the summer onward, a distinct slowdown took place. This had several causes: the usual summer seasonal effect, falling demand in the current context of economic uncertainty and destocking by clients. These elements have negatively impacted sales. Also negatively affecting the operating performance of the vinyl activities was the rising cost of ethylene and electricity. Overall, however, vinyls sales were up slightly on 2010 and with a 4% lower REBITDA of EUR 218 million.

Within the general trend, the various regions behaved differently.

Asia did better than the others in 2011. The very good operating performance of Vinythai (Vinyls Asia) improved further over 2010, despite the difficult conditions caused by the floods hitting South-East Asia, especially Thailand. The Group's technological competitiveness also helped to limit the effect of the decline in profitability observed in this part of the world due to the pressure of competition from Asia and America.

In Latin America, the operating profit of Solvay Indupa improved significantly in the first half, but was then affected in the second half of the year by falling international prices, competition from North America, a clear slowdown in demand that became apparent in the fourth quarter and the impact of the biennial shutdown of its Bahia Blanca (Argentina) plant. These are mainly short-term cyclical factors in a growing South American market.

In Europe, SolVin, the leading vinyl producer, covers the entire vinyl chain. After a good start to the year, operating performance came under pressure during the second half, with a greater fall in demand in Europe than in other regions. Similarly, the inability to pass on rising raw material and energy costs, as well as inventory reductions by customers and decreased sales volumes, weighed on margins.

In this context, the Solvay group in 2011 continued action programs to enhance its competitiveness and technological leadership in the vinyls field. Of particular note are the new membrane electrolysis plant currently under construction at Lillo (Belgium) to replace an old mercury electrolysis unit and the deployment of a structured and systematic approach to operational excellence in all plants.

Garden hoses are one of VINYLOOP® Eco-products, enabling the recycling of composite PVC waste.

VinylPlus Commitment: following the success of the Vinyl2010 project with the recycling of 261 kilotons/year of PVC in Europe, VinylPlus has set itself the target of

RECYCLING
800 000
TONS/YEAR
OF PVC BY 2020

MAJOR ACHIEVEMENT IN RUSSIA

During the year the Group continued its joint venture project in Russia to create a major vinyls producer in partnership with petrochemicals leader and ethylene producer Sibur. The financing was finalized in partnership with the financial institutions and the European Bank for Reconstruction and Development (EBRD). Solvay considers this a major achievement and gratefully recognizes the support of Russian authorities, both federal and regional, and the involvement of the Belgian authorities.

Construction is currently underway on this project, which represents a total cost of EUR 1.5 billion. The financing structuring of the project has twice been honored as the "European Petrochemicals Deal of the Year."

Once operational, RusVinyl will be the first world-scale site for the production of vinyl in the heart of a very promising market. It should be able to produce 330 000 tons of PVC per year in 2013, with maximum energy efficiency and minimized raw materials consumption and waste.

Solvay PVC products carry drinking water to consumers in Latin America, Asia and Europe.

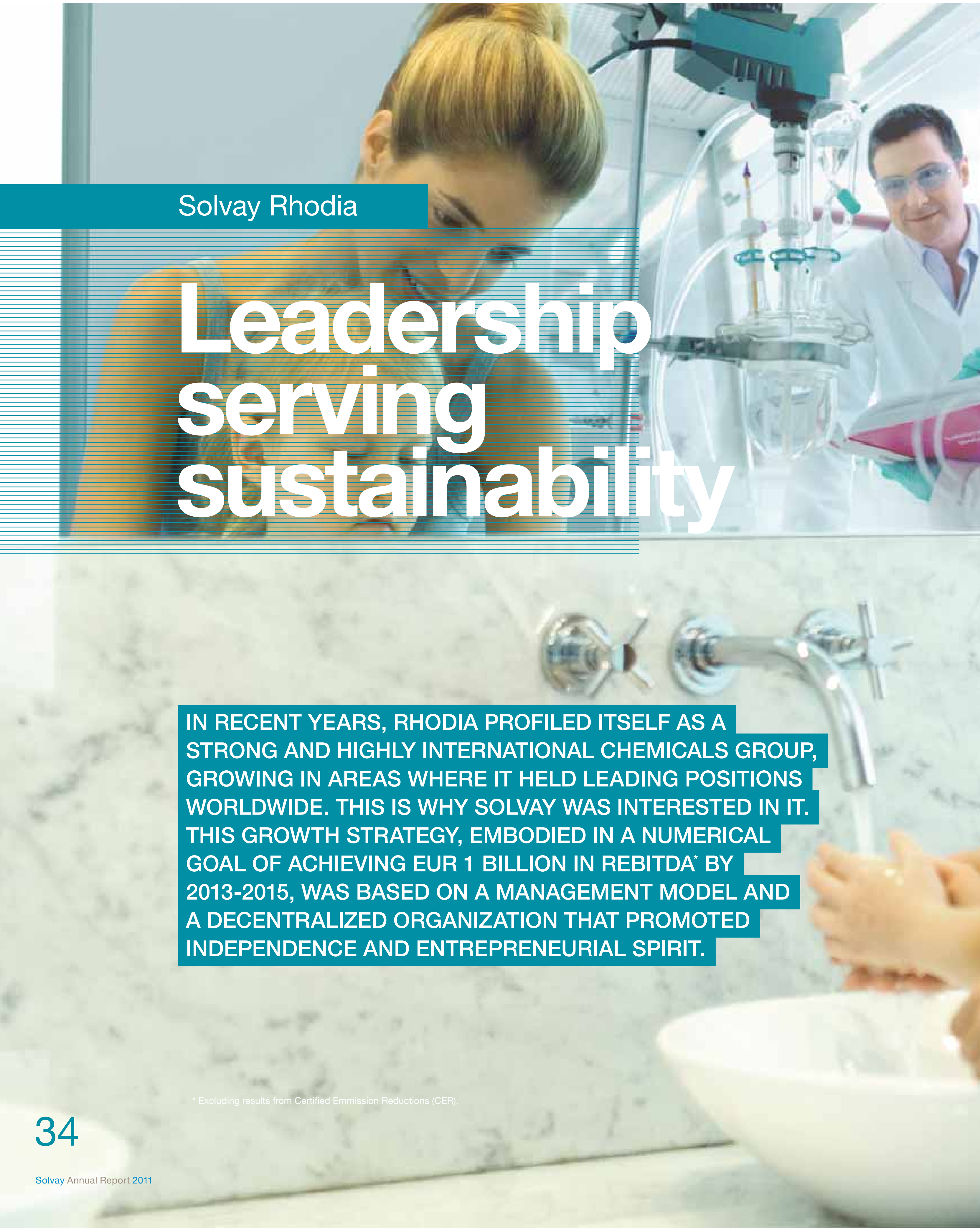
PVC windows offer high performance thermal and acoustic insulation.

REDUCING THE ENVIRONMENTAL FOOTPRINT WITH VINYLOOP®

No one will contest SolVin's success in 2011 with its VINYLOOP® technology for recycling waste PVC composites. An externally confirmed study has clearly demonstrated the small footprint of recycled PVC based on the VINYLOOP® technology as compared to common PVC. This has led to the adoption of a "green strategy" designed to meet the demand for and increasing requirements of sustainable products. The study notes that VINYLOOP® reduces energy consumption by 46% and the potential impact on climate change by 39%.

Solvay will develop a new tool for its customers to calculate the environmental footprint of applications produced with VINYLOOP®, such as garden hoses and shoe soles. VINYLOOP® customers will in turn be able to communicate this information to consumers.
SolVin and VinyLoop made a strong contribution to the success of Vinyl2010, which has been recognized by the authorities as an example of successful voluntary engagement by a business sector. VinylPlus is now taking over the baton and will develop other ambitious commitments by the industry.

Construction of the RusVinyl PVC plant at Kstovo (Russia), with a planned production of 330 000 tons of PVC starting in 2013.



Solvay Rhodia

Leadership serving sustainability

IN RECENT YEARS, RHODIA PROFILED ITSELF AS A STRONG AND HIGHLY INTERNATIONAL CHEMICALS GROUP, GROWING IN AREAS WHERE IT HELD LEADING POSITIONS WORLDWIDE. THIS IS WHY SOLVAY WAS INTERESTED IN IT. THIS GROWTH STRATEGY, EMBODIED IN A NUMERICAL GOAL OF ACHIEVING EUR 1 BILLION IN REBITDA* BY 2013-2015, WAS BASED ON A MANAGEMENT MODEL AND A DECENTRALIZED ORGANIZATION THAT PROMOTED INDEPENDENCE AND ENTREPRENEURIAL SPIRIT.

* Excluding results from Certified Emmission Reductions (CER).

Solvay's expertise and innovation help enhance the quality of daily life.

Gilles Auffret
GROUP GENERAL MANAGER OF RHODIA SECTOR

A strategy of profitable and responsible growth

Inventing new ways of operating for sustainable growth.

Apart from its integration into Solvay, 2011 was an important year for Rhodia, which successfully deployed its new growth strategy and reaped very positive first results.

"Rhodia's remarkable progress in recent years, its commitment to sustainable development and its ability to meet the challenges of growth, are all assets that will enable the new Solvay to be even more ambitious, with strong products and an increased presence in high-growth economies."

Rhodia is strengthening its operating bases in China, with new diphenols and surfactants capabilities in Zhenjiang and a unit for automotive depollution formulations at Lyang. November 2011 saw the opening of the eco-efficient laboratory in Shanghai, the first International Joint Unit dedicated to green chemistry.

KEY FIGURES (EUR MILLION)

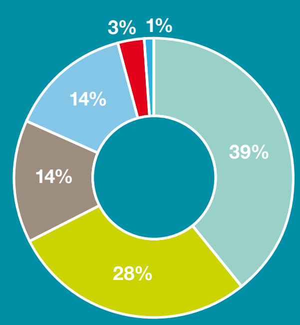
	IFRS[1]	Pro forma[2]	
	4Q 2011	**2011**	2010[3]
Net sales	**1 479**	**6 171**	5 157
REBITDA	**231**	**1 119**	962
REBITDA/net sales	**16%**	**18%**	19%
REBIT	**120**		
Total depreciation and amortization	**111**		
Capital expenditure and acquisitions	**164**		
R&D	**21**		
Full time equivalent	**14 255**		

1. Rhodia's income and cash flow statements are consolidated only from the 4th quarter of 2011.
2. The pro forma figures show the income statement (1) as if the acquisition of Rhodia had become effective from the 1st of January 2010, (2) harmonizing the accounting rules and (3) eliminating the Purchase Price Allocation (PPA) impacts.
3. Restated based on the Solvay group's accounting policies.

NET SALES PRO FORMA BREAKDOWN 2011:

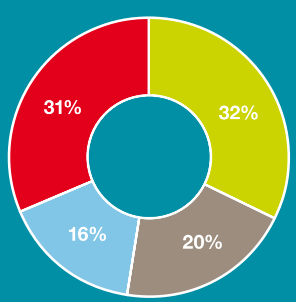
By cluster

Consumer Chemicals	39%
Polyamide Materials	28%
Advanced Materials	14%
Acetow & Eco Services	14%
Energy Services	3%
Corporate & Others	1%



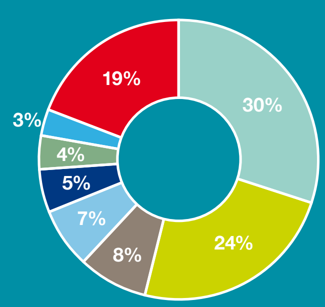
By geographic area

Europe	32%
North America	20%
Latin America	16%
Asia and rest of the world	31%



NET SALES BREAKDOWN 2011 BY END MARKETS:

Consumer goods	30%
Automobile industry	24%
Electricity and electronics	8%
Energy	7%
Agriculture, forestry and fishing	5%
Environment	4%
Construction	3%
Other industries	19%



Rhodia solutions are present in the composition of perfumes, shampoos and shower gels. Targeted, effective products contribute to our daily well-being.

A STRATEGY OF PROFITABLE AND RESPONSIBLE GROWTH

The development of the Sector revolves around three main axes:

- Organic growth in emerging markets and in promising, high-added-value businesses and markets, driven by the challenges of sustainable development;
- Innovation: all long-term research projects in the Rhodia Sector are aimed at developing technologies and solutions that meet customers' requirements for responsible production and consumption; and
- Growth through targeted acquisitions to consolidate leadership positions, complement the portfolio of activities or innovation capacity, and capture opportunities for growth. The recent acquisitions of Feixiang Chemicals, China's leading producer of surfactants, and the technical plastics activity of PI Industries in India fit into this category.

The Rhodia Sector bases its ambitions on solid assets: a distinctive positioning in chemistry targeted at sustainable development, a historical presence in emerging markets, and leadership positions in growth markets.

The culture of continuous improvement and operating excellence, guaranteeing the competitiveness of the different activities, is shared by all entities, with the stated goal of being among the world-level benchmarks.

Finally, the commitment to social and environmental responsibility, embodied by the Rhodia Way standards, lies at the heart of all managerial processes.

FIVE ACTIVITY CLUSTERS, EACH A LEADER IN ITS MARKET

The activities of the Rhodia Sector are structured into eleven global Business Units grouped into five activity clusters, responding to the logic of its markets.

CONSUMER CHEMICALS

The offering of the Consumer Chemicals cluster is being developed in response to new

consumption patterns and demand for products that contribute to the better protection of health and the environment. This cluster is one of the most dynamic drivers of growth in the Group. The three levers (organic growth, innovation and targeted acquisitions) have proven their effectiveness and form the basis of the more than 30% increase in profitability in 2011 compared to 2010. Consumer Chemicals, which primarily serves the consumer goods market, is a highly resilient activity that should continue to grow profitably and responsibly.

Novecare is a world leader in high-performance chemicals for key industry segments (personal care, detergents, agrochemicals and oil and gas, paints and industrial applications). The quality of its product portfolio and the success of its latest innovations in the polymers and formulations field explain the high level of organic growth in volumes in 2011. In addition, the successful integration of Feixiang and its continuing high (double digit) rate of sales growth place Novecare among the largest contributors to growth in the Rhodia Sector in 2011.

The most important developments include additives for plant-protection products to serve a highly dynamic agrochemicals market and innovative formulations for the exploitation of shale gas and shale oil.

In the fourth quarter of 2011, Novecare announced the construction of a new surfactants production site at Zhuhai (China), while the guar derivatives technology was strengthened by the acquisition of the Hipro Suzhou unit in China and by capacity expansions and process improvements at the Vernon (Texas) plant. Similarly, a letter of intent was signed with the Russian company Sibur to create a joint venture in specialty surfactants, to meet growing demand in the local market.

Based in Brazil, **Coatis** is the only Latin American producer of phenol for industrial resins and automotive, wood and construction applications. It is also the market leader in more environmentally friendly oxygenated solvents and has developed a range of solvents, sold under the AUGEO™ brand, that are made from glycerin, a renewable raw material derived from biodiesel.

The company performed well in 2011 despite the unfavorable impact of the appreciation of the Brazilian real against the euro, which reduced the competitiveness of local industry. Coatis's regional leadership positions and the success of its innovative products explain the double-digit growth in sales and REBITDA from one year to another.

2011 saw an increase of phenol production capacity and the development of the AUGEO™ range.

An alliance was concluded with Cobalt Technologies to develop the bio n-butanol market in Latin America.

Aroma Performance designs flavors for the food market as well as synthesis intermediates for the perfume, food, pharmaceuticals and electronics markets. The Company holds a world market-leading

In the wake of JAGUAR® biopolymers from guar seed, new polyamides and surfactants from renewable raw materials have recently been brought to market. Leveraging its strong foothold in Brazil, Rhodia has launched AUGEO™ solvents from sugar cane, which are successfully replacing traditional solvents. The production process for RHOVANIL®, the benchmark vanilla flavor of the food market, brings purity, competitiveness and environmental performance.

Across the world, the Rhodia Sector is helping manufacturers meet the challenges of sustainable mobility, with expert solutions to reduce emissions, vehicle weight and energy consumption and improve vehicle safety.

position in vanilla aroma based on an integrated diphenol chain. In 2011 it obtained FSSC 22000 (Food Safety System Certification) accreditation for the production of vanillin and ethyl vanillin at its Saint-Fons (France) and Baton Rouge (Louisiana) sites. The company has repositioned its vanillin brands RHOVANIL®, RHOVANIL® Natural and RHODIAROME®, now exclusively dedicated to the food market with a high priority on food safety.

Aroma Performance is also the market leader in polymerization inhibitors used by major players in the petrochemical industry. It continues to reposition its product range by signing long-term industrial cooperation agreements with its customers.

The company has strengthened its Zhenjiang (China) industrial platform (diphenols), which centralizes the production of products used in inhibitors markets in agrochemicals and perfumes. Finally, the Company has successfully commercialized LiTFSI lithium salt for the Autolib electric vehicle developed by France's Bolloré group.

ADVANCED MATERIALS

Another major growth driver for the Group, Advanced Materials, includes the Silica and Rare Earth Systems businesses, serving industries such as low-energy tires, automotive catalysis and low-energy lighting. The growth of this cluster, faster than the organic growth of the markets it serves, is driven by Sustainable Development issues. The Group's competitive advantage rests on its technological edge, its economies of scale, its global footprint, and its ability to innovate and take advantage of regulatory changes. Both businesses contributed to the excellent performance of the cluster during the year, with exceptional price conditions in the field of rare earths, which gradually normalized after peaking in mid-2011. REBITDA doubled as a result compared with the previous year. This cluster offers very promising potential.

Silica is the world leader in highly dispersible silica, produced from sodium silicate and used mainly by the tire industry, as well as in toothpaste, animal nutrition, battery separators and high-performance rubber products.
Rhodia is the inventor of this technology that was developed in the 1990s.

In 2011, the company fully benefited from the production capacity of the Qingdao (China) site, which was operational from the beginning of the year. Silica has, moreover, continued to invest in additional production capacity at its plants at Chicago Heights (Illinois) (started up in the fourth quarter of 2011) and Collonges (France) (startup scheduled for first half of 2012). These investments together will increase the company's worldwide production capacity by 40% in order to support the growth of local and international demand for low-energy tires.

The world leader in formulations based on rare earths, **Rare Earth Systems** develops innovative solutions for high-added-value applications. Its products are used in energy-saving light bulbs and LCD television screens, as well as the automotive industry where they contribute to reducing emissions. Its leading-edge technology solutions, the rapid development of its production and R&D capacity in Asia and its unique position in China based on long-term partnerships with key customers, including those

outside China as well, give it an unequalled and durable strategic advantage. In a market marked by China's policy on export quotas for rare earths, the company has over many years developed a strategy to secure and diversify its sources of supply, including new recycling processes. In the future, Rare Earth Systems should benefit from the recycling of rare earths from low-energy light bulbs, NiMH batteries and used magnets, which will begin in 2012. In addition, in 2011 Rare Earth Systems formed a strategic alliance with China Rare Metals and Rare Earth Co. covering the supply of rare earths as well as technology and market development, capitalizing on each company's competitive advantages in the value chain.

To support the growth of the local market in China, a new production unit for rare-earth-based compounds for exhaust emissions control was set up at Lyang in 2011.

Finally, Rhodia obtained the Pierre Potier Prize for Innovation in Chemistry for Sustainable Development, awarded by the French Ministry of Industry, for its EOLYS POWER-FLEX™ catalytic additive for particulate filters, which is already fitted to 1.5 million diesel vehicles throughout the world.

POLYAMIDE MATERIALS

Integrated production of the polyamide 6.6 chain gives the Sector a leading position in the most attractive market sectors. In addition, its production integration provides it with a strong, structural, competitive advantage. The polyamide chain activities are grouped into three companies.

In the first half of 2011, the cluster benefited from strong demand and an environment marked by an imbalance between supply and demand, resulting in an overall higher pricing

Silica has increased its production capacity by 40% within two years, accompanying new tire labeling regulations. Integration of the entire chain gives the polyamide activity first-class competitiveness.

After pioneering low-energy light bulbs, Rare Earth Systems will shortly begin recycling the rare earths contained in used lamps.

power. However, in the second half, the business suffered a downturn in demand. This, combined with a sharp and sudden fall in prices of key raw materials (butadiene and cyclohexane), resulted in significant pressure on margins over this period.

Polyamide & Intermediates is number two worldwide in polyamide 6.6 and the global leader in adipic acid-based intermediates. To enhance customer service, reliability improvement programs were introduced at all sites, along with

EMANA® and AMNI® intelligent fibers guarantee a high degree of user comfort.

capacity increases at the Freiburg (Germany) and Onsan (South Korea) sites.

Engineering Plastics specializes in high-performance engineering plastics marketed under the TECHNYL® brand. These are used in place of metal to achieve significant weight savings, while allowing freedom of design, in high-tech sectors such as the automotive industry, construction, energy, electronics and consumer goods.

In 2011, Engineering Plastics received several certifications and made the first sales of its new TECHNYL® eXten partially biosourced polyamide for braking systems. It also concluded a partnership with Faurecia to develop lightweight car-seat frames, using polyamide engineering plastics with high crash resistance. It increased production capacity at its plants in Poland, Brazil and China, and also acquired the engineering plastics business of Indian society PI Industries Ltd. to accelerate its growth.

Fibras is the leading Latin American producer of polyamide 6.6 yarns and fibers, used in the textile industry (lingerie, sportswear, socks, fashion) and for certain industrial applications (tires, sewing yarn, airbags and abrasives). The company has expertise in producing yarns for smart textiles with anti-UV, antibacterial, and cellulite-reducing properties, marketed under the EMANA® and AMNI® brands.

ACETOW & ECO SERVICES

Acetow and Eco Services operate in very specific, mature and stable markets, where partnerships with customers are built on reliability, service quality and security of supply.

The division recorded strong performance in 2011, thanks to its operating excellence and increased competitiveness. In the future, the high resilience of this cluster is expected to continue.

Acetow develops cellulose acetate for cigarette filters and textiles. In 2011, it inaugurated a new unit in Freiburg (Germany) to improve the competitiveness of the site and increase capacity.

Eco Services produces and regenerates the sulfuric acid used in North America in gasoline refining, chemicals manufacturing and other industrial applications. Under a pioneering agreement reached with the Environmental Protection Agency in 2007 aimed at reducing sulfur dioxide emissions by 90% by 2014, it continued to install monitoring equipment at several sites.

SOLVAY ENERGY SERVICES

On January 1, 2012, Solvay created Solvay Energy Services. The mission of this new GBU, which is the first concrete outcome of the integration of the Rhodia and Solvay groups, will be to optimize energy costs and CO_2 emissions for the Group and third parties.

At the end of 2011, the Group finalized the acquisition of 100% of Orbeo, a major player in the carbon market and previously a joint venture owned equally with Société Générale.

This acquisition, which illustrates Solvay's determination to continue to develop the activities that Rhodia had initiated to reduce greenhouse gas emissions, will strengthen its commitment to combat climate change by expanding its offerings in integrated energy and CO_2 emissions management.

In this way, Solvay Energy Services will draw on the combined key skills and expertise of Solvay, Rhodia and Orbeo in order, on the one hand, to optimize the energy purchases of the new ensemble, totaling EUR 1.2 billion a year and, on the other, to support energy and CO_2, management at all Group Business Units and production sites, knowing that Solvay has installed its own energy self-generation capacity of 1 000 MW across the world.

The GBU will also develop activities to help external clients reduce their environmental footprint. These will include energy services, CO_2 management and the development of

The inauguration of the photovoltaic plant at Belle-Étoile (France) illustrates the Group's commitment to sustainable energy and to fighting global warming.

renewable energies and biofuels.

In 2011, the GBU continued work on its first project to produce energy from biomass in Brazil in partnership with Paraiso. In France, it launched a photovoltaic plant in Lyon, received the first deliveries of electricity via the Exeltium consortium, in which both Solvay and Rhodia have been members from the outset, and entered into a partnership with Vattenfall, the SNCF and Arcelor Mittal to respond to tenders for the renewal of hydropower concessions. In Belgium, the company has developed the Blue Sky project along with other electricity-intensive industries and GDF Suez to obtain nuclear electricity linked with an investment in building a gas-fired generation plant. It is also developing the Solwatt energy-efficiency projects to reduce the energy consumption and carbon footprints of the Group's sites.

In terms of activity, the annual volumes of CER (Certified Emission Reductions) and ERUs (Emission Reduction Units) totaled 14 million tons in 2011, which is stable compared to last year. Moreover, the long-term hedging strategy has proven its effectiveness in enabling the Group to benefit from sale prices for its CERs well above the spot price. This strategy also covers a majority of the expected production of CERs in 2012 and 2013.

TARGET:
20%
REDUCTION IN GREENHOUSE GAS EMISSIONS BY 2020.

Solvay Energy Services is the first GBU resulting from the integration of Rhodia into Solvay, and will optimize energy management and greenhouse gases emissions across the Group. It is also offering its expertise to help external clients reduce their environmental footprint.

Solvay New Business Development

Innovation is our passion. Anticipation is our imperative.

IN 2011, SOLVAY AND RHODIA TOGETHER FILED 322 PATENTS. THE TWO ORGANIZATIONS SHARE COMMON OBJECTIVES, WHICH THE CURRENT INTEGRATION PROCESS WILL ENABLE THEM TO ACHIEVE FASTER TOGETHER.

Stimulating innovation to strengthen leadership

"Solvay has given its Innovation Center, set up in April 2011, three main missions. The first is to strengthen and encourage best practices in managing innovation, improving the innovation culture so that each entity can manage its own projects more effectively. The second is to ensure R&D transversality across the various Group entities, each of which is responsible for its own resources, programs and priorities. The third is to run the four development platforms, which represent nearly 20% of the Group's investment in innovation."

The Innovation Center conducts a strategic review with the Executive Committee of broad scientific and technological trends. Solvay's Innovation thrust is focused on sustainable development, the priority being to come up with technology solutions to four key societal challenges: the scarcity of natural resources, environmental issues including global warming, the trend towards generalized digitization and, finally, the continuous improvement needs in health and well-being.

With its collaborative approach, the Innovation Center helps ensure consistency of R&D activities and maximize synergies among the various Group entities. This makes it possible to identify and analyze projects that can be speeded up or more heavily resourced, and to support projects to develop new businesses to ensure long-term renewal of the Group's product portfolio. These businesses are based on four platforms discussed below (Printable Organic Electronics, Renewable Energy, Renewable Chemicals and Nanotechnology).

Just as for the Group's Innovation Center, the task of R&D management in the Rhodia Sector is to identify new areas for growth based on macro trends in society and to promote eco-designed processes ("Process Step Change") using intensive technologies. As the driving force of the entire R&D family in the Sector, it is the guarantor of excellence and optimization of competences. The enterprises within the Sector in turn take direct responsibility for all R&D resources devoted to their innovation projects.

In addition, Solvay has a policy of active corporate venturing, either directly or through venture capital funds in which the Group invests.

Giant fuel cell (1 MW) at the Lillo (Belgium) site.

This approach is aimed at identifying investment opportunities in emerging and innovative activities that match its sustainable development strategy.

The innovation strategy of the Rhodia Sector is based on numerous external scientific collaborations, and in particular on four mixed research units (MRUs) based in France, the United States and, since 2011, in China. The Eco-efficient Products and Processes laboratory, a collaboration between the Rhodia Sector, the CNRS (France), ENS Lyon (France) and East China Normal University (China) dedicated to green chemistry, was inaugurated on November 4, 2011 in Shanghai. Rhodia Sector teams are also involved in around fifty collaborative research projects including the birth of partnerships through initiatives of the French government to promote promising industries. These new projects will explore in particular chemistry based on plant oils (the "Woodpecker" project) and the development of increasingly environmentally friendly processes (IDEEL project).

NEW BUSINESS DEVELOPMENT: PROGRAMS ORGANIZED INTO FOUR PLATFORMS

The New Business Development (NBD) activity, managed by the Innovation Center, focuses on the development of future technologies and the development of innovative products with potential for larger-scale industrialization.

PRINTABLE ORGANIC ELECTRONICS

Since 2008, Solvay has had an internal laboratory at its Neder-Over-Hembeek (Belgium) site, in which thirty researchers are working on the development of new materials and inks for the emerging market of organic electronics. The final applications specifically targeted are organic light-emitting diodes (OLED), organic thin-film transistors (OTFTs) and organic photovoltaics (OPV). During the past year, materials developed and patented by Solvay were incorporated into prototypes.

Solvay has strengthened its cooperation with Plextronics, in which it is the main shareholder. This is a major investment. The collaboration focuses on the development of inks for OLEDs, and more particularly for the emission of white light for lighting tiles.

Collaboration with the US company Polyera Corp., in which Solvay has a shareholding, has been stepped up. Polyera is a leader in the development of materials for the printed transistors market (OTFT).

Solvay is collaborating with Imec, a Belgian research center with an international reputation in the field of microelectronics, in developing new architectures for high-performance OPV modules, based on the best materials from the research at Plextronics and Polyera. A module developed by Solvay and Imec has just set a new world record for converting solar energy into electricity. This is a record in the category of inverted-structure OPV cells, of interest because of their stability and improved life. This excellent performance is a critical step in developing the technology, which would constitute a sustainable source of low-cost energy.

RENEWABLE ENERGIES

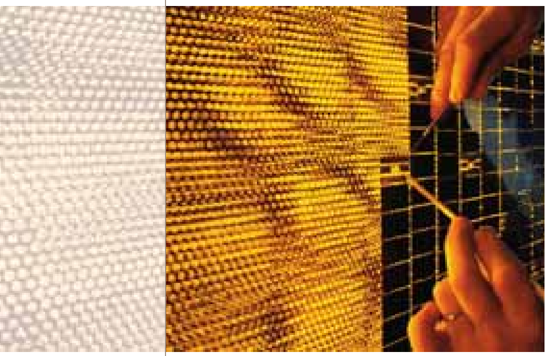
The Group and its partners are developing vital components for new sustainable energy solutions, such as fuel cells, photovoltaics, hydrogen storage and new-generation batteries.

In 2011, Solvay continued its partnership with Umicore, the international materials technology group, in the SolviCore joint venture, which has been up and running since 2006. SolviCore is the European leader in the production of membrane electrode assemblies (MEAs). In parallel with this, Solvay, through its Global Business Unit Specialty Polymers, is a world leader in the development of the membranes used in these MEAs.

The Group has stepped up cooperation agreements with the automotive world to develop a fluorinated membrane and an MEA for the fuel cells of tomorrow's cars. The goal is to create an electric car with a range comparable to today's vehicles when powered by fossil fuels. Solvay has also started development of a stationary fuel cell, with a capacity of 1 MW, using polymer membrane technology at its site at Lillo (Belgium). This is one of this platform's most advanced projects, and a world first. The teams are working to deploy this technology in a European context. This work is focusing on the development of solutions for transportation and handling activities.

Collaboration has also continued with the British company ACAL Energy which is developing a new generation of fuel cells that are less costly to produce than current technologies.

The initiatives that the Rhodia Sector has launched in this area are consistent with this platform.



Producing solar cells.

NANOTECHNOLOGY

The purpose of this platform is to explore in an effective and controlled manner the potential contribution of nanotechnology to the product portfolio of the Group and of its various Business Units. For this, the platform has defined, together with the BUs, a series of projects centered on a few main themes: nanostructured surfaces based on specialty polymers (to improve their transparency, cleanability, hydrophilicity and other properties), carbonated particles (for improving the mechanical, electrical or thermal properties of certain polymers), metal oxides (which can potentially improve the "barrier" effect of polymers, or which are used in transparent electrodes), and self-assembled materials.

The platform's teams apply their specific expertise both to understanding the innovative potential of nanotechnology and to methods of utilizing nanostructured materials. Particular attention is being paid to understanding the impact of these technologies on health, safety and the environment, as well as to the introduction of relevant regulations.

In 2011 alone, the teams registered some 12 patents in these various areas of nanotechnology.

Similarly, many external collaborations with academic and industrial partners were initiated during the past year.

RENEWABLE CHEMISTRY

This platform, which is active at the levels of both the New Business Development activity and the Rhodia Sector, anticipates the development of chemistry based on an increased use of sources of sustainable raw materials and is preparing the evolution in the Group's portfolio of products and processes in response to changing markets and technologies. This work focuses in particular on the future use of renewable bioresources and of industrial biotechnology and the role of these two types of tools in the construction of a new chemical industry.

Solvay is examining the transformation of agricultural resources from different chains (sugar, starch, cellulose, vegetable oils, etc.), with a view to competitive manufacture of chemical intermediates or to creation of new monomers to expand the portfolio of specialty polymers. For this reason a cooperation agreement has been concluded with the Dutch start-up Avantium, for the use of a biosourced monomer for the polyamides chain. Through the venture capital fund Aster, in which the Rhodia Sector invested in 2011 and the venture capital fund Capricorn in which Solvay had already invested, the Group is helping finance this innovative start-up.

The teams are also working on the fractionation of biomass and the development and economic use of the resulting compounds. In this field, the Rhodia Sector has entered into an alliance with Cobalt Technologies in Brazil to develop the market for biobutanol in Latin America.

Another avenue being explored involves the capture and recovery of carbon dioxide (CO_2) by emerging biosynthesis or catalytic technologies.

To these four platforms have recently been added projects that are specific to the Rhodia Sector. These are structured around two main areas. The first is advanced materials and formulations targeted at maintaining a technological lead by strengthening design through modeling. The second is eco-design processes aimed at developing breakthrough innovations in raw materials and energy consumption, cutting waste and in reducing investment.

Combining talents - far beyond simple addition

THE NEW GROUP STRUCTURE, WHICH WAS FORMALLY IMPLEMENTED IN APRIL 2011, HAS HELPED BRING RESPONSIBILITY CLOSER TO MARKETS.

Adapting the enterprise culture for more efficient management

"The new Group structure, which was formally implemented in April 2011, has helped bring responsibility closer to markets. Solvay is keen to consolidate its performance management by strengthening its entrepreneurial culture and fostering behaviors that serve to nourish it. From now on, each employee will be assessed on the basis of individual objectives that are attuned with the Group's strategic objectives. Each employee will be given the appropriate tools and ongoing training to deploy their talents."

The Group's strategy of geographic expansion represents a real challenge in terms of human resource management. To effectively support these changes, the Horizon Plan, which has been in place since April 2011, is pursuing several objectives, including that of transforming the organization of the Group to bring it closer to its markets and customers. This has led to a reorganization of the operating structure into Global Business Units (GBU) and Regional Business Units (RBU) in the Chemicals and Plastics Sectors, to which a third Sector – Rhodia – was added in 2011.

As part of its 'Move for Growth' program, Rhodia had also launched a behavioral campaign. The dynamic of growth thus set in motion makes it possible to develop customer focus and strengthen the capacity for foresight and innovation.
The Rhodia and Solvay teams are now working to combine the specificities of the two approaches in the context of the integration process.

These structural changes also met the need to adapt the corporate culture to a rapidly changing world. Within this framework, Human Resources is working hard to promote evolution of employees' behavior and to enhance their performance while ensuring their well-being at work.

Employees all set their own objectives, in line with those of the Group, and are able to assess their progress. After deploying new and advanced tools in recent years and with its focus henceforth on employee behavior, Human Resource management at Solvay is now one of the industry benchmarks.

HR e-Services, the Human Resources portal with a user-friendly, interactive interface, is available to all Group employees. In addition to basic functionalities like time management and assessments, it presents HR news, internal mobility announcements and the like.

CHANGING BEHAVIOR FOR GREATER EFFICIENCY

By acting on individual behavior, Solvay aspires above all to enable all employees to achieve personal development in their work through a thorough understanding of set objectives, a better positioning in their environment and an assessment of progress made toward achieving goals. By focusing on the behavioral component, Solvay intends to empower all employees in their approach to customers, colleagues and the other stakeholders that they meet as part of their professional activity. Similarly, through behavior based on a clear strategy, our employees contribute to the Group's growth and profitability.

PROMOTING NEW BEHAVIORS

The Change Leadership Model (CLM) is a vehicle by which Solvay intends to change behavior, support the process of change and help its employees accomplish their goals. The CLM reinforces the organizational structure by adapting behaviors to the enterprise environment and, in so doing, contributing to achieving the Group's strategic priorities. The CLM also increases creativity by seeking to share relevant information and encouraging exchanges between heads of entities, adding value in the process of managing employees' performances and careers.

STRENGTHENING INDIVIDUAL PERFORMANCE

The objectives of growth and profitability can be achieved only by effective performance management at all levels of the enterprise. To achieve this, the new structure is based on the Group's strategic objectives, translated into performance indicators at the GBU and RBU level. These strategic objectives are then broken down into individual objectives that can be measured more rigorously. In this way, each employee contributes effectively to the enhancement of operational performance.

ESSENTIAL TOOLS

In recent years, various electronic tools based on the Group's intranet have been introduced to support the organization. The latest of these is the new internal e-portal that aims to meet employees' daily and local needs. The e-PDA assessment tool makes it possible to organize, record and share information on personal development objectives in order to help improve individual performance. This is a continuous process divided into three stages: planning, review and assessment. It gives everyone the opportunity to have structured discussions with their supervisors about their performance during the past year and to identify future goals and career development ambitions.

DEVELOPING ONE'S CAREER

With the tools that support the development process, the Group knows its employees' expectations in terms of career development. From this perspective, the 'Talent Round Tables' focus on assessing employees' performance and potential. Here entity managers can exchange information so as to take best advantage of the profiles of their executives, while avoiding rigid, unchanging assessments. For non-executive personnel, assessment is based on local conditions at the various entities.

SOLVAY PEOPLE SURVEY

Every two years, a vast survey known as the Solvay People Survey is conducted among all employees worldwide. The purpose is to measure everyone's commitment and to identify potential problem areas. This proactive approach allows everyone to express their expectations, states of mind, comments and ideas. In the midst of the reorganization process, Solvay was able in 2011 to analyze the results, down slightly but still favorable, which will enable it to take appropriate action to correct potential problems.

CONTINUOUS TRAINING

The training programs grouped within the Solvay Corporate University cover various themes that assist employees in their development according to their function, performance and potential. The training provided by the Solvay Corporate University is not limited to putting across information, but also focuses on employees' gain of self-knowledge in order to be fully aware of their capabilities and potential. This training is accompanied by thematic seminars. More specific training programs are also offered, in what is a changing business. They are also addressed to all employees, with differing approaches, the goal being to increase their ability to handle change.

The Executive Committee visits Italy, September 2011.

Solvay Corporate University organizes numerous programs for our international talents to develop and share their experiences. Like here in the "Pinnacle" Leadership program.

Solvay Sustainable Development

Making the future happen

AS A MEANS OF CREATING LONG-TERM VALUE, SUSTAINABLE DEVELOPMENT IS AN INTEGRAL PART OF THE GROUP'S STRATEGIC AND OPERATIONAL APPROACH.

A complementary document to the Annual Report, entitled "Sustainability indicators and progress 2011" presents externally verified sustainable management indicators for each Sector. It is available on www.solvay.com

Giving concrete form to a commitment to accountability

“This approach takes concrete form in three ways: development of a portfolio of activities within a perspective of sustainable chemistry, responsible management covering the full life cycle of products, and pursuit of dialogue with all stakeholders. Rhodia too had placed sustainable development at the heart of its strategy. The present integration will give even more impetus to this thrust.”

TOWARDS SUSTAINABLE CHEMISTRY

The development of a portfolio of sustainable business activities, with optimized exploitation of resources at the production stage and delivery of applications to markets that meet sustainability criteria, is a key objective of the Group.

At the current time, approximately 30% of the sales of the Solvay group (including the Rhodia Sector) are of products and in markets that meet key sustainability requirements. The Rhodia Sector's portfolio shares in this fully, with applications responding to sustainability requirements.

Deployment of the sustainability strategy is an operational responsibility. Solvay's operating entities have been given greater responsibility for monitoring progress towards the 107 objectives defined for 2008-2012, especially in the fields of environmental management, safety and health. Solvay uses a structured scorecard of non-financial indicators to facilitate monitoring of these objectives. The Rhodia Way, deployed across all Rhodia entities since 2007, is designed as an aid to performance, aimed at better integrating responsibility criteria into daily business practices. Updated in 2011, this approach conforms with that of ISO 26000, Guidance on Social Responsibility.

SHARING AND INTERACTING WITH OUR STAKEHOLDERS

Establishing relationships with rating agencies.
Dialogue with institutional investors and with the analysts of non-financial rating agencies is helping to clarify avenues along which the Group can make progress in terms of responsible practices. Weak points are addressed by specific actions to perfect strategy development processes, including performance and improvement indicators. In this context, Solvay was honored as one of two finalists for the 2011 Belgian best Sustainable Development Report reward.

Portfolio of "aligned" and "stars"[1] products / markets – % of turnover in solutions for ...

Evaluation excluding Pipelife and Inergy, and without the Rhodia Sector.

Reducing energy consumption	13%
Improving freshwater management	4%
Reducing of exposure to hazardous and toxic substances	3%
Improving waste management chains	5%
Increasing food production	3%
Total contributing to "aligned" and "stars" solutions	**28%**

The analysis of Solvay activities based on the "SPM" methodology covers the entire portfolio before the integration of Rhodia. The analysis of the portfolio of the Rhodia Sector is planned in 2012.

1. Analysis using the SPM tool based on clearly defined and acknowledged sustainability criteria. "Aligned" means the product in its market meets clear consumer expectations as to sustainability. The "Star"category is reached when in addition this market has strong growth potential.

In 2011, Solvay was included in the FTSE4Good and the FTSE KLD Global Sustainability indices. Vigeo and the Carbon Disclosure Project (CDP) placed Solvay very honorably in the "fast followers" category. In 2010, Rhodia, then a publicly traded company, was selected for the global Dow Jones Sustainability Index and the European ASPI Eurozone and Ethibel indices and was evaluated by the CDP. Rhodia was also distinguished by European rating agency Vigeo as a European leader in its profession in terms of Corporate Social Responsibility (CSR).

Global governance of sustainable development has been strengthened within the Group. The various aspects of the management of sustainable development are grouped into six clusters, each under the authority of one member of the Executive Committee. A Sustainability Council including outside experts is now being created and will advise the Executive Committee directly. All major R&D projects are examined systematically according to sustainability criteria.
The deployment of the Rhodia Way reference framework is also being monitored by Rhodia's senior management. Rhodia was honored in 2011 by the "Responsible Governance Award" in the SBF 120 category in France for its non-discrimination policy.

Establishing relationships of trust with our customers and suppliers. Following on the success of the "Vinyl 2010" voluntary commitment by Europe's PVC industry (with targets for waste recycling and substitution of certain additives), Solvay has committed to participating in the new VinylPlus commitment with the goal of recycling 800 000 tons a year of PVC by 2020.

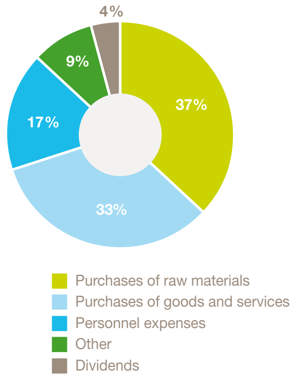
A comprehensive carrier selection program has increased the security and safety of our product distribution. A tool has been developed to quantify and compare the risks associated with different transport routes and modes.

For several years now, Rhodia has included Social and Environmental Responsibility in its procurement policy. Thus in 2011, Rhodia signed a mediation charter with the French government ensuring fair treatment of suppliers in case of dispute. Rhodia also held last year a forum on innovation in bioprocurement to optimize partnerships in France with suppliers in this area.

Partnerships with European and international trade unions. Dialogue between Solvay senior management and the Sustainable Development Working Group of the European Works Council, which since 2002 has been a partner of the Group, focused particularly on well-being at work, diversity, employability and staff demographics. A seminar on demography was held with a large group of employee representatives attending.
In February 2011, Rhodia and the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM) renewed their global social and environmental responsibility agreement for a further five-year period. This incorporates a new joint-dialogue body devoted to global safety issues ("Global Safety Panel"). In 2011, an ICEM delegation conducted assessment missions to Rhodia sites in Russia and China.

Increased effort to sensitize personnel to the Group's sustainability thrust. Various initiatives have been launched by the Executive Committee to get employees to sign up to the full range of the Group's sustainability goals. These initiatives include seminars on HSE culture and inter-hierarchical forums on sustainable development. Since 2009, the Rhodia Way training module entitled "Acting Responsibly" has been deployed in all countries. 60% of employees had been trained

Distribution of economic value generated – excl. Rhodia Sector
EUR million



The largest portion of the economic value generated by the Group is redistributed in the form of salaries and purchases of resources and services.

by the end of 2011. The latest Rhodia Way Trophies, awarded to best practices in the field, honored six projects out of a total of 240.

Since 2011, remuneration policy in the Rhodia Sector has incorporated criteria linked to sustainable development. In this way 10% of the bonus of the Sector's 3 000 executives is directly tied to the social and environmental responsibility objectives of their entities.

RESPONSIBLE MANAGEMENT OF OUR BUSINESS

Safety and security of persons and facilities. For Solvay, the "zero accident" objective remains paramount. The Group's "behavioral safety" program now extends to 66% of its plants. This is helping to correct inappropriate attitudes and aims to encourage everyone, regardless of level, to share opinions and recommendations. In addition, the Group's objective of expanding its safety expectations to subcontractors working at its sites is now 98% deployed.

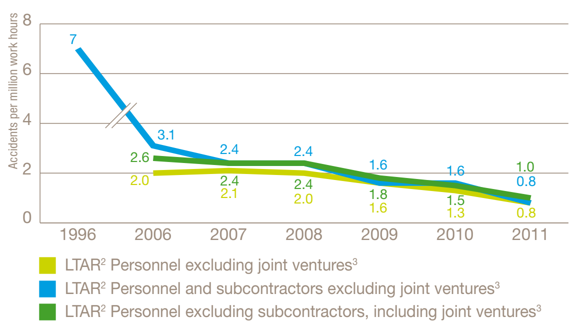
The Solvay group's occupational safety results remained very good in 2011, with an overall accident frequency rate involving stopping work equal to 0.8. However, despite prevention efforts, the accidental death, in 2011, of a person working on a conveyor belt at our Okorusu (Namibia) site is to be deeply regretted.

The Rhodia Sector has upgraded its safety and environmental management system by validating a new RCMS (Rhodia Care Management System) standards system. Work on taking the human factor into account continues on the French sites through two programs: STOP (directed at all management staff) and VIGILANCE (for all employees and specifically directed at human factors). Both programs will be deployed worldwide in 2012.

Better product safety information. As part of the ICCA's Global Stewardship commitment, Solvay prepared summary data sheets describing the properties of a series of products for use by a wide audience. In early 2012, 60 of these standardized forms will be available on the ICCA site. The Group is also continuing to prepare the REACH files for registration by June 2013. A major effort has been undertaken to apply the new European and global legislation on harmonized classification and labeling of chemicals, with adapted safety data sheets (SDS) distributed to customers and users in their national languages.

The introduction of a series of projects for meeting our target of a 20% reduction in direct and indirect greenhouse gas emissions and total energy consumption. Following significant gains in energy efficiency achieved through a series of cogeneration plants installed between 1990 and 2000, the Group has begun examining a new set of cogeneration projects in Europe, Brazil and the United States. Two other initiatives are currently being deployed in the Group. For existing production units, the Solwatt project is intended to identify new energy gains by the end of 2013 (three sites have already been audited). Two new membrane electrolysis units, one at Lillo (Belgium), the other at Tavaux (France) will start operating in 2012 and represent energy savings of around 17%. For its part, in 2011 Rhodia launched several

Accidents involving people on sites – Rhodia included for 2011 – Accident frequency rate – LTAR



2011 continues the substantive progress achieved by the action programs focused on subcontractor behaviors and safety. The results of Rhodia, consolidated for all of 2011, also contribute significantly to this year's improvement.

2. Accidents with work stoppage per million hours worked.
3. Joint ventures = Pipelife and Inergy

energy-efficiency projects as part of a five-year environmental plan, targeted at decreasing energy consumption by 8%.

A project to produce energy from biomass at the Solvay site at Dombasle (France) is currently being evaluated by the French authorities. Also in 2011, Rhodia rolled out biogas production units in Asia and is investing in energy production from sugarcane bagasse in Brazil.

Besides action on greenhouse gases, other initiatives are directed at achieving our target of a 20% reduction of global air and water emissions between 2006 and 2020.
The performance evaluation of sites by reference to 'best available technologies' in environmental matters (BAT) has been completed, with more than 500 evaluations conducted. Solvay has proposed a voluntary soil remediation program, and an original "zero discharge" concept for the new manufacturing site at Panoli (India). In Santo Andre (Brazil) and Bahia Blanca (Argentina), additional new incinerators ensure more effective control of emissions and improved air quality.

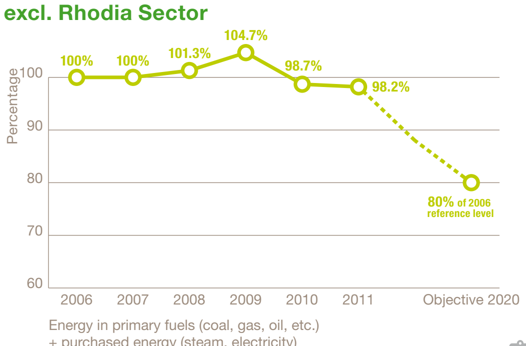
Additional progress was made in the management of historical soil contamination, in particular at Spinetta and Rosignano (Italy).

Rhodia has continued work to optimize its sulfur oxides abatement units at its GBU Eco Services sites (USA) and its nitrogen oxides abatement units at Chalampé (France) to bring performance to BAT levels.

New and more eco-efficient production units.
Solvay has built the world's largest hydrogen peroxide production unit in Thailand. The production process here utilizes Solvay high performance technology that very significantly reduces energy consumption and wastewater volume. At the Onsan (Korea) site, a new type of fluorine gas production micro-unit has been conceived, to be built and operated jointly with Air Liquide. The idea is to install these units at customers' (flat screen and photovoltaic panel

Total primary energy consumption

Direct and indirect (purchased energy) consumption related to manufacturing – excl. Rhodia Sector



	2006	2007	2008	2009	2010	2011
1 000 Terajoules	195	199	193	173	202	**206**

Like-on-like comparison: evolution taking into account the evolution of the portfolio of plants and of production volumes.

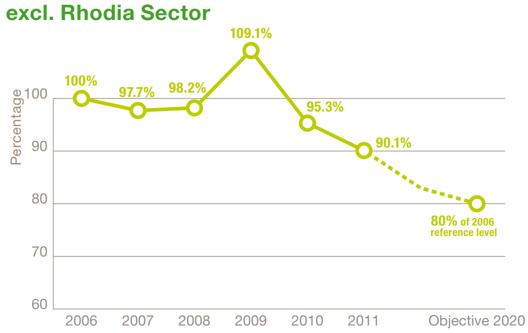
Rhodia Sector

	2006	2007	2008	2009	2010	2011
1 000 Terajoules	74.0	65.0	61.0	53.9	57.0	**56.4**

The Rhodia Sector aims to increase its energy efficiency (energy consumption per ton produced) by 1.5% a year between 2010 and 2015, or 8% over the period. Between 2010 and 2011, overall energy efficiency increased by a further 2.9%.

Greenhouse gas emissions

Direct (Scope 1) and indirect (Scope 2) emissions related to manufacturing – excl. Rhodia Sector



	2006	2007	2008	2009	2010	2011
1 000 tons CO_2 equivalent	14 729	14 853	14 512	13 183	15 197	**14 486**

The decrease is largely due to the reduction in emissions of non-CO_2 greenhouse gases.

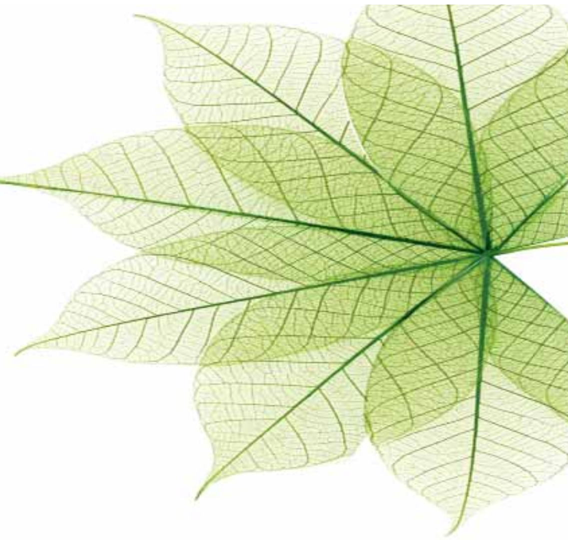
Like-on-like comparison: evolution taking into account the evolution of the portfolio of plants and of production volumes.

Rhodia Sector

	2006	2007	2008	2009	2010	2011
1 000 tons CO_2 equivalent	22 560	8 403	6 564	5 335	4 524	**4 316**

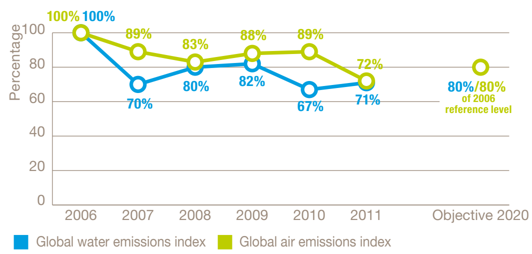
Rhodia has reduced its emissions by almost 80% since 2005. These reductions have been achieved primarily through investments at four sites, generating around 14 million tons of CERs per year (unit value of the Kyoto Protocol representing one metric ton of CO_2).

See the assurance report by Ernst & Young and PricewaterhouseCooper published in the complementary document: 'Sustainability indicators and progress 2011' on the website: www.solvay.com/EN/Lit/Literature.aspx



Global indices of emissions to air and water* – excl. Rhodia Sector

Development since 2006 at constant activity perimeter



producers) sites. The fluorine gas, which has a zero climate change effect, would replace gases like CF_4 and NF_3, with their heavy greenhouse-gas effect, at the same time as increasing productivity and eliminating the transportation risks associated with this product.

Reducing water consumption and enhancing biodiversity.

A program has been initiated to better measure and model water flow at industrial sites and identify new potential sources of savings, especially in regions of water stress. In terms of biodiversity, the remediation of old dams and quarries owned by Solvay is an ongoing process: to date 8 000 hectares into nature areas of which 1 600 remediated, and in many cases, replanted.

In the Rhodia Sector, 2011 was marked by programs to reduce water usage. Furthermore the majority of sites discharging effluent into the natural environment have completed an evaluation of their impact on aquatic biodiversity.

Measured and verified performance.

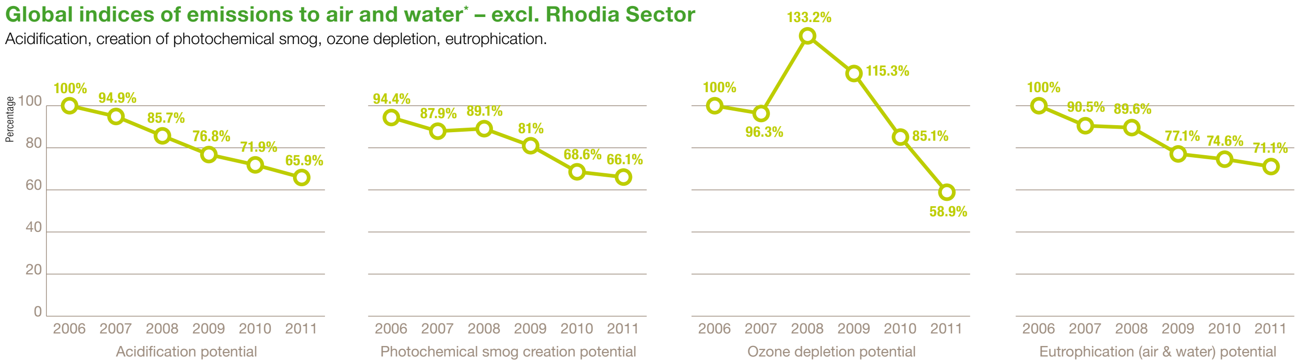
Beyond the basic indicators used in this document, a supplement to the Annual Report entitled "Sustainability Indicators and Progress 2011" comments on around 80 extra-financial performance indicators. A series of indicators for Rhodia in 2011 will be added separately, prior to full integration in 2012.

Reported figures on energy, greenhouse gas emissions and emissions to the environment are subject to an audit process. In 2010, Ernst & Young produced an assurance report on the preparation process of the energy and environmental indicators. In 2011, the audit was extended to include the data themselves. Rhodia's reporting is audited by PricewaterhouseCoopers.

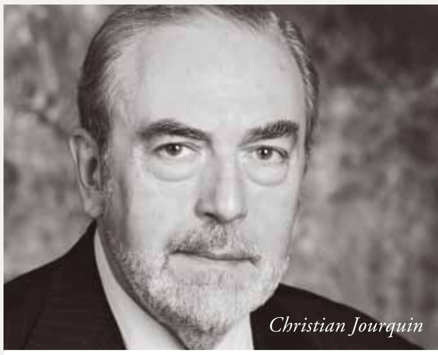
Work is in hand to integrate the data of the Rhodia Sector, which requires the alignment of definitions and methods of calculating indicators. Only the people accidents indicator is integrated into the Solvay group figures. The figures presented are representative of the Group's activities in 2011 and prior years, but the boundaries can vary from one parameter to another. For greenhouse gas emissions and energy in particular, they respect the GRI guidelines which impose operating units as the basic boundaries.

Global indices of emissions to air and water* – excl. Rhodia Sector

Acidification, creation of photochemical smog, ozone depletion, eutrophication.




* See Ernst & Young's audit report about the emissions in 2011, not restated to reflect the changes in consolidation scope.


Christian Jourquin


Jean-Pierre Clamadieu


Bernard de Laguiche

Executive Committee* and General Managers


Jacques van Rijckevorsel


Vincent De Cuyper

*Christian Jourquin**
CHIEF EXECUTIVE OFFICER

*Jean-Pierre Clamadieu**
DEPUTY CHIEF EXECUTIVE OFFICER

*Bernard de Laguiche**
CHIEF FINANCIAL OFFICER

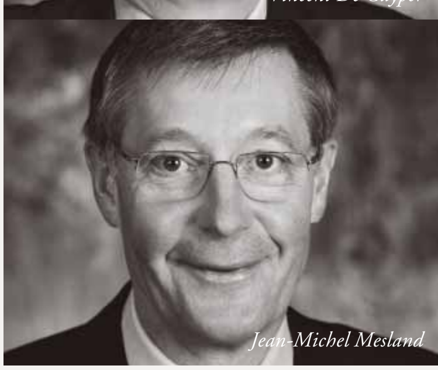
*Jacques van Rijckevorsel**
GROUP GENERAL MANAGER OF PLASTICS SECTOR

*Vincent De Cuyper**
GROUP GENERAL MANAGER OF CHEMICALS SECTOR

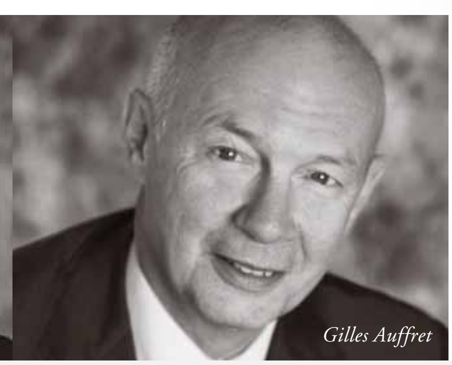
*Jean-Michel Mesland**
GROUP GENERAL MANAGER OF TECHNOLOGY, RESEARCH SERVICES AND PROCUREMENT

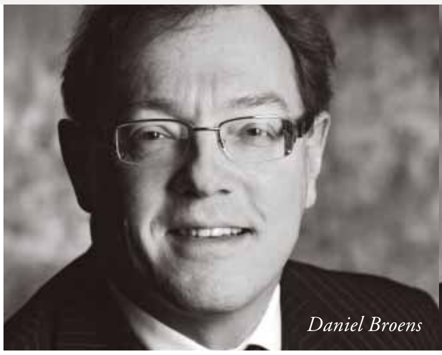
*Roger Kearns**
REGION GENERAL MANAGER ASIA-PACIFIC

*Gilles Auffret**
GROUP GENERAL MANAGER OF RHODIA SECTOR


Jean-Michel Mesland


Roger Kearns


Gilles Auffret



Daniel Broens
GROUP GENERAL MANAGER
HUMAN RESOURCES

Dominique Dussard
GROUP GENERAL COUNSEL

Michel Defourny
GROUP CORPORATE SECRETARY

Solvay Financial Statements Part 2

Financial Statements

Consolidated Financial Statements

The following financial statements were authorized for issue by the Board of Directors meeting on February 15, 2012. They have been drawn up in accordance with the IFRS accounting policies which are set out in the coming pages. Information on related parties required by IAS 24 can be found in the "Corporate Governance" chapter.

Income statement

EUR million	Notes	2010	**2011**
Sales	(1) (2)	5 959	8 109
Cost of goods sold		-4 833	-6 545
Gross margin	(3)	1 126	1 564
Commercial and administrative costs	(4)	-482	-660
Research and development costs	(5)	-125	-156
Other operating gains and losses	(6)	6	-60
Earnings from associates and joint ventures accounted for using equity method	(7)	46	61
REBITDA		930	1 208
REBIT	(8)	571	748
Non-recurring items	(9)	-317	-188
EBIT		254	560
Cost of borrowings	(10)	-138	-159
Interest on lendings and short term deposits	(10)	22	39
Other gains and losses on net indebtedness	(10)	-10	-16
Cost of discounting provisions	(10)	-52	-72
Income/loss from available-for-sale investments		0	1
Result before taxes		76	354
Income taxes	(11)	21	-19
Result from continuing operations		97	334
Result from discontinued operations		1 726	-38
Net income for the year	(12)	1 823	296
Non-controlling interests		-47	-50
Net income (Solvay share)		1 776	247
Basic earnings per share from continuing operations (EUR)	(13)	0.62	3.51
Basic earnings per share from discontinued operations (EUR)		21.22	0.47
Basic earnings per share (EUR)		21.84	3.04
Diluted earnings per share from continuing operations (EUR)	(13)	0.62	3.49
Diluted earnings per share from discontinuing operations (EUR)		21.18	0.47
Diluted earnings per share (EUR)		21.80	3.03

RATIOS		
Gross margin as a% of sales	18.9%	19.3%
Times charges earned	4.5	5.5
Income taxes / Result before taxes (%)	-27.9%	5.5%

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

Statement of comprehensive income

EUR million	Notes	2010	2011
Net income for the year		1 823	296
Gains and losses on available-for-sale financial assets	(15)	-10	-8
Gains and losses on hedging instruments in a cash flow hedge	(15)	2	3
Unrecognized actuarial gains and losses on defined benefit pension plans	(15)	-183	-105
Currency translation differences	(15)	251	58
Share of other comprehensive income of associates and joint ventures accounted for using equity method	(15)	27	-30
Income tax relating to components of other comprehensive income	(15)	52	28
Other comprehensive income net of related tax effects		139	-54
Comprehensive income for the year		1 962	242
attributed to:			
- owners of the parent		1 876	202
- non-controlling interests		86	40

Statement of cash flows

The amounts below include the effect of the discontinued operations.

EUR million	Notes	2010	2011
EBIT		287	515
Depreciation amortization and impairments *	(16)	607	455
Changes in working capital	(17)	-34	303
Changes in provisions	(18)	21	-187
Income taxes paid		-96	-163
Other	(19)	-194	-128
Cash flow from operating activities		590	794
Acquisition (-) of subsidiaries	(20)	0	-3 984
Acquisition of Rhodia’s cash	(20)	0	931
Acquisition of Orbeo’s cash	(20)	0	67
Acquisition (-) of investments - Other	(20)	-170	-212
Sale (+) of subsidiaries	(20)	4 430	0
Sale (+) of investments - Other	(20)	279	40
Acquisition (-) of tangible and intangible assets	(20)	-286	-602
Sale (+) of tangible and intangible assets	(20)	19	17
Income from available-for-sale investments		1	1
Changes in non-current financial assets		-206	60
Other		1	0
Cash flow from investing activities		4 068	-3 681
Capital increase (+) / redemption (-)	(21)	-27	31
Acquisition (-) / sale (+) of treasury shares	(23)	-83	10
Changes in borrowings		12	-97
Changes in other current financial assets		-3 701	3 278
Cost of borrowings		-142	-159
Interest on lending and short-term deposits		22	39
Other		-10	-16
Dividends received from associates and joint ventures accounted for using equity method		32	56
Dividends paid		-248	-266
Cash flow from financing activities		-4 144	2 877
Net change in cash and cash equivalents		515	-10
Currency translation differences		25	-1
Opening cash balance		1 415	1 954
Closing cash balance	(32)	1 954	1 943
Free Cash Flow from continuing operations		117	371
Free Cash Flow from discontinued operations		35	-44

* On tangible assets intangible assets and goodwill.
Free cash flow = cash flow from operating activities + cash flow from investing activities excluding acquisition/sale of subsidiaries and other investments + dividends received from associates and joint ventures accounted for using equity method.
Explanatory notes are found after the financial statements.

Statement of cash flows from discontinued operations

EUR million	Notes	2010	2011
Cash flow from operating activities		35	-44
Cash flow from investing activities		4 430	0
Cash flow from financing activities		0	0
Net change in cash and cash equivalents		4 465	-44

Statement of financial position (balance sheet)

EUR Million	Notes	2009	2010	2011
ASSETS				
Non-current assets		4 923	5 090	12 064
Intangible assets	(24)	105	111	1 705
Goodwill	(25)	71	68	2 599
Tangible assets	(26)	3 380	3 276	5 652
Available-for-sale investments	(27)	68	62	80
Investments in associates	(28)	466	346	704
Other investments	(29)	196	275	125
Deferred tax assets	(11b)	525	631	780
Loans and other non-current assets	(33)	112	322	420
Current assets		7 173	8 633	7 373
Inventories	(30)	672	761	1 578
Trade receivables	(33)	1 270	1 651	2 311
Income tax receivables		8	12	43
Dividends receivables		0	1	0
Other current receivables - Financial instruments	(32)	26	3 722	464
Other current receivables - Other		322	533	938
Cash and cash equivalents	(32)	1 415	1 954	1 943
Assets held for sale - Pharma		3 408	0	0
Assets held for sale	(34)	53	0	95
Total assets		12 096	13 723	19 437

EQUITY & LIABILITIES				
Total equity		5 024	6 708	6 653
Share capital		1 271	1 271	1 271
Reserves		3 347	5 017	4 885
Non-controlling interests		406	419	497
Non-current liabilities		4 549	4 692	8 179
Long-term provisions: employee benefits	(31)	1 025	1 003	2 595
Other long-term provisions	(31)	763	946	1 325
Deferred tax liabilities	(11b)	172	163	710
Long-term financial debt	(32)	2 546	2 535	3 374
Other non-current liabilities		43	46	174
Current liabilities		2 524	2 323	4 605
Short-term provisions: employee benefits	(31)	6	78	39
Other short-term provisions	(31)	50	58	230
Short-term financial debt	(32)	129	148	794
Trade liabilities	(33)	700	1 428	2 232
Income tax payable		50	62	51
Dividends payable		100	100	100
Other current liabilities		466	450	1 159
Liabilities associated with assets held for sale - Pharma		1 012	0	0
Liabilities associated with assets held for sale		11	0	0
Total equity & liabilities		12 096	13 723	19 437

RATIOS	2009	2010	2011
Return on equity (ROE)	11.1%	26.7%	4.3%
Net debt to equity ratio	24.6%	ns	26.5%

ROE = 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 are found after the financial statements

Statement of changes in equity

	Equity attributable to equity holders of the parent										
						Revaluation reserve (Fair value)					
EUR Million	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 31/12/2009	1 271	18	4 272	-218	-612	21	3		4 754	406	5 160
Balance after restatement at 01/01/2010	1 271	18	4 272	-218	-612	21	3	-136	4 617	406	5 024
Net profit for the period			1 777						1 777	46	1 823
Income and expenses directly allocated to equity					*238*	*-10*	*1*	*5*	*235*	40	275
Comprehensive income			1 777		238	-10	1	5	2 012	86	2 098
Cost of stock options			10						10		10
Dividends			-240						-240	-8	-248
Acquisitions/sale of treasury shares				-83					-83		-83
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control			-22						-22	-65	-86
Other			-6						-6		-6
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
Income and expenses directly allocated to equity					*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

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 also on NYSE Euronext Paris as of January, 23 2012. The principal activities of the Company, its subsidiaries and its joint ventures (jointly the "Group") are described in note 1 on segment information.
The Group's consolidated financial statements for the year ended December 31, 2011 were prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union.
These consolidated financial statements are also compliant with the IFRS issued by the IASB (International Accounting Standards Board).

a. Standards, interpretations and amendments applicable as from 2011

- Improvements to IFRS (2009-2010) (applicable for annual periods beginning on or after 1 January 2011)
- Amendment to IAS 24 Related Party Disclosures (applicable for annual periods beginning on or after 1 January 2011). This Standard supersedes IAS 24 Related Party Disclosures as issued in 2003.
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (applicable for annual periods beginning on or after 1 February 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement (applicable for annual periods beginning on or after 1 January 2011)

The application of the aforementioned standards interpretations and amendments had no impact on the consolidated financial statement.

b. Standards, interpretations and amendments to standards already published, but not yet applicable in 2011

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2015)
- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 13 Fair Value Measurement (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Derecognition (applicable for annual periods beginning on or after 1 July 2011)
- 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 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2012)
- 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 2013)
- Amendments to IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2013)

- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (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 aforementioned standards, interpretations and amendments will have no significant impact on the consolidated financial statements.

c. Changes in accounting principles

- IAS 31 – Interests in Joint Ventures

From the 1st of January, 2011, Solvay adopted the equity method to recognise its interests in "Jointly controlled entities" instead of the proportionate consolidation method.
The reason for this change is the publication in May, 2011 of the new IFRS 11 – Joint Arrangements which will require the application of the equity method for joint arrangements classified as joint ventures. If endorsed by the European Union, IFRS 11 will supersede IAS 31 as from January 1st, 2013.

- IAS19 – Employee benefits

The accounting policy related to post-employment benefits has been modified as from July 1, 2011. This has led Solvay to eliminate the Corridor approach and recognize all actuarial gains and losses in other comprehensive income (equity). This change in accounting method is in line with the revised IAS 19 which should be applicable as from January, 1st 2013.

- Impact of changes in accounting policies

The following tables summarise the impact of these changes in accounting policies which have been applied retrospectively in accordance with IAS 8:

a) Income statement

EUR million	2010 Published	Impact Equity Method	Impact Actuarial G/L	**2010 Restated**
Sales	6 796	-837		5 959
Cost of goods sold	-5 496	663		-4 833
Gross margin	1 301	-175		1 126
Commercial and administrative costs	-560	78		-482
Research and development costs	-136	11		-125
Other operating gains and losses	-4	10		6
Earnings from associates and joint ventures accounted for using equity method	1	45		46
REBITDA	1 019	-89		930
REBIT	602	-31		571
Non-recurring items	-328	11		-317
EBIT	274	-20		254
Cost of borrowings	-142	4		-138
Interest on lendings and short term deposits	23	-1		22
Other gains and losses on net indebtedness	-10	0		-10
Cost of discounting provisions (*)	-52	0		-52
Income/loss from available-for-sale investments	0	0		0
Result before taxes	93	-17		76
Income taxes	4	17		21
Result from continuing operations	97	0		97
Result from discontinued operations	1 726	0		1 726
Net income for the year	1 823	0		1 823
Non-controlling interests	-47	0		-47
Net income (Solvay share)	1 776	0		1 776

	2010 Published	Impact Equity Method	Impact Actuarial G/L	**2010 Restated**
Basic earnings per share from continuing operations (EUR)	0.62			0.62
Basic earnings per share from discontinued operations (EUR)	21.22			21.22
Basic earnings per share (EUR)	21.84			21.84
Diluted earnings per share from continuing operations (EUR)	0.62			0.62
Diluted earnings per share from discontinuing operations (EUR)	21.18			21.18
Diluted earnings per share (EUR)	21.80			21.80

b) Statement of comprehensive income

EUR million	2010 Published	Impact Equity Method	Impact Actuarial G/L	**2010 Restated**
Net income for the year	1 823			1 823
Gains and losses on available-for-sale financial assets	-10			-10
Gains and losses on hedging instruments in a cash flow hedge	2			2
Unrecognized actuarial gains and losses on defined benefit pension plans	0		-183	-183
Currency translation differences	278	-27		251
Share of other comprehensive income of associates and joint ventures accounted for using equity method	0	27		27
Income tax relating to components of other comprehensive income	-1		52	52
Other comprehensive income, net of related tax effects	269	0	-131	139
Comprehensive income for the year	2 092		-131	1 962
attributed to:				
- owners of the parent	2 006		-131	1 876
- non-controlling interests	86			86

c) Statement of cash flow

EUR million	2010 Published	Impact Equity Method	**2010 Restated**
EBIT	305	-18	287
Depreciation, amortization and impairments	717	-110	607
Changes in working capital	-42	8	-34
Changes in provisions	24	-3	21
Income taxes paid	-108	12	-96
Other	-198	4	-194
Cash flow from operating activities	697	-107	590
Acquisition (-) of subsidiaries	0	0	0
Acquisition (-) of investments - Other	-172	2	-170
Sale (+) of subsidiaries	4 430	0	4 430
Sale (+) of investments - Other	280	-1	279
Acquisition (-) of tangible and intangible assets	-366	80	-286
Sale (+) of tangible and intangible assets	20	-1	19
Income from available-for-sale investments	1	0	1
Changes in non-current financial assets	-205	-1	-206
Other	-13	14	1
Cash flow from investing activities	3 976	92	4 068
Capital increase (+) / redemption (-)	-26	-1	-27
Acquisition (-) / sale (+) of treasury shares	-83	0	-83
Changes in borrowings	5	7	12
Changes in other current financial assets	-3 701	0	-3 701
Cost of borrowings	-146	4	-142
Interest on lending and short-term deposits	24	-2	22
Other	-10	0	-10
Dividends received from associates and joint ventures accounted for using equity method	0	32	32
Dividends paid	-248	-0	-248
Cash flow from financing activities	-4 185	41	-4 144
Net change in cash and cash equivalents	488	27	515
Currency translation differences	29	-4	25
Opening cash balance	1 486	-71	1 415
Closing cash balance	2 003	-49	1 954

d) Statement of financial position

EUR Million	2009				2010			
	Published	Impact Equity Method	Impact Actuarial G/L	Restated	Published	Impact Equity Method	Impact Actuarial G/L	Restated
ASSETS								
Non-current assets	5 075	-169	17	4 923	5 205	-129	14	5 090
Intangible assets	162	-57		105	121	-10		111
Goodwill	76	-5		71	73	-5		68
Tangible assets	3 921	-541		3 380	3 698	-422		3 276
Available-for-sale investments	68	0		68	62	-0		62
Investments in associates	0	466		466	20	326		346
Other investments	209	-13		196	278	-3		275
Deferred tax assets	487	-17	55	525	586	-7	52	631
Loans and other non-current assets	152	-2	-38	112	368	-8	-38	322
Current assets	7 471	-298		7 173	8 809	-176		8 633
Inventories	805	-133		672	870	-109		761
Trade receivables	1 373	-103		1 270	1 706	-55		1 651
Income tax receivables	19	-11		8	12	0		12
Dividends receivables	0	0		0	1	-0		1
Other current receivables - Financial instruments	0	26		26	3 701	21		3 722
Other current receivables - Other	327	-5		322	516	17		533
Cash and cash equivalents	1 486	-71		1 415	2 003	-49		1 954
Assets held for sale - Pharma	3 408	0		3 408	0	0		0
Assets held for sale - Other	53	0		53	0	0		0
Total assets	12 546	-467	17	12 096	14 014	-305	14	13 723
EQUITY & LIABILITIES								
Total equity	5 160	0	-136	5 024	6 839	-0	-131	6 708
Share capital	1 271	0		1 271	1 271	0		1 271
Reserves	3 483	0	-136	3 347	5 148	0	-131	5 017
Non-controlling interests	406	0		406	419	0		419
Non-current liabilities	4 536	-140	153	4 549	4 636	-89	145	4 692
Long-term provisions: employee benefits	895	-23	153	1 025	871	-13	145	1 003
Other long-term provisions	766	-3		763	952	-6		946
Deferred tax liabilities	196	-24		172	175	-12		163
Long-term financial debt	2 635	-89		2 546	2 590	-55		2 535
Other non-current liabilities	44	-1		43	48	-2		46
Current liabilities	2 851	-327		2 524	2 540	-217		2 323
Short-term provisions: employee benefits	7	-1		6	80	-2		78
Other short-term provisions	61	-11		50	63	-5		58
Short-term financial debt	185	-56		129	212	-64		148
Trade liabilities	828	-128		700	1 489	-61		1 428
Income tax payable	66	-16		50	67	-5		62
Dividends payable	100	0		100	100	-0		100
Other current liabilities	582	-116		466	529	-79		450
Liabilities associated with assets held for sale - Pharma	1 012	-0		1 012	0	0		0
Liabilities associated with assets held for sale	11	-0		11	0	0		0
Total equity & liabilities	12 546	-467	17	12 096	14 014	-305	14	13 723

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	
		2010	**2011**	2010	**2011**
1 Euro =					
Pound sterling	GBP	0.8607	0.8353	0.8579	0.8679
US Dollar	USD	1.3362	1.2939	1.3258	1.3920
Argentinian Peso	ARS	5.3287	5.5770	5.1940	5.7538
Brazilian Real	BRL	2.2177	2.4159	2.3318	2.3266
Thai Baht	THB	40.1700	40.9910	42.0248	42.4295
Yuan Renminbi	CNY	8.8220	8.1588	8.9723	8.9962
Japanese Yen	JPY	108.6500	100.2000	116.2492	110.9566

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 recoded 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;
- restructuring charges associated with the shutdown of an activity;
- 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
- temporary differences associated with investments in subsidiaries and interests in joint ventures insofar as they will not reverse in the foreseeable future.

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 – 25 years
- software: 3 – 5 years
- development expenditure:2 – 15 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 25 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. As part of the development of Solvay Energy Services and to organize the sale of the CERs arising from the two projects, Solvay has acquired the remaining 50% of Orbéo, the former joint-venture with Société Générale.

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 Orbeo's activities
In addition to selling CERs, Orbeo 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 Orbeo sells the CERs generated by Solvay, as well as for the "trading" component, where Orbeo purchases / sells CERs and EUAs;
The margin calls relating to the derivative instruments contracted by Orbeo are recognized in Other current financial assets in respect of guarantee deposits paid, and in Borrowings in respect of guarantee deposits received.
Cash flow movements arising from these margin calls have been isolated in a separate line in the Consolidated Statements of Cash Flows under Net cash flow from operating activities.

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/amortization 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
Development costs	2 - 5 years
Patents, trademarks and other intangible assets	5 - 20 years

Depreciation/amortization 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. To date, Solvay has not therefore set aside any provisions for dismantling costs or recognized the components relating to the dismantling of its operating installations.
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 33.

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 event 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 33 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 options

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

The policy described above is applied to all share options that were granted after 7 November 2002 and vested after 1 January 2005.

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 notes 25.

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 31. 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.

Health, Safety and Environmental Provisions (HSE)
HSE provisions are managed and coordinated jointly by an HSE 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 plus inflation. 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 31.

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 notes in note 20.

[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 definitions of the Corporate and New Business Development (NBD) segments have been harmonized. From Rhodia's previous Corporate Segment, the following costs have been transferred from October, 1 to the new Group's Corporate segment:

- Communication
- Human Ressources
- Legal
- General Management (except for Retirement, Expats, Zones, Security, Audit)
- Finance (except for Audit fees, Insurance, Zones),

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, Rhodia and New Business Development (NBD) segments are extensively described in the "businesses" 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 four segments, along with certain sites where industrial operations have been discontinued.

Information per business segment for 2010 is presented below:

2010 EUR million **Income statement items**	Chemicals	Plastics	New Business Development	Corporate & Business support	Group Total
Sales	3 009	4 071	0	0	7 080
- Inter-segment sales[1]	-412	-709	0	0	-1 121
External sales	2 597	3 361	0	0	5 959
Gross margin	530	596	0	-0	1 126
REBITDA	455	538	-25	-37	930
REBIT	297	344	-26	-45	571
Non-recurring items	-332	93	0	-78	-317
EBIT	-34	437	-26	-123	254
Cash flow items (continuing operations)	Chemicals	Plastics	New Business Development	Corporate & Business support	Group Total
EBIT	-34	437	-26	-123	254
Recurrent depreciation and amortization	158	194	0	8	359
Impairments	236	11	0	0	248
Changes in provisions and other non-cash items	25	-162	0	-37	-173
Changes in working capital	28	-70	0	3	-38
Cash flow from operating activities before taxes	413	411	-25	-149	650
Capital expenditures	-166	-267	-12	-12	-457
Cash flow from investing activities	-386	20	-12	16	-363
Statement of financial position and other items	Chemicals	Plastics	New Business Development	Corporate & Business support	Group Total
Investments[2]	2 002	2 157	35	249	4 443
Working capital[3]	408	548	-0	78	1 033
Provisions	861	284	0	939	2 084
Headcount at Jan. 1 of following year	7 706	5 237	0	1 777	14 720

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

In 2010, the Group presents the Pharmaceuticals segment as discontinued operations as defined by IFRS 5.

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
Sales	3 264	4 373	0	0	0	7 638
- Inter-segment sales[1]	-406	-688	1 565	0	0	471
External sales	2 858	3 686	1 565	0	0	8 109
Gross margin	572	670	323	0	-2	1 564
REBITDA	484	583	231	-38	-51	1 208
REBIT	334	391	120	-39	-58	748
Non-recurring items	15	-18	-158	0	-28	-189
EBIT	349	373	-38	-39	-85	560

Cash flow items (continuing operations)	Chemicals	Plastics	Rhodia	New Business Development	Corporate & Business support	Group Total
EBIT	349	373	-38	-39	-85	560
Recurrent depreciation and amortization	150	191	111	0	7	460
Impairments	3	-8	0	0	0	-5
Changes in provisions and other non-cash items	-82	-30	-61	2	-106	-277
Changes in working capital	-53	88	222	0	7	264
Cash flow from operating activities before taxes	367	614	234	-36	-177	1 002
Capital expenditures	-214	-409	-164	-28	-3 982	-4 797
Cash flow from investing activities	-219	-404	-126	-38	-3 893	-4 679

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

External sales by cluster are presented below:

EUR million	2010	2011
Plastics	3 361	3 686
Specialty Polymers	1 143	1 251
Vinyls[1]	2 217	2 435
Chemicals	2 597	2 858
Essential Chemicals	2 034	2 247
Special Chemicals	564	612
Rhodia		1 565
Consumer Chemicals		617
Advanced Materials		218
Polyamide Materials		406
Acetow and Eco Services		288
Energy Services		55
Other sales		36
Accounting rules harmonisation		-55

1 Including vinyls and Plastic Integration

(2) Financial data by country and region

Group sales by market location are as follows:

EUR million	2010	%	2011	%
Belgium	314	5%	326	4%
Germany	675	11%	851	10%
Italy	536	9%	607	7%
France	465	8%	749	9%
Spain	322	5%	357	4%
European Union - other	729	12%	939	12%
European Union	3 042	51%	3 829	47%
Other Europe	111	2%	177	2%
United States	888	15%	1 164	14%
Canada	36	1%	60	1%
North America excluding Mexico	924	16%	1 224	15%
Brazil	419	7%	664	8%
Argentina	140	2%	191	2%
Latin America - other	100	2%	152	2%
Latin America	659	11%	1 007	12%
Russia	44	1%	88	1%
Turkey	60	1%	89	1%
China	122	2%	283	3%
India	67	1%	89	1%
Japan	180	3%	254	3%
Egypt	31	1%	49	1%
Other	719	12%	1 020	13%
Asia and Rest of the World	1 224	21%	1 872	23%
Total	5 959	100%	8 109	100%

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

	Invested capital				Capital Expenditures			
EUR million	2010	%	**2011**	**%**	2010	%	**2011**	%
Belgium	781	14%	3 083	24%	-37	8%	-1 056	22%
Germany	479	9%	1 372	11%	-25	6%	-44	1%
Italy	691	13%	721	6%	-45	10%	-67	1%
France	470	9%	1 850	15%	-47	10%	-3 137	65%
Great Britain	0	0%	240	2%	0	0%	-4	0%
Spain	237	4%	168	1%	-34	7%	-23	0%
European union - Other	384	7%	241	2%	-11	2%	-14	0%
European Union	3 042	56%	7 675	61%	-199	44%	-4 345	91%
Other Europe	144	3%	-5	-0%	-125	27%	0	0%
United States	1 075	20%	1 747	14%	-35	8%	-66	1%
Canada	0	0%	-1	-0%	0	0%	0	0%
North America excluding Mexico	1 075	20%	1 746	14%	-35	8%	-66	1%
Brazil	423	8%	1 008	8%	-22	5%	-56	1%
Argentina	104	2%	106	1%	-11	2%	-12	0%
Latin America - other	25	0%	58	0%	-1	0%	-1	0%
Latin America	551	10%	1 172	9%	-34	7%	-69	1%
Russia	6	0%	376	3%	0	0%	-168	3%
Turkey	5	0%	4	0%	0	0%	0	0%
Thailand	369	7%	456	4%	-47	10%	-84	2%
China	21	0%	504	4%	-1	0%	-27	1%
South Korea	66	1%	183	1%	-4	1%	-9	0%
India	48	1%	90	1%	-2	0%	-11	0%
Singapore	0	0%	237	2%	0	0%	-0	0%
Japan	27	0%	88	1%	-0	0%	-1	0%
Egypt	90	2%	101	1%	-3	1%	-13	0%
Other	33	1%	8	0%	-6	1%	-6	0%
Asia and Rest of the World	664	12%	2 047	16%	-63	14%	-318	7%
Total	5 476	100%	12 636	100%	-457	100%	-4 797	100%

(3) Gross margin

Expressed as a percentage of sales, gross margin amounts to 19% in 2011, which is stable versus 2010.
Rhodia gross margin is included since October 1 and is close to 21% for the last quarter. It is to be noted that the negative impact of the revaluation to their fair value upon acquisition of Rhodia inventories sold in the last quarter has been reclassed to non recurring expenses.

(4) Commercial and administrative costs

The Group's commercial and administrative costs increased overall by 37% between 2010 and 2011.
Without the Rhodia acquisition, they would have increased by 3%. This shows that although all the savings related to the implementation of Horizon were not already in place in 2011, administrative costs related to continuing operations has not changed significantly after the sale of the Pharma.

(5) Research and Development costs

Research and development costs increased by 25% between 2010 and 2011. These costs for continuing operations are mainly related to:
- the Specialty Polymers Business,
- the New Business Development,
- the Rhodia business for the last quarter 2011 that account for the major part of the increase in 2011.

(6) Other operating gains and losses

EUR million	2010	**2011**
Start-up, formation and preliminary study costs	-9	-16
Cost of closures and demolitions	-16	-19
Costs of trials and tests	-3	-4
Income from investments and interest on loans to joint ventures and non-consolidated companies	7	11
Net gain (+) / loss (-) on financial assets classified as held for trading	8	5
Balance of other gains and losses	19	-37
Other operating gains and losses	6	-60

The balance of other gains and losses includes in particular:

- EUR -29 million for the depreciation during the last quarter 2011 of the step-up on Rhodia intangibles within the framework of the Purchase Price Allocation (PPA),
- Write-down on Rhodia raw materials inventories during the last quarter 2011 for EUR -9 million,
- EUR +12 million of earnings from the sale of underground cavities in Germany, against EUR +16 million for 2010;
- EUR +11 million from the sale of Brazilian energy supply credits in 2010;
- EUR –5 million for reorganization charges in 2011, against EUR -8 million in 2010;
- EUR -7 million in 2011 (EUR -9 million in 2010) for temporary plant shutdowns;
- EUR -8 million in the Chemicals segment for excise duties regularization in 2010;
- EUR +7 million in the Chemicals segment for the sale of CO_2 rights in 2010.

(7) Earnings from Joint Ventures and Associates accounted for using the equity method

From January 1, the Group has moved from the proportionate consolidation to the equity method.
The net income of the joint ventures is part of the Group REBIT and amounts to EUR 49 million for Solvay JVs and to EUR 12 million for Rhodia JVs in the last quarter 2011.

(8) REBIT (recurring EBIT)

REBIT increased by 31% from EUR 571 million to EUR 748 million in 2011. Rhodia REBIT in the last quarter amounted to EUR 120 million (or EUR 149 million after excluding the depreciation during the last quarter 2011 of the step-up on Rhodia intangibles within the framework of the PPA).
The definitions of the Corporate and New Business Development (NBD) segments have been harmonized. From Rhodia's previous Corporate Segment, the following costs have been transferred from October, 1 to the new Group's Corporate segment:

- Communication
- Human Ressources
- Legal
- General Management (except for Retirement, Expats, Zones, Security, Audit)
- Finance (except for Audit fees, Insurance, Zones),

This will allow to follow the implementation of corporate synergies at Group level
As synergies were still not implemented in the last quarter 2011, this has led to decrease the REBIT for Corporate and NBD Segments by EUR 15 Million in the 2011 accounts.
REBIT of the Chemicals segment and Plastics segment increased by 17% from EUR 617 million to EUR 725 million in 2011.

(9) Non-recurring items

Non-recurring items mainly include:

- gains and losses on the sale of subsidiaries, joint-ventures, affiliates 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;
- restructuring charges associated with the shutdown of an activity;
- impairment losses resulting from the shutdown of an activity or a plant;
- impairment losses resulting from testing Cash-Generating Units[2] 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	2010	**2011**
Impairments	-306	5
Purchase price allocation for inventories	0	-160
Other expenses and income	-11	-33
Non-recurring items	-317	-188

In 2011, the PPA impact in non recurring expense (EUR -160 million) is related to the margin on Rhodia inventories sold in Q4 2011 and that were revalued at fair value upon acquisition.

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)
- HSE provisions related to shutdown facilities (EUR -16 million)
- the cancellation of the soda ash fine with the European Union (EUR +27 million)

[2] CGU = the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

In 2010, the impairments for continuing operations were mainly related to:
- the impairment of the Cash-Generating unit Soda Ash Europe amounting to EUR -245 million;
- other Impairments for Chemicals (EUR -56 million, mainly in Bussi and Bitterfeld).

In 2010, other non recurring expense and income included:
- costs for restructuring plans, mainly related to the implementation of Horizon (EUR -98 million)
- the capital gain on the sale of Inergy (EUR +139 milion)
- HSE provisions related to shutdown facilities (EUR -21 million)

(10) Charges on net indebtedness

EUR million	2010	**2011**
Cost of borrowings - Interest expense on financial liabilities at amortized cost	-138	-159
Interest income on cash and cash equivalents (excluding bonds and treasury bills < 3 months)	5	12
Interest income on bonds and treasury bills < 3 months (held to maturity at amortized cost)	3	14
Interest income on bonds and treasury bills > 3 months (held to maturity at amortized cost)	9	5
Interest income on other current financial assets (available for sale)	5	7
Other gains and losses on net indebtedness	-10	-16
Cost of discounting provisions	-52	-72
Charges on net indebtedness	-178	-208

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”

Charges on net indebtedness were EUR 208 million at the end of 2011 compared to EUR 178 million at the end of 2010, they include EUR 39 million for 3 months consolidation of Rhodia.

Interest income on available cash amounted to EUR 39 million at the end of 2011 compared to EUR 22 million at the end of 2010; the increase is explained by the 3 months consolidation of Rhodia (EUR 5 million) and the increased interest rate on the available cash at Solvay before (EUR 5.2 billion at the end of August 2011) and after (EUR 2.4 billion at the end of December 2011) the acquisition of Rhodia.

Average interest charges on borrowings (excluding the capitalized interest and the cost of discounting provisions) increased from 5.1% in 2010 to 5.2% in 2011.

Other gains & losses on net debt indebtedness increased from - EUR 10 million at the end of 2010 to - EUR 16 million at the end of 2011; this increase is explained by a loss of EUR 2.4 million at Rhodia (foreign exchange losses related to the integration 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. It also included the cost of funding of our development in the Eastern European countries in local currencies, including in Russia and Bulgaria.

The cost of discounting provisions increased from EUR 52 million at the end of 2010 to EUR 72 million at the end of 2011. The amount includes EUR 23 million for 3 months consolidation of Rhodia.

(11) Income taxes and deferred taxes

(11a) Income taxes

Components of the tax charge

The tax charge breaks down as follows:

EUR million	2010	2011
Current taxes related to current year	-89	-101
Current taxes related to prior years	-27	-3
Deferred income tax	213	214
Unrecognized deferred tax assets	-76	-132
Tax effect of changes in the nominal tax rates on deferred taxes	0	3
Total	21	-19

EUR million	2010	2011
Income tax on items allocated directly to equity	0	26
Total	0	26

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	2010	2011
Earnings before taxes	76	354
Reconciliation of the tax charge		
Total tax charge of the Group entitites computed on the basis of the respective local nominal rates	-24	-89
Weighted average nominal rate	32 %	25 %
Tax effect of non-deductible expenses	-61	-125
Tax effect of tax-exempt revenues	148	291
Tax effect of changes in tax rates	0	3
Tax effect of current and deferred tax adjustments related to prior years	34	34
Unrecognized deferred tax assets	-76	-132
Effective tax charge	21	-19
Effective tax rate (*)	-28 %	5 %

(*) tax charge (+)/ tax credit (-)

Analysis of the tax charge

The Group's effective tax rate (5%) is lower than the weighted average nominal rate (25%), resulting mainly from the recognition of a deferred tax asset of EUR 60 million on a 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:

EUR Million 2010	Opening balance	Recognized in income statement	Recognized in OCI	Exchange rate effect	Reclassified from equity to the income statement	Acquisition/ disposal	Other	Closing balance
Temporary differences								
Employee benefits obligations	189	28				-1	-3	213
Provisions other than employee benefits	168	11				0		178
Tangible assets	-126	77				-3		-52
Intangible assets	-4	0				4		0
Tax losses	537	89				-10		616
Tax credits	76	32				-1		107
Assets held for sale								
Other	-47	70	-1			-11	-8	2
Total (net amount)	792	306	-1	0	0	-22	-11	1 064
Unrecognized deferred tax assets - Continuing operations	-439	-174				17		-596
Unrecognized deferred tax assets - Assets held for sale								
Total unrecognized deferred tax assets	-439	-174	0	0	0	17	0	-596
Total	353	132	-1	0	0	-5	-11	468
Deferred tax assets in statement of financial position	525							631
Deferred tax liabilities in statement of financial position	-172							-163

EUR Million **2011**	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	36				-15	234
Provisions other than employee benefits	178	-7						172
Tangible assets	-52	-16						-68
Goodwill		60						60
Intangible assets								
Tax losses	616	164					-103	677
Tax credits	107	17						123
Assets held for sale								
Other	2	-1	4	3		923		932
Total (net amount)	1 064	217	41	3		923	-117	2 131
Unrecognized deferred tax assets - Continuing operations	-596	-132	-15	-7		-1 427	117	-2 061
Unrecognized deferred tax assets - Assets held for sale								
Total unrecognized deferred tax assets	-596	-132	-15	-7		-1 427	117	-2 061
Total	468	84	26	-4		-504		70
Deferred tax assets in statement of financial position	631							780
Deferred tax liabilities in statement of financial position	-163							-710

The acquisition of Rhodia had a strong impact of the deferred tax situation of the Group, mainly relating to the unrecognized tax assets (EUR -504 million net amount).
The amounts in the column “Other” is mainly explained by the expiration of tax losses.

Other information

All the Group's tax loss carry-forwards have generated deferred tax assets (some of which have not been recognized). These carried-forward tax losses generating deferred tax assets are given below by expiration date.

EUR million	2010	**2011**
Within 1 year	32	2
Within 2 years	35	4
Within 3 years	63	4
Within 4 years	49	4
Within 5 or more years	101	190
No time limit	603	821

(12) Group net income

The net income excluding the results from discontinuing operations increased by EUR 237 million and the main variances are the following:

- The net impact of the PPA which decreases the net income by EUR -142 million, which means that the net income would have increased by EUR 379 million without the PPA net impact (see proforma P&L),
- a higher REBIT in 2011 than in 2010 (EUR +177 million) thanks to the contribution of Rhodia in the last quarter (EUR 149 million),
- a significant reduction in the 2011 non recurring expenses vs 2010 (EUR +289 million after excluding the PPA impact on non recurring expenses),
- higher taxes in 2011 than in 2010 (EUR -87 million after excluding the PPA impact on taxes) due to higher income,
- higher financial expenses after the acquisition of Rhodia (EUR -30 million).

The results for discontinued operations amounted to EUR 1 726 million in 2010 after the capital gain on the sale of the Pharma business. In 2011, adjustments to the capital gain amounted to EUR -38 million.
The non-controlling interest in this net income figure is EUR -50 million compared with EUR -47 million in 2010.

(13) Earnings per share

Number of shares	2010	**2011**
Weighted average number of ordinary shares (basic) (in thousands)	81 320	81 224
Dilution effect of subscription rights	179	322
Weighted average number of ordinary shares (diluted) (in thousands)	81 499	81 546

	Basic	Diluted	**Basic**	**Diluted**
Net income of the year (Solvay share) including discontinued operations (in thousands)	1 776 951	1 776 951	246 769	246 769
Net income of the year (Solvay share) excluding discontinued operations (in thousands)	50 676	50 676	284 736	284 736
Earnings per share (including discontinued operations) (in EUR)	21.85	21.80	3.04	3.03
Earnings per share (excluding discontinued operations) (in EUR)	0.62	0.62	3.51	3.49

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 10.

The average closing price during 2011 was EUR 84.56 per share (2010: EUR 74.46 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 23 '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	455 500
Share option plan 2006	1-Jan-2007	109.09	499 100	498 100
Share option plan 2007	1-Jan-2008	96.79	508 800	489 700
		Total	1 524 000	1 443 300

(14) Personnel expenses

EUR million	2010	**2011**
Wages/salaries and direct social benefits	-771	-947
Employer's contribution for social insurance	-184	-231
Pensions & Insurance benefits	-89	-84
Other Personnel expenses	-65	-58
Personnel benefits provisions	-172	-103
Total	-1 281	-1 422

Notes to the statement of comprehensive income

(15) Consolidated statement of comprehensive income

EUR million	2010	2011
Net income of the Group	1 823	296
Currency translation differences arising during the year	222	58
Recycling of currency translations differences relating to foreign investments disposed of in the year	29	0
Currency translation differences on foreign operations	251	58
Net change in the fair value of available-for-sale financial assets	-15	-8
Recycling of available-for-sale financial assets disposed of in the year (*)	4	0
Recycling of available-for-sale financial assets impaired in the year (*)	1	0
Available-for-sale financial assets	-10	-8
Effective portion of gains and losses on hedging instruments in a cash flow hedge	2	5
Recycling to the income statement (*)	0	-2
Recycling to the initial carrying amounts of hedged items (*)	0	0
Cash flow hedges	2	3
Actuarial gains and losses on defined benefit pension plans	-183	-105
Recycling to the income statement (*)	0	0
Defined benefit pension plans	-183	-105
Share of other comprehensive income of associates	27	-30
Income tax relating to components of other comprehensive income	52	28
Other comprehensive income net of related tax effects	139	-54
Comprehensive income	1 962	242
attributed to:		
- owners of the parent	1 876	202
- non-controlling interests	86	40

* See note 33 on page 136

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

EUR million	2010			2011		
	Before-tax amount	Tax expense(-)/ benefit (+)	Net-of-tax amount	Before-tax amount	Tax expense(-)/ benefit (+)	Net-of-tax amount
Currency translation differences arising during the year	222	0	222	58	0	58
Recycling of currency translations differences relating to foreign investments disposed of in the year	29	0	29	0	0	0
Currency translation differences on foreign operations	251	0	251	58	0	58
Gains and losses on remeasuring available-for-sale financial assets	-15	0	-15	-8	0	-8
Recycling of available-for-sale financial assets disposed of in the year (*)	4	0	4	0	0	0
Recycling of available-for-sale financial assets impaired in the year (*)	1	0	1	0	0	0
Available-for-sale financial assets	-10	0	-10	-8	0	-8
Effective portion of gains and losses on hedging instruments in a cash flow hedge	2	-1	1	5	4	9
Recycling to the income statement (*)	0	0	0	-2	1	-1
Recycling to the initial carrying amounts of hedged items (*)	0	0	0	0	0	0
Cash flow hedges	2	-1	1	3	5	8
Actuarial gains and losses on defined benefit pension plans	-183	52	-131	-105	21	-84
Recycling to the income statement (*)	0	0	0	0	0	0
Defined benefit pension plans	-183	52	-131	-105	21	-84
Share of other comprehensive income of associates	27	0	27	-30	1	-28
Other comprehensive income	87	52	139	-82	28	-54

Notes to the statement of cash flows

(16) Depreciation, amortization and impairments

Total depreciation, amortization and impairment losses amounted to EUR 455 million, down EUR -152 million on 2010 (EUR 607 million).

For continuing operations:

- normal straight-line depreciation and amortization increased from EUR 359 million in 2010 to EUR 460 million in 2011 mainly due to Rhodia,
- impairment losses amounted to EUR -248 million in 2010.

(17) Changes in working capital

The change in working capital amounted to EUR +303 million for continuing operations in 2011, which was mainly due to:
- the sale during the last quarter of Rhodia inventories that were revalued in the opening balance sheet within the framework of the PPA for EUR 160 million,
- the tight monitoring of working capital in all Segments that had a positive impact at year end 2011.

(18) Changes in provisions

This amount (EUR -187 million) includes the uses, additions and reversals reported in note 31 and an increase in pension fund surpluses for continuing operations.
In 2011, the change in provisions (which does not take into account the impact of the changes booked through OCI) is mainly related to the employee benefits for EUR -90 million

Apart from this, two provisions were partially reversed:

- the provision for H2O2 fine for infringing competition rules (EUR -24 million),
- the provisions for post closing liabilities related to the discontinued operations (EUR -37 million).

(19) Other non-operating and non cash items

For 2011, the equity earning for Joint Ventures which is a non cash item (EUR -61 million) and of the cost of discounting provision (EUR -65 million, including EUR +7 million for discontinued operations) account for the non cash items (EUR -128 million).

For 2010, the elimination (EUR -194 million) essentially related to:

- the cost of discounting provisions (EUR -52 million),
- the elimination of the capital gain on the sale of Inergy (EUR -139 million)
- the equity earning for Joint Ventures (EUR -48 million) and the portion of the soda ash impairment allocated to equity earning investments (EUR +58 million).

(20) Cash flows linked to the acquisition / disposal of assets and investments

2010 EUR Million	Acquisitions	Disposals	**Total**
Subsidiaries		4 430	4 430
Associates			0
Joint ventures		268	268
Available-for-sale investments			0
Other	-170	12	-158
Total Investments	-170	4 710	4 540
Tangible/intangible assets	-286	19	-267
Total	-457	4 729	4 272

2011 EUR Million	Acquisitions	Disposals	**Total**
Subsidiaries	-3 984	39	-3 945
Associates	-167		-167
Joint ventures			0
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

Apart from the acquisition of Rhodia for EUR 3 953 million, the other acquisitions in 2011 amount to EUR -243 million and include:

- the capital increase in joint venture Rusvinyl (EUR -165 million) and available-for-sale investment Plextronics (EUR -16 million),
- the acquisition of 50% in the newly fully consolidated subsidiary of Orbeo during the last quarter (EUR -31 million)

The acquisition of tangible/intangible assets in 2011 (EUR -602 million) relates to various projects, many of them extending over several years:

- Advanced Biochemical Thailand, a wholly-owned subsidiary of Vinythai, built in Thailand an epichlorohydrin production unit (100 kt/year) based on natural glycerin (EPICEROL® process). This unit began operation at the start of 2012;
- the construction of a high-yield hydrogen peroxide mega-plant (Thailand) in partnership with Dow Chemical Company (startup in 2011);
- the investment in Specialty Polymers in China (Changshu)
- the PVDF capacity increase at Tavaux (France)
- Energy Services: Biomas Brazil
- Silica: capacity increase at Chicago Heights and Collonges
- Rare Earths: Investment in recycling
- Novecare: Capacity increase in Feixiang

Rhodia acquisition

On September 7, 2011, Solvay acquired 95.9% of the share capital and of the voting rights of Rhodia, together with 97.51% of the convertible bonds “OCEANE”.
On September 15, 2011, Solvay implemented a squeeze-out procedure for the remaining shares (4.1%) and convertible bonds.
Solvay’s strategic rationale for completing the transaction comprises several factors, including:
- the creation of a new major player in the chemicals industry;
- highly complementary businesses, leading to a broader and better balanced business portfolio;
- 40% of sales of the newly formed group generated in emerging markets (Asia and Latin America)
- significant cost synergies (corporate and procurement sales);
- combined sales derived from businesses where the new group is already among the top three worldwide;
- increasing group’s exposure to less cyclical businesses.

Accounting treatment

The statement of financial position of Rhodia was consolidated in the Group’ financial statements on September 30, 2011. Rhodia’s results and cash flows have been consolidated as from October 1, 2011.
The acquisition of Rhodia has been accounted for using the acquisition method in accordance with IFRS 3 – Business Combinations. This has lead to: measure Rhodia’s identifiable assets and liabilities at fair value, including intangible assets and contingent liabilities which Rhodia had not previously recognized
The initial accounting for the acquisition of Rhodia has only been provisionally determined at the end of the reporting period (acquisition can be completed within 12 months following the acquisition date).
Regarding the squeeze-out of the 4.1% remaining shares, the difference between the price paid to acquire those shares and the carrying amount of 4.1% of Rhodia’s net assets measured as described above (EUR -80 million) is recognized against Group’s equity, without impact on goodwill and income statement.

The following table summarizes the consideration transferred for the acquisition of the Rhodia group, the fair value of the assets acquired and liabilities assumed at acquisition date:

EUR Million	Amounts recognized at fair value	Acquisition of 95.9% of the total shares	Squeeze-out of the 4.1% remaining shares
Cash		3 816	137
Equity instruments (vested share-based payments)		60	
Total consideration transferred		3 876	137
Tangible assets	2 164		
Intangible assets	1 607		
Joint ventures - equity accounted	104		
Loans and other non current assets	120		
Working capital	752		
Assets held for sale	34		
Provisions	-2 045		
Contingent liabilities	-100		
Deferred taxes	-504		
Income tax payable	-15		
Other non current debt	-72		
Financial debt	-1 578		
Cash and cash equivalents	931		
Total identifiable net assets	1 398	1 341	57
Provisional goodwill		2 535	
Reduction of equity			80
Total		3 876	137

The working capital consists of trade receivables, trade liabilities and other current receivables and liabilities.

As part of the acquisition, Solvay has signed a liquidity clause for Rhodia beneficiaries granted with non-vested and vested (but restricted) share-based payments. For vested share-based payments, this liquidity clause has been analyzed as a deferred payment as no future service is being required from the beneficiaries. This financial liability has been measured at fair value at the acquisition date and included in the consideration transferred. As this financial liability is indexed to the Solvay share price, until the liability is settled, it will be remeasured at the end of each reporting period and at the date of settlement, with any changes in value recognised in the income statement of the period. All adjustments will be recognised in financial result.

The fair value of the intangible assets consists mainly of acquired customer relationships for EUR 696 million and of technologies for EUR 649 million.

Inventories have been revalued for EUR 205 million. the related negative impact on the gross margin in 2011 and 2012 is presented as a non-recurring item.

Contingent liabilities have been recognized for EUR 100 million. They relate to environmental, tax and legal contingent liabilities. As of December 31, 2011 there has been no change in the amount recognized for the liabilities at September 30, 2011, as there has been no change in the range of outcomes or assumptions used to develop the estimates.

The resulting goodwill of EUR 2 535 million has been determined on a provisional basis:
- the adjustments mentioned above can still be reviewed and updated if applicable until September 30, 2012, but this should not impact significantly the amounts listed above,
- the allocation of the goodwill has not been completed at reporting date.

This goodwill arose mainly as a result of synergies expected on corporate functions and procurement (total savings estimated at EUR 250 million / year), as well as future business development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill is expected to be deductible for income tax purposes.

Acquisition-related costs

The acquisition-related costs amounting to EUR 33 million have been recognized as an expense in the current year, within the non-recurring items in the consolidated income statement.

Rhodia contribution and pro-forma information

Since acquisition date, Rhodia's total sales amounted to EUR 1 565 million and the Rhodia contribution in the last three months of 2011 to the Group IFRS net income amounted to EUR -41 million, including EUR -142 million of additional expenses linked to the Purchase Price Allocation.
In order to make the P&L 2010 and 2011 comparable, the IFRS P&L for 2010 and 2011 have been restated in order to present a pro forma P&L. The difference between the IFRS net income (EUR +296 million) and the pro forma net income for 2011 (EUR +784 million) amounts to EUR +488 million, which results from the fact that the pro forma 2011 net income:
- takes into account the 9 months Rhodia net income prior to the acquisition on a stand alone basis for EUR +259 million (*i.e.* before Purchase Price Allocation and any alignment of accounting rules),
- is based on the same harmonized accounting rules (impact on 2011 net income EUR +30 million),
- does not take into account the main Purchase Price Allocation effects on the net income (EUR +142 million),
- computes net financial expenses as if the Closing had taken place on 1/1/2010 (impact on net income 2011 close to EUR -4 million as derecognition of OCEANE expenses has been offset by the elimination of the return on the cash paid to Rhodia shareholders),
- does not take into account the Rhodia acquisition costs (EUR +60 million in 2011 net income).

If the acquisition had occurred on January 1, 2010, the combined Group's results would have been as follows:

EUR million	Proforma 2010	Proforma 2011
Sales	11 095	12 693
Other revenues	403	386
Cost of goods sold	-9 113	-10 339
Gross margin	2 385	2 740
Commercial and administrative costs	-1 043	-1 128
Research and development costs	-202	-218
Other operating gains and losses	36	-63
Earnings from associates and joint ventures accounted for using equity method	50	77
REBITDA	1 862	2 068
REBIT	1 226	1 408
Non-recurring items	-331	17
EBIT	894	1 425
Cost of borrowings	-199	-211
Interest on lendings and short term deposits	24	15
Other gains and losses on net indebtedness	-58	-21
Cost of discounting provisions	-141	-133
Income/loss from available-for-sale investments	0	1
Result before taxes	520	1 077
Income taxes	-114	-251
Result from continuing operations	406	825
Result from discontinued operations (Pharma and Inergy)	1 721	-41
Net income for the year	2 127	784

The proforma free cashflow* amounts to EUR 449 million in 2010 and to EUR 656 million in 2011.
The main difference between the IFRS Free Cash Flow and the proforma free cash flow result from:

- the cash flow generated by Rhodia on a stand-alone basis in 2010 and during the first nine months of 2011,
- and from the reversal of all the cash-outs generated by the deal between Solvay and Rhodia

*Free cash flow = cash flow from operating activities + cash flow from investing activities excluding acquisition/sale of subsidiaries and other investments + dividends received from associates and joint ventures accounted for using equity method.

Orbéo acquisition

On December 30, 2011, Solvay acquired 50% of the share capital and of the voting rights of Orbéo previously owned by Société Générale.
Orbéo is involved in selling Certified Emission Reductions (CER), developing CO_2 instrument trading, arbitrage and hedging activities.
The acquisition of the remaining 50% of Orbéo is part of the development of Solvay Energy Services.
Orbéo's opening balance sheet as at December 30, 2011 is subject to the Purchase Accounting (IFRS 3). There was no impact in Solvay's Financial Statements as at December 30, 2011 as this has been measured at fair value in the Purchase Price accounting recorded for Rhodia's acquisition as at September 7, 2011.

The following table summarizes the consideration paid for Orbéo (50%), the fair value of assets acquired and liabilities assumed at acquisition date:

EUR million	
Total consideration transferred	31
Tangible assets and Intangible assets	2
Financial instruments	8
Other fixed assets	2
Net cash	18
Net current assets / liabilities	0
Total identifiable net assets	30
Goodwill	1
Total	31

Disposal of investments

In 2011, the sale of investments refers mainly to Salicylic business (EUR 39 million).
In 2010, other sales of investments (EUR 279 million) were related to Inergy (EUR 268 million) and to non- consolidated investments in the Vinyls cluster (EUR 11 million).

(21) Capital increase / redemption

As in 2010, the Solvay group reimbursed in 2011 to minority shareholders a portion of the capital of our natural carbonate activities in the United States (EUR -21 million).
In 2011, a minority shareholder, the BERD, increased the Solvin capital to contribute to the funding of the investment in Rusvinyl (EUR +52 million).

(22) Cash flows from discontinued operations

The 2011 cash flow from discontinued operations (EUR -44 million) results mainly from post closing adjustment to the capital gain posted in 2010 (EUR 1 703 million).

(23) Options and acquisition / sale of treasury shares

At the end of 2010, the Group held 3 635 584 treasury shares (of which 880 766 shares in the treasury share investment program – see 23a below), which have been deducted from consolidated shareholders' equity. At the end of December 2011, the Group held 3 499 125 treasury shares to cover the share options offered to Group executives.

(23a) Treasury share investment program
Solvay started a treasury share investment program in February 2010.
The extraordinary shareholders' meeting of May 12, 2009 authorized the Board of Directors for a period of five years to acquire on the stock exchange up to a maximum of 16 940 000 of the Group's own shares, at a price between EUR 20 and EUR 150. Within this framework, the Board of Directors decided to initiate an investment program of maximum EUR 5.1 million (6% of the issued capital) of the Group's own shares.

A credit institution has been mandated for a period of one year starting on January 16, 2010 to execute this investment program, which was intended as a temporary investment of the cash resulting from the sale of the Pharmaceutical activities before reinvestment in industrial assets. On December 31, 2010, the investment in Solvay shares since the launch of the program totaled 880 766 shares. In 2011, Solvay S.A. sold the 880 766 shares to Solvay Stock Option Management S.P.R.L Bxl.
This program has been renewed by the Board of Directors up to the end of 2011 for further purchases of up to 1.65 million treasury shares.

(23b) Stock options plan program

As it has in every year since 1999, the Board of Directors renewed the share option plan offered to executive staff (around 215 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 2011 with an exercise price of EUR 65.71, 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	2003	2004	2005	2006	2007	2008	2009	2010	**2011**
Number of share options granted and still outstanding at 31/12/2010	49 500	215 100	433 400	511 200	498 100	505 500	522 700	555 600	431 900	
Granted share options										414 750
Forfeitures of rights and expiries		-34 300								
Share options exercised	-14 800	-180 800	-182 277	-55 700		-15 800				
Number of share options at 31/12/2011	34 700		251 123	455 500	498 100	489 700	522 700	555 600	431 900	414 750
Share options exercisable at 31/12/2011	34 700		251 123	455 500	498 100	489 700				
Exercise price (EUR)	63.76	65.83	82.88	97.30	109.09	96.79	58.81	72.34	76.49	65.71
Fair value of options at measurement date (EUR)	9.60	9.50	7.25	10.12	21.20	18.68	14.95	19.85	15.58	13.54

	2010		**2011**	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
At 1/1	3 432 400	83.43	3 723 000	83.32
Granted during the year	431 900	76.49	414 750	65.71
Forfeitures of rights and expiries during the year	-9 200	77.33	-34 300	65.83
Exercised during the year	-132 100	64.24	-449 377	77.67
At 31/12	3 723 000	83.32	3 654 073	82.18
Exercisable at 31/12	1 707 300		1 729 123	

The share options resulted in a charge in 2011 of EUR 8.5 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 63.66 at December 31, 2011;
– the time outstanding until the option maturity: exercisable from January 1, 2015;
– the option exercise price: EUR 65.71;
– the risk-free return: 2.112%;
– the volatility of the underlying yield: 33.445%.
Weighted average remaining contractual life:

In years	2010	**2011**
Share option plan 2000	1.0	0.0
Share option plan 2001	2.0	1.0
Share option plan 2002	2.9	1.9
Share option plan 2003	1.0	0.0
Share option plan 2004	2.0	1.0
Share option plan 2005	5.0	4.2
Share option plan 2006	5.5	4.5
Share option plan 2007	6.7	5.7
Share option plan 2008	6.0	5.0
Share option plan 2009	6.9	5.9
Share option plan 2010	8.0	7.0
Share option plan 2011	0.0	8.0

Notes to the statement of financial position

(24) Intangible assets

EUR million	Development costs	Patents and trademarks	Other intangible assets	**Total**
Gross carrying amount				
At December 31 2009	98	204	39	342
At January 1 2010 - Restated	8	181	29	219
Capital expenditures	0	7	1	8
Disposals	-1	-0	0	-1
Disposal of consolidated investment	0	0	0	0
Currency translation differences	0	9	1	10
Other	5	-1	-6	-2
Transfer from assets held for sale - PCC	1	0	0	1
At December 31 2010	14	195	25	235
Capital expenditures	5	1	7	13
Disposals	0	-1	-0	-1
Increase through business combinations	0	942	907	1 848
Currency translation differences	-0	11	6	17
Other	-4	-1	1	-5
Transfer to assets held for sale - Pharma	0	0	0	0
Transfer from assets held for sale - PCC	0	0	0	0
At December 31 2011	14	1 147	946	2 107
Accumulated amortization				
At December 31 2009	-55	-100	-25	-180
At January 1 2010 - Restated	-5	-89	-19	-113
Amortization	-2	-6	-0	-8
Impairments	-0	-0	-0	-0
Reversal of impairments	0	0	0	0
Disposals and closures	-0	0	0	0
Disposal of consolidated investment	0	0	0	0
Currency translation differences	-0	-2	-1	-3
Other	0	-0	0	-0
Transfer from assets held for sale - PCC	0	0	0	0
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	-6	-205	-22	-233
Currency translation differences	0	-2	-1	-3
Other	4	6	-4	6
Transfer to assets held for sale - Pharma	0	0	0	0
Transfer from assets held for sale - PCC	0	0	0	0
At December 31 2011	-11	-322	-69	-402
Net carrying amount				
At December 31 2009	43	104	14	162
At January 1 2010 - Restated	3	93	10	105
At December 31 2010	6	100	5	111
At December 31 2011	3	825	877	1 705

(25) Goodwill

EUR million	Total
Gross carrying amount	
At December 31 2009	76
At January 1 2010 - Restated	71
Arising on acquisitions	0
Disposals and closures	-1
Impairments	-11
Currency translation differences	5
Other	0
Transfer from assets held for sale - PCC	4
At December 31 2010	68
Arising on acquisitions	2 535
Disposals and closures	0
Impairments	0
Currency translation differences	0
Other	-4
At December 31 2011	2 599

In 2011, a provisional goodwill linked to Rhodia acquisition has been posted for EUR 2 535 million.

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

The 2010 impairment loss relates to Alexandria Sodium Carbonate Co in Egypt, which is part of the cash-generating unit covering the activities of Soda Ash in Europe and Egypt and Calcium Chloride. This impairment has brought the value of goodwill in Alexandria Sodium Carbonate Co to zero.

Goodwill by cash-generating unit (CGU)

Goodwill acquired in a business combination is allocated on acquisition to the cash-generating units (CGU) that are expected to benefit from that business combination.
The carrying amounts of goodwill and related impairment have been allocated as follows:

EUR million Activity clusters	Cash-Generating Units	Impairment 2010	Carrying amount 31 Dec 2011
Soda ash	Soda ash Europe 1	-11	0
Advanced Functional Minerals	PCC		4
Oxygen	H2O2 / Asia		6
Fluorinated products	Solvay Fluor Mexico		7
Vinyls	PVC Europe		3
	PVC Mercosur		2
	PVC Asia		2
Specialty Polymers	Fluoropolymers, sulfone polymers, ultra-polymers, crystalline polymers		27
	PE compounds		12
Total		-11	64

The Chemicals and Plastics segments have defined 39 cash-generating units

The Rhodia segment has defined 11 CGU:
- Novecare
- Coatis
- Aroma performance
- Silica
- Rare Earth Systems
- Polyamides & intermediates
- Engineering Plastics
- Fibras
- Acetow
- Eco Services
- Energy Services

The forecasted cash flows for each of the cash-generating units concerned have been discounted to net present value at specific rates, based on external references and measuring the risks inherent to the geographic location of the cash-generating units (value in use). The base discount rate before country risk premium has been fixed at 8.7%

The provisional goodwill is related to:
- synergies expected to occur on corporate functions and procurement (total savings estimated at EUR 250 million / year), as well as future business development,
- the Rhodia BUs

The goodwill related to synergies on procurement will be allocated before September 2012 to all the BUs of the Group.
The synergies related to the Rhodia BUs will be allocated to the 11 Rhodia CGU listed above.
It has consequently been tested for impairment:
- at group level for synergies in corporate functions and procurement and,
- at the level of Rhodia segment for the remaining its remaining portion

(26) Tangible assets (including finance leases)

EUR million	Land & Buildings	Fixtures & Equipment	Other tangible assets	Properties under construction	Total
Gross carrying amount					
At December 31 2009	2 031	8 364	75	377	10 848
At January 1 2010 - Restated	1 805	7 512	41	312	9 669
Capital expenditures	9	64	1	203	278
Disposals and closures	-10	-29	-1	-0	-40
Disposal of consolidated investment	0	0	0	0	0
Currency translation differences	41	251	2	10	303
Other	72	123	44	-273	-34
Transfer from assets held for sale - PCC	19	94	1	4	117
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	1 278	3 957	578	226	6 039
Currency translation differences	23	75	4	4	106
Other	19	150	0	-268	-98
At December 31 2011	3 257	12 220	673	719	16 869
Accumulated depreciation					
At December 31 2009	-1 086	-5 784	-56	-0	-6 926
At January 1 2010 - Restated	-995	-5 262	-32	-0	-6 289
Depreciation	-39	-311	-2	1	-351
Impairment	-65	-137	-1	-37	-240
Reversal of impairment	1	4	0	0	5
Disposals and closures	5	25	0	0	31
Disposal of consolidated investment	0	0	0	0	0
Currency translation differences	-14	-124	-2	-0	-140
Other	-3	82	-43	0	37
Transfer from assets held for sale - PCC	-21	-48	-0	-0	-70
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	-611	-2 784	-479	0	-3 874
Currency translation differences	-10	-56	-2	0	-69
Other	12	74	9	0	94
At December 31 2011	-1 780	-8 843	-559	-34	-11 217
Net carrying amount					
At December 31 2009	945	2 580	19	376	3 921
At January 1 2010 - Restated	810	2 250	9	312	3 380
At December 31 2010	804	2 243	10	219	3 276
At December 31 2011	1 477	3 376	114	685	5 652

Finance leases

EUR million	Land and buildings	Fixtures and equipment	Total
Net carrying amount of finance leases included in the table above	1	2	3

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:	2010	2011	2010	2011
Within one year	1	3	1	3
In years two to five inclusive	1	3	1	2
Beyond five years	0	1	0	1
Less: future finance charges	-0	1	-0	0
Transfer to assets held for sale - Pharma	0	0	0	0
Transfer from assets held for sale - PCC	0	0	0	0
Present value of minimum lease payments of finance leases	1	6	1	6
Less: Amount due for settlement within 12 months			1	3
Amount due for settlement after 12 months			1	3

Operating lease obligations

EUR million	2010	2011
Total minimum lease payments under operating leases recognized in the income statement of the year	38	65

EUR million	2010	2011
Within one year	33	75
In years two to five inclusive	74	229
Beyond five years	35	70
Total of future minimum lease payments under non-cancellable operating leases	143	373

Operating leases are mainly related to logistics.

(27) Available-for-sale investments

EUR million	2010	2011
Fair value at 1 January	68	62
Acquisition NBD	8	24
Gains and losses on remeasuring available-for-sale financial assets	-13	-8
Available-for-sale financial assets disposed of in the year	0	0
Available-for-sale financial assets impaired in the year	-1	0
Transfer of NBD from other investments	0	0
Other	-0	2
Fair value at 31 December	62	80
Of which recognized directly in equity	11	3

The loss on remeasuring available-for-sale financial assets (EUR -8 million) is mainly related to the mark-to-market variance for AGEAS (former Fortis). The acquisition is mainly related to Plextronics (EUR 16 million).

(28) Investments in associates and jointly controlled entities

EUR million	2010	2011
Fair value at 1 January	466	346
Sale of Inergy	-131	0
Changes in consolidation scope - Rhodia	0	86
Full consolidation of Orbéo	0	-30
Net income Solvay joint ventures	46	49
Net income Rhodia joint ventures	0	13
Dividend paid by Solvay joint ventures	-32	-41
Dividend paid by Rhodia joint ventures	0	-16
Transfer Rusvinyl - book value as of Dec 2010	0	183
Capital increase in Rusvinyl	0	165
Transfer of Pipelife investments to assets held for sale	0	-90
Other	0	40
Fair value at 31 December	346	704

(29) Other investments

EUR million	2010	2011
Carrying amount at 1 January	196	275
Disposed of during the year	-7	-1
Acquired during the year	110	44
Changes of consolidation method	-28	-187
Changes in consolidation scope	0	0
Transfer of NBD to available for sale investments	0	0
Liquidations	0	0
Impairments	-11	-4
Reversal of impairments	0	0
Other	15	-1
Carrying amount at 31 December	275	125

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 and
- the acquisitions are the non consolidated investments of Rhodia (EUR 19 million) and other investments made by Chemicals (Tianjin, Huatai) and Plastics (Solvicore).

In 2010, the acquisitions are mainly related to the investment in the PVC entity under construction in Russia (for EUR -90 million) which has been consolidated through equity earning from 2011 onward. Impairments are related to the investments in the Soda Ash cash-generating unit.

(30) Inventories

EUR million at December 31	2010	**2011**
Finished goods	443	899
Raw materials and supplies	306	702
Work in progress	24	44
Other inventories	7	9
Total	779	1 653
Write-downs	-18	-76
Net total	761	1 578

(31) Provisions

EUR million	Employee benefits	Health safety and environment	Litigation	Other	**Total**
At 31 December 2010	1 081	459	437	108	2 084
Additions	59	89	36	12	196
Reversals	-18	-83	-78	-12	-191
Uses	-180	-41	-15	-24	-260
Increase through time value of money	50	23	0	0	72
Actuarial gains and losses recognized in equity	99	0	0	0	99
Currency translation differences	25	7	3	2	37
Acquisitions and changes in consolidation scope	1 522	338	228	69	2 156
Other (transfer from pension assets)	-4	0	0	0	-4
At 31 December 2011	2 634	791	611	153	4 189
Of which current provisions	39	87	106	37	269

In total, provisions increased by EUR 2 105 million.

The main events of 2011 are:
- the acquisition of Rhodia that increased the Group's provisions by EUR 2 145 million at September 30, 2011, after carrying out the purchase price allocation (of which EUR 100 million for contingent liabilities);
- the recognition of actuarial gains and losses in equity following the elimination of the corridor approach for post-employment benefits (EUR +99 million).
- the partial reversal of EUR -24 million on the provision related to the fine imposed by the European authorities for infringement of competition rules in the peroxides area, following the latest decision of the European authorities.

According to IFRS 3, Solvay has recognized on September 30 contingent liabilities for Rhodia even if it is not probable that a payment will be required to settle the related obligations. The following contingent liabilities have been booked:
- HSE risks for EUR 41 million;
- Tax litigation for EUR 32 million;
- Other litigations for EUR 27 million.

The resulting outflows of these contingent liabilities are expected to occur in less than five years except for the HSE risks that are longer term.
Management expects provisions to be used (cash outlays) as follows:

EUR million at December 31, 2011	up to 5 years	between 5 and 10 years	beyond 10 years	Total
Total provisions for HSE	376	188	227	791
Total provisions for litigation	531	80	0	611
Total other provisions	69	21	63	153
Total	976	289	290	1 555

Provisions for employee benefits

Overview

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

EUR million	2010	2011
Employee Benefits	1 081	2 634
Post-employment benefits	884	2 431
Other long-term benefits	42	74
Benefits not valued acording to IAS19	10	26
Termination benefits	145	103

The 2011 figures presented take into account the acquisition of Rhodia as of September 30, 2011.
2010 figures have been restated following the changes in accounting principles described in section "IFRS Accounting Policies" (elimination of the corridor approach and recognition of actuarial gains and losses in equity, and adoption of the alternative method authorized by IAS 31 for consolidation of "jointly controlled entities").

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.

- Defined benefit plans

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

Provisions for post-employment benefits

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

After the integration of Rhodia in 2011, the main results are:

EUR million	2010	2011
Net liability	880	2 426
Provisions	884	2 431
Capitalized pensions assets	-4	-5
Operational expense	35	26
Financial expense	39	50

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 policies defined in item 9 of the present report.
Following the acquisition of Rhodia, the accounting policy related to post-employment benefits has been aligned. This has led Solvay to eliminate the Corridor approach and recognize actuarial gains and losses in equity (see accounting policies on page 67).

Total Group post-employment benefit obligations by country

After the acquisition of Rhodia, the largest pension plans in 2011 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	2010	2011
United Kingdom	8%	29%
France	8%	24%
USA	19%	16%
Germany	30%	14%
Belgium	27%	10%
Other countries	8%	7%

Net expense

The amounts charged to income in respect of these plans are:

EUR million	2010	2011
Service cost: employer	24	28
Interest cost	73	105
Expected return on plan assets	-34	-55
Past service cost - recognized in current year	-1	1
Losses / gains (-) on curtailments / settlements	11	-3
Net expense recognized - Defined benefit plans	74	76

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.

Compared to 2010, the net expense is stable. The structural increase coming from the integration of Rhodia (EUR 18 million for the last quarter of 2011) is partially compensated by a one-off settlement cost in 2010 (EUR 11 million) due to the transfer to an insurance company of all the pension obligations of Solvay Chemie NL.

Net liability

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

EUR million	2009			2010	2011
	Group Total	Held for sale (Ph)	Total without Held for sale		
Defined benefit obligations - funded plans	1 606	623	982	878	2 531
Fair value of plan assets at end of period	-1 239	-599	-640	-601	-1 818
Deficit for funded plans	367	24	343	277	713
Defined benefit obligations - unfunded plans	738	165	574	599	1 702
Deficit / Surplus (-)	1 105	189	917	876	2 415
Unrecognized actuarial gains / losses (-)	-314	-120	-194	0	0
Unrecognized past service cost	18	9	9	8	7
Amounts not recognized as asset due to asset ceiling	4	0	4	2	4
Others				-6	0
Net liability (asset) in balance sheet	813	77	735	880	2 426
Provision recognized in the balance sheet	945	181	765	884	2 431
Asset recognized in the balance sheet	-133	-103	-29	-4	-5

The increase of the deficit of EUR 1 539 million between 2010 and 2011 is mainly explained by:
- an increase of EUR 1 469 million due to the integration of Rhodia at September 30, 2011;
- the decrease of the discount rates in the United Kingdom and in the USA

Defined benefit obligations evolved as follows:

EUR million	2010	2011
Defined benefit obligation at beginning of period	1 503	1 477
Service cost: employer	24	28
Interest cost	73	105
Actual employee contributions	3	4
Plan amendments	1	-0
Acquisitions / Disposals (-)	0	2 609
Curtailments	-1	-3
Settlements	-78	-10
Actuarial loss / gain (-)	33	89
Actual benefits paid	-100	-141
Currency translation differences	19	75
Defined benefit obligation at end of period	1 477	4 233
Defined benefit obligations - funded plans	878	2 531
Defined benefit obligations - unfunded plans	599	1 702

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. In 2010, the transfer to the same insurance company of the pension obligations of Solvay Chemie NL generated a settlement of EUR 78 million
The increase in benefits paid corresponds to the amounts paid by Rhodia during the last quarter of 2011.

The fair value of plan assets evolved as follows:

EUR million	2010	**2011**
Fair value of plan assets at beginning of period	612	601
Expected return on plan assets	34	55
Actuarial gain /loss (-)	24	-5
Actual employer contributions	102	120
Actual employee contributions	3	4
Acquisitions / Disposals (-)	0	1140
Settlements	-90	-10
Actual benefits paid	-100	-141
Currency translation differences	17	54
Fair value of plan assets at end of period	601	1818
Actual return on plan assets	58	50

The acquisition of Rhodia increases the assets by EUR 1 140 million at September 30, 2011.
The total return on plan assets amounts to EUR 50 million.
This relatively good result comes from the better market conditions which impact positively the Rhodia asset portfolio during the last quarter of the year.

The transfer to an insurance company of all the pension obligations of Solvay Chemicals and Plastics Holding has generates a settlement of EUR 10 million in 2011. The transfer to the same insurer of the pension obligations of Solvay Chemie NL generated a settlement of EUR 84 million in 2010.

The Group expects to pay cash contributions (including direct benefit payments) for the post-employment Defined Benefits in the amount of about EUR 200 million for 2012, compared with EUR 120 million for 2011.
The main categories of plan assets are:

	2010	**2011**
Bonds	44 %	51 %
Shares	49 %	34 %
Property	1 %	2 %
Other assets	6 %	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;
- 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.

Changes in net liability during the period:

EUR million	2010	2011
Net amount recognized at beginning of period	911	880
Net expense - Defined benefit plans	74	76
Actual employer contributions / direct actual benefits paid	-102	-120
Impact of acquisitions / disposals	1	1 469
Actuarial gains/losses and changes in asset ceiling regognized through OCI	-8	99
Currency translation differences	3	22
Net amount recognized at end of period	880	2 426

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 2 million.
A cumulative amount of EUR 282 million had been recognized through OCI at December 31, 2011

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

	Eurozone		UK		USA	
	2010	2011	2010	2011	2010	2011
Discount rates	4.75%	4.75%	5.4%	4.75%	5,5%	4,75%
Expected rates of future salary increases	3% - 4.5%	3% - 4.5%	3.8%	3.25%	4.5%	4.5%
Expected rates of pension growth	0% - 2%	0% - 2%	3.3%	2.75%	NA	NA
Expected rates of medical care cost increases	0% - 2%	2%	NA	6.5%	5% - 7,5%	5% - 7.5%

Actuarial assumptions used in determining the annual cost
These assumptions are not related to a specific segment

	Eurozone		UK		USA	
	2010	2011	2010	2011	2010	2011
Discount rates	5%	4.75%	5.7%	5.4%	5.75%	5.5%
Expected rates of future salary increases	3% - 4.5%	3% - 4.5%	4%	3.8%	4.5%	4.5%
Expected (long-term) rates of return on plan assets	5% - 6%	4.75% - 6%	5.4%	6.2%	7.5%	7.25%
Expected rates of pension growth	0% - 2%	0% - 2%	3.5%	3.3%	NA	NA
Expected rates of medical care cost increases	0% - 2%	0% - 2%	NA	NA	5% - 8%	5% - 7.5%

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	-53	49
United Kingdom	-51	47
USA	-14	13
Others	-5	4
Total	-123	114

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

EUR Million	1% increase	**1% decrease**
Effect on the aggregate of the service cost and the interest cost	1	-1
Effect on defined benefit obligation	13	-11

Historical development of defined benefit plans:

EUR million	2007(*)	2008(*)	2009 (*)	2010	**2011**
Defined benefit obligation	2 355	2 232	2 344	1 477	4 235
Plan assets	-1 341	-1 049	-1 239	-601	-1 819
Deficit / surplus (-)	1 013	1 183	1 105	876	2 416
Experience adjustments on plan liabilities	-12	6	22	34	44
Experience adjustments on plan assets	6	336	-95	-24	6

(*) 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	2007(*)	2008(*)	2009(*)	2010	**2011**
Defined benefit obligation	142	106	79	75	113
Experience adjustments on plan liabilities	2	0	-1	12	-1

Health, safety and environment (HSE) provisions

These provisions stand at EUR 791 million, compared with EUR 459 million at the end of 2010.
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, and amount to EUR 146 million;
- 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;
- asbestos: an asbestos removal program is under way: provisions for asbestos removal work and occupational diseases have a horizon of 1 to 15 years.

The acquisition of Rhodia has brought provisions linked to various types of pollution (organic, inorganic) coming from miscellaneous specialty chemicals 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 611 million at the end of 2011 compared with EUR 437 million at the end of 2010. This increase mainly comes from the acquisition of Rhodia at September 30th, 2011 for EUR 228 million including contingent liabilities for EUR 59 million.

The main provisions at the end of 2011 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 may remain liable (EUR 104 million);
- tax risks (EUR 222 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 153 million, compared with EUR 108 million at the end of 2010.
The increase in mainly related to the integration of Rhodia (EUR 58 million).

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.

(32) 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 1 760 million at the end of 2011 compared to a net positive net financial position of EUR 2 993 million (excess treasury) at the end of 2010, mainly resulting from the cash proceeds from the sale of the Pharmaceuticals activities (EUR 4.5 billion) and of Inergy Automotive Systems (EUR 268 million).

EUR million	2010	**2011**
Financial debt	2 683	4 168
- Other current receivables - Financial instruments	-3 722	-464
- Cash and cash equivalents	-1 954	-1 943
Net indebtedness	-2 993	1 760

Liabilities (+) / Assets (-)

Following the acquisition of Rhodia (for EUR 6.6 billion Entreprise value and EUR 4 billion cash payment) in September 2011, 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. Solvay took over a Rhodia net debt of EUR 632 million at closing date.

Financial debt

Financial debt increased from EUR 2 683 million at the end of 2010 to EUR 4 168 million at the end of 2011, following the acquisition of Rhodia.

EUR Million	2010	**2011**
Subordinated loans	503	504
Bonds	1 481	2 400
Long-term finance lease obligations	1	0
Long-term debts to financial institutions	429	337
Other long-term debts	122	133
Amount due within 12 months (shown under current liabilities)	45	106
Other short-term borrowings (including overdrafts)	103	688
Total financial debt (short and long-term)	2 683	4 168

Borrowings and credit lines

The largest borrowings maturing after 2011 are:

EUR million (except where indicated)						2010		2011	
	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%	2 014	No	496	535	495	525
EMTN bonds issued by Solvay SA (Belgium)	500	300	4.75%	2 018	No	485	541	489	538
		200 (tap)	5.71%						
Retail	500		5.01%	2 015	No	500	542	499	534
European Investment Bank	300		3.90%	2 016	No	300	317	300	330
Deeply subordinated debt issued by Solvay Finance SA (France) with support from Solvay SA (Belgium)	500	(1)	6.375%	2 104	No	497	512	497	485
Senior note Rhodia (3)	500		7.00%	2 018	No			555	539
Senior note Rhodia (USD 400 million) (3)	309	(2)	6.875%	2 020	No			362	336
Solvin	120		not disclosed	2 012	not disclosed	120	120	120	120
Solvay Indupa do Brazil (BRL 159 million)	66	(4)	not disclosed	2 014	not disclosed	66	66	66	66
Total	3 295					2 464	2 633	3 383	3 473

(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 non-payment option governed by the rules of the coupon carry-forward mechanism.
(2) Rhodia senior notes 2018 & 2020 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))
(3) equivalent to 400 MUSD; 1 EUR = 1.2949 USD (Dec. 31, 2011)
(4) equivalent to 159 M BRL; 1 EUR = 2.4159 BRL (Dec. 31, 2011)

At the end of October 2011, Solvay exercised the call on Rhodia's Floating Rate Notes and reimbursed the outstanding nominal amount of EUR 229 million.

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 S&Ps. 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 1 050 million) is not significantly different from its face value (EUR 1 050 million - see also note 33 managing interest rate risk). The fair value is based on the quoted market price at the end of 2011. 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 2 407 million at the end of 2011 (after the acquisition of Rhodia for a total cash amount of EUR 3 953 million) compared to EUR 5 676 million at the end of 2010 (including EUR 4.7 billion from the proceeds of the Pharmaceuticals activities and the sale of Inergy Automotive Systems).

In 2010 and 2011, the proceeds from the sale of the Pharmaceuticals activities and Inergy Automotive Systems were invested in highest rated short duration financial instruments: government bonds (Germany, The Netherlands) and treasury instruments. At the end of 2011, the remaining portion (~EUR 800 million) is still invested according to those criteria in the following instruments:

- Money Market Funds (MMF) (other current receivables – financial instruments) for EUR 392 million;
- Bonds and treasury bills of more than 3 months (other current receivables – financial instruments) for EUR 30 million;
- Cash and cash equivalents in the form of repos (repurchase agreements, *i.e.* collateralized term deposits) for EUR 371 million.

Other current receivables - financial instruments:

EUR Million	Classification	2010	**2011**
Money Market Fund (MMF)	Assets available for sale	1 097	392
Bonds and Treasury Bills of more than 3 months	Assets held to maturity	2 604	30
Financial current account		21	25
Other current financial assets		0	17
Other current receivables - Financial instruments		3 722	464

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 are rather stable at the end of 2011 compared to 2010.

The "other current financial assets" mainly includes financial assets at fair value through profit and loss.
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 1 943 million at the end of 2011, stable compared to the end of 2010.

EUR Million	Classification	2010	**2011**
Shares	Available for sale	23	274
Fixed-income securities	Available for sale	8	162
Term deposits	Loans and Receivables	224	700
Bonds and Treasury Bills of less than 3 months	Held to maturity	905	0
Cash	Loans and Receivables	793	807
Cash and cash equivalents		1 954	1 943

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.

(33) 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.

	2010	**2011**
EUR Million	Carrying amount	Carrying amount
Financial assets classified as held for trading (*)	0	173
Derivative instruments in designated hedge accounting relationships (*)	3	128
Available-for-sale investments - New Business Development / AGS (former Fortis)	62	80
Loans and receivables (including trade receivables, loans and other non-current assets except pension fund surpluses)	1 969	2 726
Other current receivables - financial instruments (classification: see previous page)		
Money Market Funds (**)	1 097	392
Bonds and treasury bills of more than 3 months (**)	2 604	30
Financial current account (**)	21	25
Other current financial assets (**)	0	17
Cash and cash equivalents (classification: see previous page)		
Cash and cash equivalents - Bonds and treasury bills of less than 3 months (**)	905	0
Cash and cash equivalents excluding bonds and treasury bills of less than 3 months (**)	1 049	1 943
Total Financial assets	7 710	5 514
Financial liabilities classified as held for trading (*)	-7	-179
Derivative instruments in designated hedge accounting relationships (*)	-1	-104
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)	-4 257	-6 674
Financial lease liabilities	-1	0
Total Financial liabilities	-4 266	-6 957

(*) Including derivatives on Foreign exchange interest rate, commodity and carbon credit as detailed below (3. Financial instruments measured at fair value in the consolidated financial statements).
(**)The total amount corresponds to the "other receivables - financial instrument" in the statement of financial position (EUR 3 722 Million in 2010 and EUR 464 million in 2011) and the "cash & cash equivalents" (EUR 1954 million in 2010 and EUR 1943 million in 2011).

Fair value of financial instruments

1. Fair value of financial instruments measured at amortized cost

EUR Million	2010 Carrying amount	2010 Fair value	2011 Carrying amount	2011 Fair value
Loans and receivables (including trade receivables, loans and other non-current assets except pension fund surpluses)	1 969	1 969	2 726	2 726
Other current receivables - financial instruments (classification: see previous page)				
Bonds and treasury bills of more than 3 months	2 604	2 604	30	30
Financial current account	21	21	25	25
Other current financial assets	0	0	17	17
Cash and cash equivalents (classification: see previous page)				
Cash and cash equivalents - Bonds and treasury bills of less than 3 months	905	905	0	0
Cash and cash equivalents excluding bonds and treasury bills of less than 3 months	1 049	1 049	1 943	1 943
Total Financial assets	6 548	6 548	4 741	4 741
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)	-4 257	-4 426	-6 674	-6 765
Financial lease liabilities	-1	-2	0	0
Total Financial liabilities	-4 258	-4 428	-6 674	-6 765

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 (excluding 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).

	2010			
EUR Million	Level 1	Level 2	Level 3	**Total**
Financial assets classified as held for trading				
- Derivative financial assets				
° Foreign exchange contracts and swaps				
° Foreign currency options				
° Interest rate swaps				
° Other interest rate derivatives				
° Energy fixed for floating prices swaps		0		0
° CO_2 certificates swaps and forward contracts		0		0
- Non-derivative financial assets				
Derivative instruments in designated hedge accounting relationships				
° Foreign exchange contracts and swaps		1		1
° Foreign currency options				
° Interest rate swaps				
° Other interest rate derivatives				
° Energy fixed for floating prices swaps		2		2
Available-for-sale investments				
- New Business Development			35	35
- AGEAS (former Fortis)	27			27
- Other current receivables - financial instruments (Money Market Funds)	1 097			1 097
Total Financial assets	1 124	3	35	1 162

Financial liabilities classified as held for trading				
- Derivative financial liabilities				
° Foreign exchange contracts and swaps		-9		-9
° Foreign currency options				
° Interest rate swaps				
° Other interest rate derivatives				
° Energy fixed for floating prices swaps		0		0
° CO_2 certificates swaps and forward contracts		1		1
- Non-derivative financial liabilities				
Derivative instruments in designated hedge accounting relationships				
° Foreign exchange contracts and swaps		-1		-1
° Foreign currency options				
° Interest rate swaps				
° Other interest rate derivatives				
° Energy fixed for floating prices swaps				
Total Financial liabilities	0	-8	0	-8

EUR Million	2011 Level 1	Level 2	Level 3	Total
Financial assets classified as held for trading				0
- Derivative financial assets				0
° Foreign exchange contracts and swaps		9		9
° Foreign currency options				0
° Interest rate swaps				0
° Other interest rate derivatives				0
° 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				0
Derivative instruments in designated hedge accounting relationships				0
° Foreign exchange contracts and swaps		2		2
° Foreign currency options		1		1
° Interest rate swaps				0
° Other interest rate derivatives				0
° Energy fixed for floating prices swaps				0
° CO_2 certificates swaps and forward contracts		125		125
Available-for-sale investments				0
- 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				0
- Derivative financial liabilities				0
° Foreign exchange contracts and swaps		-17		-17
° Foreign currency options				0
° Interest rate swaps		-1		-1
° Other interest rate derivatives				0
° 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				0
Derivative instruments in designated hedge accounting relationships				0
° Foreign exchange contracts and swaps		-48		-48
° Foreign currency options				0
° Interest rate swaps				0
° Other interest rate derivatives				0
° Energy fixed for floating prices swaps		-1		-1
° CO_2 certificates swaps and forward contracts		-55		-55
Total Financial liabilities	-7	-256	-20	-283

Changes in 2011 compared to 2010 are related to the acquisition of Rhodia.

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. The change in 2011 relates to the acquisition of Orbeo Climate Care (carbon instruments).

Reconciliation of level 3 fair value measurements of financial assets:

	2010				
	At fair value through profit or loss		Available-for-sale		**Total**
EUR Million	Derivatives	Non-derivatives	Shares	Other	
Opening balance at January 1			27		27
Total gains or losses					
- Recognized in the income statement					
- Recognized in other comprehensive income					
Acquisitions			8		8
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 December 31			35		35

	2011				
	At fair value through profit or loss		Available-for-sale		**Total**
EUR Million	Derivatives	Non-derivatives	Shares	Other	
Opening balance at January 1			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 December 31	-11		61		50

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	2010	2011
Recognized in the income statement		
Recycling from equity of changes in the fair value of currency cash flow hedges (see next table)	0	-1
Change in the fair value of currency cash flow hedge	-7	-6
Recycling from equity of changes in the fair value of energy cash flow hedges (see next table)	1	2
Change in the fair value of energy cash flow hedge	1	15
Recognized in the gross margin	-5	10
Interest on loans and receivables	2	3
Changes in the fair value of financial instruments held for trading (energy/ CO_2 emission rights)	-1	-3
Changes in the fair value of financial instruments held for trading (currency)	0	-4
Ineffective portion of the changes in fair value of cash flow hedges	0	6
Recognized in other operating gains and losses	0	2
Interest expense on financial liabilities at amortized cost (cost of borrowings)	-138	-159
Interest income on cash and cash equivalents (including bonds < 3 months)	8	26
Interest income on other current financial assets (incl Money Market Funds and bonds > 3 months)	14	12
Other gains and losses on net indebtedness	-10	-15
Recognized in charges on net indebtedness	-125	-136
Income/loss from available-for-sale investments	0	1
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)	-1	0
Net result from equity method	46	61
Total recognized in the income statement	-86	-61

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.

The impairment losses on available-for-sale financial assets recycled from equity are related to New Business Development.

EUR Million	2010	2011
Recognized directly in equity		
Net change in the fair value of available-for-sale financial assets	-15	-8
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	1	0
Available-for-sale financial assets	-14	-8
Effective portion of changes in fair value of cash flow hedge	2	5
Recycling to the income statement of changes in the fair value of currency cash flow hedges	0	1
Recycling to the income statement of changes in the fair value of energy cash flow hedges	-1	-2
Recycling to the initial carrying amounts of hedged items	0	0
Cash flow hedges	1	3
Total	-13	-5

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

In 2010 and 2011, 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 152 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 2011, 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 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 for the Solvay operations and through Rhodia SA, Brazilian and South Korean affiliates for the Rhodia sector operations.

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 sector, 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.

The Group hedged its 2011 exposure in an amount of USD 260 million nominal and USD 128 million net (USD 194 million on sales and USD 66 million on purchases) compared to USD 20 million net in 2010. The Group hedged its 2011 exposure in an amount of JPY 5978 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 2011, the Group had hedged forecasted sales in a nominal amount of USD 679 million on sales and USD 21 million on purchases; and JPY 12327 million via forward foreign exchange contracts.

The following table details the forward exchange contracts outstanding at the end of the period:

	Notional amount		Fair value assets		Fair value liabilites	
EUR Million	2010	**2011**	2010	**2011**	2010	**2011**
Cash flow hedges						
- Forward exchange contracts	99	948	1	2	-1	-48
- Average rate options (ARO)	0	0	0	0	0	0
- Foreign exchange vanilla options	0	8	0	1	0	0
Held for trading						
- Forward exchange contracts	764	1 710	0	9	-9	-17
- Average rate options (ARO)	0	0	0	0	0	0
- Foreign exchange options with barriers	0	16	0	0	0	0
Total	863	2 682	1	12	-10	-65

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).

	Strengthening of EUR vs USD		Strengthening of EUR vs JPY		Strengthening of BRL vs USD	
EUR Million	2010	**2011**	2010	**2011**	2010	**2011**
Profit or loss	0	6	0	0	0	0
Equity	1	21	5	12	0	41

2. Interest rate risks

See item 'Interest rate risks' on page 152 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, 2011, 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 489 million) and EUR 500 million maturing 2014 (carrying amount EUR 495 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 497 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 555 million);
- Senior Note HY USD 400 million maturing in 2020 (carrying amount EUR 362 million);

Interest rate exposure by currency is summarized below:

EUR Million	At December 31, 2010			At December 31, 2011		
Currency	Fixed rate	Floating rate	**Total**	Fixed rate	Floating rate	**Total**
Financial liabilities						
EUR	-2 300	-37	-2 337	-2 803	-557	-3 360
USD	-1	-8	-9	-311	-231	-542
GBP	0	0	0		-1	-1
BRL	0	-122	-122		-98	-98
Other	0	-215	-215	-4	-163	-167
Total	-2 301	-382	-2 683	-3 118	-1 050	-4 168
Cash and cash equivalents						
EUR	905	342	1 247	0	1 035	1 035
USD	0	519	519	0	446	446
JPY	0	21	21	0	27	27
BRL	0	18	18	0	135	135
Other	0	149	149	0	301	301
Total	905	1 049	1 954	0	1 943	1 943
Other current financial assets						
EUR	2 604	1 118	3 722	30	434	464
USD	0	0	0	0	0	0
JPY	0	0	0	0	0	0
BRL	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	2 604	1 118	3 722	30	434	464
Total	1 208	1 785	2 993	-3 088	1 328	-1 760

* Loans to companies consolidated in equity method included as floating (EUR 21 million in 2010 and EUR 25 million in 2011)

75% of financial debt is contracted at an average fixed rate of 5.59% with a duration of ~5 years; the first significant maturity for debt reimbursement will not occur until 2014.

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's assessment of the reasonably possible change in interest rates.

Impact of interest rate changes at the end of 2011:

- 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 6 million (2010: increase/decrease by EUR 4 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 44 million (2010: + EUR 49 million);
  - if interest rates had been 1% lower and with all other variables remaining constant, income would have decreased by EUR 38 million (2010: - EUR 24 million);

Orbeo Climate Care entered into interest rate swaps not designated for hedging purposes. The following table details the interest rate swaps outstanding at the end of December 2011:

	Notional amount		Fair value assets		Fair value liabilites	
EUR Million	2010	**2011**	2010	**2011**	2010	**2011**
Held for trading						
- interest rate instruments (Swap)	0	39	0	0	0	-1

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 and gas needs in Europe and the US based on fluctuating liquid market indices. In order to reduce the price volatility of coal and gas on production costs, 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.

Financial hedging of energy risks is managed centrally by Solvay Energy SA on behalf of the Group entities, which show the residual risk in their accounts.

CER future sale hedges

Solvay hedges future selling prices of CERs (CO_2 emissions reduction certificates) mainly through forward CER sales via Orbeo Climate Care.

Orbeo Climate Care'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 Orbeo Climate Care

Orbeo Climate Care 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 remaining terms of energy price swaps and CO_2 derivatives outstanding at the end of the reporting period:

	Notional amount		Fair value assets		Fair value liabilites	
EUR Million	2010	**2011**	2010	**2011**	2010	**2011**
Held for trading						
- Energy swaps, forward and contracts	1	41	0	6	0	-2
- CO_2 options	0	193	0	13	0	-11
- CO_2 certificates swaps and forward contract	9	1 095	0	145	1	-148
Cash flow hedges (*)						
- Energy swaps	7	18	2	0	0	-1
- CO_2 certificates swaps and forward contract	0	192	0	125	0	-55
Total	17	1 539	2	289	1	-217

* Less than one year.

4. Credit risk

See item 'Counterparty risk' on page 152 in the Management of Risks section of this report

In 2011, trade receivables represented 62 days' sales. 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:

2010 EUR million	**Total**	with write-down	of which receivables without write-down				
			not past due	less than 30 days past due	between 30 & 60 days past due	between 60 & 90 days past due	more than 90 days past due
Trade receivables	1 651	10	1 506	101	17	5	12
Other current receivables - other	533	1	525	2	1	0	4
Loans and other non-current assets	322	0	322	0	0	0	0
Total	2 505	10	2 353	103	18	6	16

2011 EUR million	**Total**	with write-down	of which receivables without write-down				
			not past due	less than 30 days past due	between 30 & 60 days past due	between 60 & 90 days past due	more than 90 days past due
Trade receivables	2 311	1	2 137	74	12	8	79
Other current receivables - other	938	11	907	3	1	0	17
Loans and other non-current assets	420	0	420	0	0	0	0
Total	3 669	12	3 463	77	13	8	96

'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.
The table below shows the evolution of write-downs on trade receivables, other current receivables - other, loans and other non-current assets.

EUR Million	2010	**2011**
At 1 January	-118	-20
Net change	98	-118
At 31 December	-20	-139

For credit risk regarding other financial assets, we refer to the related notes.

5. Liquidity risk

See item "Liquidity risk" on page 152 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.

EUR Million	Total 2010	on demand or within one year	in year two	in years three to five	beyond five years
Outflows of cash related to financial liabilities:	4 769				
Other non-current liabilities	46	46			
Short-term financial debt	148	148			
Trade liabilities	1 428	1 428			
Income tax payable	62	62			
Dividends payables	100	100			
Other current liabilities	450	450			
Long-term financial debt	2 535	0	72	1 479	984
Total financial debt (short and long-term)	2 683	148	72	1 479	984

EUR Million	**Total 2011**	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

Most of the derivatives mature within 1 year.

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 2011; or as an alternative a US commercial paper program in an amount of USD 500 million, unused at the end of 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 550 million) and a EUR 550 million bank credit line, with a first maturity in 2016. They were all unused at the end of 2011;
- a EUR 1 billion bank credit line (unused at end-2011), maturing in 2015.

(34) Assets held for sale and liabilities associated with assets held for sale

Based on the existing commitment at year end between the buyer and Solvay's management to sell the investment in Pipelife, the latter has been reclassified to the heading Assets held for sale. Pipelife is part of the Plastics segment and is present in the Pipes and Fittings market.

According to a sales agreement signed with buyers, Solvay is committed to sell the facilities of Ixelles in 2012 after the decision to transfer the headquarter to Neder-Over-Hembeek. These facilities are almost fully depreciated.

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 1,3362 at the end of 2010 to 1.2939 at the end of 2011 and 1,3503 at the end of September when Rhodia started to be consolidated. The stronger US dollar leads to a positive currency translation difference. The total difference amounts to EUR + 35 million of which EUR +42 million for the Group's share, decreasing the balance from EUR -374 million at the end of 2010 to EUR -332 million at the end of 2011.

Fair value differences

These differences represent the marking to market of available-for-sale investments and financial derivatives used for hedging purposes.
In 2011, the negative variation of EUR -8 million is mainly related to a decrease in the fair value of the 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 +8 million at the end of 2011.
When the financial instrument designated as a hedge matures, its value recognized in equity is recycled to the income statement.

Defined Benefit pension plan

Although Rhodia and Solvay Groups evaluate their long-term employee benefits according to IFRS standards (IAS19 – Employee benefits), they had two different accounting policies. The accounting policies were aligned at the end of the third quarter when consolidated accounts including the employee benefit obligations of both Groups are published. This led Solvay to align on Rhodia and to recognize changes to actuarial gains and losses outside profit or loss directly in equity/OCI.
After the restatement in 2010 amounting to EUR -131 million due to the change in accounting policy, an amount of EUR -88 million (of which EUR -85 million for the Group's share) has been recognized in OCI for 2011.

Non-controlling interests - Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control

The balance of EUR 52 million includes:

- the capital redemption to non-controlling interests of our natural carbonate activities in the US (EUR -21 million),
- the recognition of Rhodia non controlling interests for EUR +25 million,
- the capital increase by the minority shareholder, the BERD, in Solvin that is related to the funding of the investment in Rusvinyl (EUR +52 million).

Number of shares (in thousands) [3]

	2010	**2011**
Shares issued and fully paid in at 1/1/2011	84 701	84 701
Capital increase	0	0
Shares issued and fully paid in at 31/12/2011	84 701	84 701
Treasury shares held at 31/12/2011	3 636	3 499
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.

[3] 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 assets

EUR million	2010	2011
Commitments for the acquisition of tangible and intangible assets	55	96
of which: Joint ventures	17	4

(36) Contingent liabilities

EUR million	2010	2011
Liabilities and commitments of third parties guaranteed by the company	238	373
Environmental contingent liabilities	0	38
Litigation and other major commitments	7	12

Within the framework of the annual review of HSE risk, environmental contingent liabilities for a total amount of EUR≈38 million have been identified. The risk related to these contingencies is considered as remote.
The liabilities and commitments of third parties guaranteed by the company relate mainly to VAT payment guarantees that have been issued.

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

EUR million	2010	2011
Liabilities and commitments of third parties guaranteed by the company	4	4
Litigation and other major commitments	0	0

(37) Joint ventures

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	2010	2011
Non-current assets	475	849
Current assets	255	314
Non-current liabilities	109	490
Current liabilities	253	254
Sales	892	690
Cost of goods sold	-718	-551

(38) 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

	Sale of goods		Purchase of goods	
EUR million	2010	**2011**	2010	**2011**
Joint ventures	170	138	143	210
Associates	0	3	0	1
Other related parties	0	2	0	1
Total	170	143	143	212

	Amounts owed by related parties		Amounts owed to related parties	
EUR million	2010	**2011**	2010	**2011**
Joint ventures	102	31	32	49
Associates	0	0	6	0
Other related parties	0	0	0	0
Total	102	31	38	49

Loans to related parties

EUR million	2010	**2011**
Loans to key management personnel		
Loans to joint ventures	28	25
Loans to associates		
Loans to other related parties	48	55
Total	76	80

Compensation of key management personnel
See Corporate Governance on this report.

(39) Events after the reporting period

There were no material events after the reporting period.

(40) Policy in respect of capital

See Corporate Governance on this report.

Management of Risks

Solvay has adopted the FERMA (Federation of European Risk Management Associations) Risk Management Standard as the framework for its Risk Management activities. The Group develops on all levels of its organization a common approach for risk management and in particular, its risk profiling method in order to:

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

A corporate function within Financial Management develops tools, provides advice and proposes strategies to help entities manage their risks more systematically.

Historically, the risk management process implemented within Rhodia aims at:
- Gathering and assessing the principal risks which could affect the objectives of the different entities of the Rhodia sector;
- Ensuring the treatment of these risks.

Since 2009, a common risk management approach (Enterprise Risk Management – ERM method) has been developed at the level of each Entity, Functional Management and Zone to strengthen the global view of the risks at the level of the Rhodia sector.

The similar principles of these two frameworks should facilitate the integration into a single and unique risk management framework for the whole new group. In 2011, each Business Unit of Rhodia and Solvay was requested to analyse the risks which could impact their business objectives, using specific tools. The results of the individual analyses have been consolidated to a common Group risk profile approved by the Executive Committee. The proper application of the tools implies that, for the most significant risks, actions plans should be developed in order to manage the risks at the appropriate level.

We refer to page 199 for a detailed description of the internal control system of the Solvay Group, considering however that this system could change as a result of the new group established by Solvay and Rhodia.

Furthermore, the acquisition of Rhodia in 2011 has modified the risk profile of Solvay. The exposure of the Group to certain risks has increased as a result of the larger size of the new group. For certain risks however, an increase or a decrease of the risks which is not proportionate to the size of the new group has been observed. For example, the exposure of the Group to certain financial risks, like investments in government bonds or banks, has decreased as a result of using a significant part of the cash for the acquisition of Rhodia. Furthermore, the strategic (market) risk has also decreased as a result of the broadening of the business portfolio and the better diversification of the final markets in which the Group is active. Finally, the risk linked to the integration of Rhodia within the Solvay Group is mainly related to the missing of potential opportunities as a result of this acquisition and represents as such not a major risk for the Group. The integration has not yet been fully completed in certain areas. During the integration period, different processes, but with a similar objective, would be able to coexist. The objective is to align these processes in the context of the governance of the Solvay Group.

While worldwide economic conditions improved in 2010 and part of 2011, uncertainties concerning the sovereign debt of certain European countries have raised concerns of the possibility of a return of recession in at least some parts of the world economy. These uncertainties have contributed to increased levels of market volatility, marked widening in credit spreads, reduced levels of consumer and business confidence and a softening in overall economic activity in certain regions of the world. Reductions in available cash and liquidity from providers of credit may adversely affect our borrowing costs, and may materially affect our customers' access to capital. It is not possible to predict the effect that a continuation of the sovereign debt crisis and consequent adverse economic conditions could have on Solvay, or on the value of the euro compared to other currencies. No assurances can be given that government responses to financial market disruptions will increase liquidity and the availability of credit.

Risk Description in 10 Risk Categories

Solvay has defined ten categories of risk:

1. Market & Growth – Strategic risk
2. Supply Chain and Manufacturing risk
3. Regulatory, Political and Legal risk
4. Corporate Governance and risks 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 risks associated with each category and to outline the actions undertaken by the Group to reduce that risk. The order in which these risk categories are listed is not an indication of their importance or probability. The mitigation efforts described are no guarantee that risks will not materialize but demonstrate the Group's efforts to reduce risk exposures in an entrepreneurial way.

In 2011, the Group entered into a reorganization aimed at promoting increased employee empowerment, a new planning process as well as a new organization for its Business Units. The segments Chemicals and Plastics are currently organized in Strategic Development Units (SDU), focusing on strategic option for the business, and in Regional Business Units (RBU) and Global Business Units (GBU), focusing on the activities.

1. Market & Growth – Strategic Risk

Strategic Risk is Solvay's exposure to adverse developments in our markets or our competitive environment as well as the risk of making erroneous strategic decisions. Examples of such risks are technological leaps allowing the development of substitute products or manufacturing processes, drastic changes in energy prices, the lack of success of a new product, scarcity of key raw materials, reduction of demand in our main markets as a consequence of new legislation, events affecting our most important customers, new entrants in a market, price war, significant imbalances between supply and demand in our markets, and major social crises.
The diverse businesses within the Group generate a variety of risks, some of which could possibly 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 managed at Group level, and involves in particular:

- Managing activities and maintaining a balanced portfolio of products,
- Diversification of the customer base in different market segments,
- Adaptation of operations to the changing macroeconomic and market environment,
- Selective vertical integration to limit potential cumulative effects from raw material supply risks,
- Strict financial policy of controlling the net debt to equity ratio,
- Investment strategy.

The periodic review of the main macroeconomic assumptions, market assumptions and key strategic issues of each Strategic Development Unit (SDU) for the next five years is managed in the strategy and plan process of the Group. The strategy phase focuses on market and competitive environment assumptions and on the strategic options of each SDU. The planning phase focuses for each RBU and GBU on the business plan, scenarios, and on the main projects on which execution of the strategy relies. The strategy and business plans of each SDU are presented by the management of the SDU to the Executive Committee. The 5 year plan of each RBU and GBU is presented by the management of the RBU/GBU to the Executive Committee. After discussion, the strategy is amended (if needed) and approved by the Executive Committee. The same process applies to the 5 year plans.

The Horizon project puts more weight on the strategic planning process, more specifically with additional resources dedicated to the analysis of strategic options through the implementation of SDU and a rigorous strategic annual review process between the SDU and the Corporate strategy and development team. In addition to the annual strategic presentations of the SDU and presentations of the RBU and GBU plans, an annual strategic review at Group level focuses on the changes of SDU strategies within the Group strategy. The strategic planning will be submitted to integration aiming at the establishment of a common process that would combine the best practices of Solvay and Rhodia.
The Corporate Development department acts as facilitator in the process, cross-checking assumptions between the different business units and with external sources. Corporate Development continuously updates its strategic analysis of the competitive environment. The larger projects are assessed with a tool measuring their alignment with Group strategic targets of profitability and sustainability as well as their risk profiles. The major strategic orientations are submitted to the Board of Directors, which has the ultimate responsibility for the Group's strategy, including managing the balance of the portfolio of businesses.

Within the Rhodia segment, the coordination of the 11 business units is organized based on a roadmap over 3-5 years which is annually followed up in the business reviews and monthly or quarterly meetings aiming at assessing the short-term results.

2. Supply Chain and Manufacturing Risk

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

Prevention and Mitigation efforts

Key risk areas are addressed with policies and risk control programs such as health and safety, process safety, property loss prevention, integrated resource planning and supply chain optimization systems (ERP), emergency response, central and local crisis management, business continuity planning, continuity planning for the case of a pandemic, etc.

Solvay buys insurance to reduce the financial impact of potential events causing extensive damage and consequential interruption of supply above what is covered by the insurance Captive. Our plants are regularly subject to external reviews and in this context the risks of damage to production units and consequential business interruption events are identified and quantified by risk engineering experts from the insurance company. The partnership with a mutual insurance group contributes to improving manufacturing resilience and protection.

The integration project will lead to the adoption of the best practices of Solvay and Rhodia.

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.

With reference to ***Raw Materials***, in addition to owning several mines and quarries, Solvay reduces the risk of disruption (availability, reliability and price) by a combination of:
- the use of medium and long-term contracts;
- the diversity and the flexibility of the sources of raw materials as far as possible;
- the development of partnerships with preferred suppliers;
- 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 been consistently implementing programs to reduce its energy consumption for many years. While Solvay has energy-intensive industrial activities, particularly in Europe (soda ash, electrolysis), it also operates a range of industrial activities with a relatively low energy consumption, in particular in the GBU Specialty Polymers.

The Group considers the securitization and the reliability of its energy supply to be very important. A number of strategic initiatives are realized by Solvay to reduce the effect of the volatility of energy markets:

- technological leadership in processes, to minimize energy consumption;
- high-performance industrial operations;
- diversification and flexible use of the different types and sources of primary energy;
- long-term partnerships or backward integration in steam and electricity generation (gas cogeneration, biomass or secondary fuels cogeneration...);
- a strategy of supply coverage with medium to long-term contracts.

On 1 January 2012, Solvay created Solvay Energy Services, a new GBU aiming at optimizing the energy cost and the CO_2 emissions for the Group and third parties.

Solvay Energy Services relies on the competencies and the key know-how of Solvay, Rhodia and Orbéo in order to optimize the energy purchases for the new group and to assist all Business Units of the Group in their management of energy and CO_2.

The company will also continue to develop the “Climate Care” solutions as initiated by Rhodia, including the production of renewable energy from biomass and the development of technologies/services aiming at reducing the environmental footprint of its internal and external clients.
As permitted by the specific market conditions of each BU, price increases are negotiated to offset the increase of energy costs.

In 2008, Solvay committed to a structured program dedicated to Sustainable Development. It includes objectives to reduce by 2020 Solvay’s energy consumption and greenhouse gas emissions by 20% compared to 2006 levels.

Rhodia committed to similar objectives to reduce by 2015 the energy consumption by 8% compared to 2010 levels, and the greenhouse gas emissions by 66% compared to the 2005 levels.

3. Regulatory, Political and Legal Risk

Regulatory Risk is Solvay’s exposure to events like government price regulation, taxation, tariff policy, new regulations banning a product, imposing manufacturing, marketing and use restrictions or making it uneconomical to produce, etc. Solvay could be required to incur important costs in case of the adoption of new regulations or government policies, or in case of a more strict interpretation or application of the current regulations by courts or authorities.
Legal Risk is the exposure to adverse consequences of non-compliance with regulations (for example anti-trust) or contractual undertakings, or the loss of rights or benefits expected from protection by regulation or contract. This includes various areas like product liability, administrative or criminal sanctions, contractual or intellectual property disputes, as well as the potentially adverse outcome of ongoing litigation.

The Group’s operations depend partly on the control of its key technologies and on the capacity to innovate. The questioning by third parties regarding the right of Solvay to use certain technologies could have an impact on its operations. Furthermore, the insufficient protection by Solvay of its innovations could limit its development perspectives.

Political Risk is Solvay’s exposure to, for example, the destruction or loss of control of production means or the unavailability of raw materials, utilities or logistic or transport facilities resulting from political decisions, civil war, nationalization, terrorism or other circumstances where the normal exercise of public authority is disrupted.
Solvay must obtain and retain regulatory approval for operating its production facilities, and for selling its products.
A significant number of substances manufactured or used in Solvay activities require registration under the REACH Regulation, in addition to the other requirements pre-existing to REACH. At the end of 2010, 159 substances (82 for Solvay and 77 for Rhodia) were successfully registered on schedule with the ECHA (European Chemicals Agency). The products are also subject to the compliance with the new Regulation on classification, labelling and packaging.

Given the international scope of the Group, those regulatory approvals emanate from authorities or agencies in many countries. The withdrawal of any previously granted approval or the failure to obtain an authorization may have an adverse effect on our business continuity and operating results. This concerns both the manufactured products of the Group as

the raw materials purchased from our suppliers. The same could also apply in the case of regulatory changes likely to cause us to incur additional costs.
The geographical spread of the Group around the world is a factor reducing some regulatory and political risks.
Solvay has identified the development of the cost of CO_2 emissions in Europe expected in the future as a potential risk and is monitoring it carefully.

Prevention and Mitigation efforts

Proper design 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 is reduced through the continuous work and interactions with Public Authorities by the Government and Public Affairs department. In addition, in each country outside the European Union, Solvay maintains clear communication links with the political authorities 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. The Group is managing this risk by relying on internal and external resources and by making appropriate financial provisions. Awareness of legal risks is raised by dedicated training, sharing of information, self-assessment procedures and internal auditing. 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 order to optimize coverage of these risks, the Group coordinates the activities of the various control functions.

In the chemicals and plastics industries, technological know-how can remain protected by way of trade secret, which is often a good substitute for patent protection and Solvay is, in many cases, a leader in the technological know-how for its production processes. However, Solvay systematically considers patenting new products and processes and maintains continuous efforts to preserve its proprietary information. Solvay implements a dynamic policy to protect its innovations and its knowhow and takes specific precautions to protect through its partner choice in R&D and through the localization 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

The risk attached to Internal Procedures is Solvay's exposure to failure to comply with its own Group Code of Conduct, policies and processes. Examples of risks are failed Human Resources strategy, failure to integrate an acquired company, failure to comply with internationally recognized Corporate Governance rules and good practices, etc. Solvay is in particular subject to the Belgian Code for Corporate Governance.
In that context, the integration of Rhodia in the Solvay Group does not bear a significant risk.

Prevention and Mitigation efforts

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 Solvay's Corporate Governance rules. The reference is the Belgian Code for Corporate Governance.
Since 2007 a compliance organization under the leadership of the Group General Counsel has been in place to enhance a Group-wide ethics and compliance-based culture and to promote compliance with applicable laws, Solvay's Group Code of Conduct and corporate values. Compliance Officers have been appointed in all four regions in which the Group is active.
Training courses facilitated by the Legal & Compliance departments 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 function, in collaboration with internal audit, legal department and other departments or functions, is monitoring compliance with applicable laws and Solvay's Group Code of Conduct. Any

violation of this code will lead to sanctions in accordance with prevailing legislation. Reporting of violations is encouraged and various avenues are proposed to employees including through the Compliance Officers. In most countries in which Solvay operates, Solvay has introduced the Solvay Ethics Helpline, an external resource where employees can report ethical or compliance concerns in their own language.

Rhodia has similar internal processes based on comparable tools and processes.

5. Financial Risk

Financial Risk is Solvay's exposure to foreign exchange risk, liquidity risk, interest rate risk, counterparty risk (credit risk), failure to fund pension obligations, and tax risks.The main tax risks are compliance risk, transfer pricing risk and litigation risk.
As a result of the acquisition of Rhodia, the Group's treasury, previously invested in government instruments and in banks, has strongly decreased, reducing as such its exposure to government bonds and to bank default risk.

5.1. ***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.

Prevention and Mitigation efforts

The Group is recognized as historically having a prudent financial profile, as illustrated by its BBB+ rating (S&P BBB+; Moody's Baa1). Its 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 (refinanced in November 2011) respectively and a credit line of EUR 300 million with the European Investment Bank). Solvay maintains its objective of net debt to equity ratio not durably exceeding 45% after the acquisition of Rhodia. The financial discipline will remain conservative.

5.2. 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.

Prevention and Mitigation efforts

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

5.3. ***Interest-rate Risk*** is Solvay's exposure to fluctuating interest rates.

Prevention and Mitigation efforts

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.

5.4. 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.

Prevention and Mitigation efforts

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 threshold, set in relation to the institution's credit rating.

In addition, Solvay places money with highly rated money market funds as well as invest in short term debt securities from highly rated sovereign issuers at the appropriate moments.

Furthermore, 75% of turnover (excluding Rhodia) is assigned to an in-house factoring company, Solvay CICC, which is in charge through a network of credit managers of risk assessment per country / customer and of cash collection. A Risk Committee follows the performance of the customer portfolio and sets credit policy guidelines. Solvay CICC receivables and the default risk of the most critical clients of Rhodia are insured to a large extent on the credit insurance market.

5.5. With regard to the ***Risk of 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 unfunded Solvay is mostly exposed to inflation and interest rate risk. As a result of the acquisition of Rhodia, the exposure of the Group to risk of funding pension obligations has increased significantly.

Prevention and Mitigation efforts

Solvay has defined Pension Corporate 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.

Solvay has developed guidelines and processes to better manage the pension risk related to funding, cost or liability values.
As a result of the acquisition of Rhodia, an action plan has been implemented in order to control, limit and reduce the exposure of the Group, the employees and the retirees to this risk.

Studies regarding the management of the plan assets and engagements have been conducted by Rhodia and Solvay in order to determine the allocation of the plan assets to optimize the expected yield and the tolerance to the risk. The exposure to the interest rate risk is managed actively (calendar, investments in instruments with long term interest rates, etc.).

5.6 ***Tax compliance risk*** relates to the consequences of failure to comply on time with legal and administrative regulations (complementary assessments, interests and penalties). The tax charge supported by the Group depends from the interpretation of the local tax regulation, the bilateral or multilateral international tax treaties and the administrative doctrine in each jurisdiction.

Prevention and mitigation efforts

Solvay stresses the importance of tax compliance with its tax and financial personnel. It monitors its procedures and systems through internal reviews and through audits performed by reputed external consultants.

5.7 ***Transfer pricing risk***

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.
Like all multinational groups, Solvay has to respect detailed transfer pricing regulations and documentation requirements issued by an ever growing number of countries, with specific high penalties in case of non-compliance. Transfer pricing issues have become the frequent focus of aggressive tax audits, as they are seen by many authorities as a major source of revenue loss.

Prevention and mitigation efforts

Solvay has issued a transfer pricing policy and a procedure aimed at meeting the requirements of the authorities. A detailed documentation is prepared for each business or country with the assistance of internal or external experts and in line with OECD requirements, and updated every year, in order to demonstrate the fairness 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.

Rhodia implements an equivalent transfer pricing policy which is taken into account within the integration of Rhodia within Solvay.

5.8. Litigation risk is the risk that the authorities do not share Solvay's analysis of its factual and tax position, possibly leading to litigation. Changes in tax law, regulations or case law can also lead to litigation.

Prevention and Mitigation efforts

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.

6. Product Risk

6.1. ***Product Liability Risk*** is Solvay's exposure stemming from injury or damage to third parties or their property arising from the use of a Solvay product, as well as the resulting litigation. Product liability may arise from out-of-specification products, inappropriate use, 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 having to recall a product. Both the product liability risk and product development risk are generally higher for products to be used in healthcare and pharma applications as compared to industrial or technical uses.

Prevention and Mitigation efforts

Product liability exposure is reduced by quality assurance and control, adequate information and technical assistance to customers and by health and safety programs. The Group supplies information relating to the safe use and handling of its products. For products with significant hazards, which in general are only sold directly to industrial users, the BUs involved have product stewardship programs including safety data sheets and regulatory compliance statements. Solvay is managing the Chemicals and Plastics products applications in healthcare, food or feed in a special process called Healthcare Risk Management. Regulatory watch and intelligence processes are aimed at ensuring product regulatory compliance in each country where a market for a defined product is identified.

To address emerging issues where there are regulatory gaps, Solvay is taking care to develop additional expertise within the company and with external stakeholders. Nano-technologies and nano-materials, endocrine disrupters and toxic cocktails are some examples for priority actions.
Solvay is also committed to the Global Product Strategy initiative of ICCA and published 70 Product Safety Summaries available to the general public.

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

Prevention and Mitigation efforts

Solvay devotes substantial resources to Research and Development. Solvay continuously improves the competitiveness of its essential products over the long term through technological improvements and innovation. Innovation is the cornerstone of the Group's strategy, and Solvay considers that managing the challenges related to product development is more about opportunity than about risk for the company.
Management of R&D through programs and projects that are fully in line with Solvay's strategy enhances R&D performance and reduces the risk of failure. Management by projects, with a conceptual and operational roadmap for moving a new product project from idea to launch, also ensures that resources are used in an optimal way.

New Business Development includes participation in venture capital funds allowing Solvay to remain engaged at the forefront of emerging businesses such as alternative renewable energies and organic electronics.

7. Risk to People

Risk to People is the exposure of employees, contractors and the public to adverse effects from Solvay's activities and products, for example from plant processes or from transportation of hazardous chemicals. The professional diseases identified by the Group are to a great extent consequences from past exposures. A major accident can injure people, lead to the temporary closing of a plant and ultimately expose Solvay to significant liabilities.

Prevention and Mitigation efforts

Solvay considers the safety and health of people key aspects in the management of its activities. The Group has consistently developed and implemented stringent safety and health programs. Solvay has a long track record of good safety performance, which will be further sustained by a recently approved program aimed at reinforcing the safety culture of employees and contractors. Rhodia has a similar progress regarding safety and health. The integration process will lead to the adoption of the best practices of both groups. The Group is pursuing the ultimate target of no lost time accidents (LTAR = Lost Time Accident Rate = 0)[1]. Rhodia results are consolidated from the beginning of 2011. The Group LTAR score reduced from 1.6 at the end of 2010 to 0.8 (1.0 without Rhodia) at the end of 2011, representing a significant improvement in safety to people during the year. Process safety is also ensured in order to protect people against the consequences of process incidents. Process Safety Management (PSM) supports safety in sites and especially those with major risks. Mandatory in the US, PSM is also used to support safety management systems in other regions, including in Europe where it supports compliance with Seveso Regulation.

Related policies and risk control programs apply to all production units and other facilities, include contractors and newly acquired plants. Safety performance is reported to the Executive Committee on a monthly basis and to the Board of Directors. While many capex investments were postponed during 2008 and 2009, all planned investment in HSE went ahead.

Special attention is given to the report and analysis of process incidents or near misses. Regular distribution of Lesson Learning Events is organized to increase awareness and to avoid repetition of similar events.
In order to ensure high standard of health prevention for employees, Solvay started rolling out in 2008 the occupational hygiene and health modules of the Medexis 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 system is integrated within a broader IT infrastructure delivering substance related data, site structure information, etc

The risk of hazardous chemicals transportation is reduced by optimizing transport routes, relying on selected and audited transporters and worldwide emergency assistance of Carechem in case of accidents. In addition, every effort to operate integrated production units is contributing to minimize the transportation of intermediate hazardous goods.
Solvay follows the recommendations of associations like Eurochlor, ECVM or CTEF, and programs like Responsible Care®.

1 LTAR = (number of work accidents with absence from work more than 1 day)/(number of working hours)*106

8. Environmental Risk

Environmental Risk is Solvay's exposure stemming from the accidental release of a chemical substance following a plant equipment failure, a transport accident or production problems resulting in exceeding permitted emission levels. Many Solvay and Rhodia sites are covered by regulations concerning major risk installations. Like most other industrial companies, Solvay has to manage and remediate historical soil contamination at some of its sites.

Authorities are increasingly requesting management of the soil and groundwater environmental legacy. In this context, a number of administrative proceedings are under way to define the need and approach for remediation. Furthermore, the Group could be required to incur important costs in case of the adoption of new regulations or government policies, or in case of a more strict interpretation or application of the current regulations by courts or authorities.

Prevention and Mitigation efforts

Solvay considers environmental protection as a key aspect in the management of its activities. Well-defined pollution and accident prevention measures have been in place at Solvay for a long time. Solvay implements environment management systems of ISO type or equivalent 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 historical soil contamination sites are carefully managed including setting appropriate provisions for monitoring and remediation. The Group has developed internal expertise in soil management. It is Solvay's policy to have risk characterization in all concerned sites. Hydrogeological studies and soil characterizations are conducted to diagnose potential problems, evaluate risks to aquifers and discuss remediation or confinement actions with the authorities. A number of such actions have been completed or are under way.

9. Information and IT Risk

The implementation of the crucial management processes (e.g. "Order to Cash", "Procure To Pay", "Report to Record"…) and the cooperation between employees is based to a great extent on Information Technology (IT). The risks related to this usage are mainly:

- interruption or deterioration of the service;
- loss of or non-availability of data;
- fraud, abuse or theft of data.

Prevention and Mitigation efforts

The majority of the critical information systems are housed and operated by external service suppliers. The choice of suppliers, the contractual conditions and the level of service delivery are reviewed at the moment of renewal of contracts which is typically every 3 to 5 years. This procedure gives access to services of high standards regarding quality, safety and business continuity plans.

Every employee is responsible for the appropriate management and use of information and material which are made available, according to the laws and policies related to information and to the use of IT systems. As a result of the internal certification program, the users are required to answer successfully every two years to a survey on their obligations regarding the information security.

The internal IT organization aims at being certified for insuring the quality of the services rendered to the entities of the Group. The certification has been renewed this year for a broad domain in Asia and North-America (for the activities existing before the acquisition of Rhodia).
Rhodia has similar IT protection systems and managements processes of IT risks. In order to assure that the necessary measures for an optimal IT security are taken, the period for the IT integration will be more important than the integration of other parts.

10. Reputational Risk

Reputational risk arises from Solvay's exposure to a deterioration of its reputation among its different stakeholders. Damage may occur due to the materialization of any of the risks described in this section and subsequent publicizing of the 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, legislation, corporate governance principles and which, more generally speaking, 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. The reputational risk deals with the subjective, composite perception of a company by its different stakeholders. Trust is a fundamental ingredient to reputation.

Prevention and Mitigation efforts

Besides overall good management, control practices and systems, efficient communication (transparent, consistent and timely) and long-term solid relationships, both inside and outside the organization, contribute in the long run to establishing trust, which is a fundamental ingredient to 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 the International Council of Chemical Associations (ICCA), the European Chemical Industry Council (CEFIC) 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 flow of two-way communication with the main stakeholders: shareholders and the financial community, employees, customers, authorities, local communities and opinion leaders. Tools include a variety of internal and external electronic and print media tailored for internal and external audiences. Solvay maintains active press relations at corporate and local level, with press releases, conferences and visits as well as open doors and other events aimed at local residents around major sites. The Group has also adopted a clear set of guidelines and advice for employee use of social networking media.

Clear values supported by the Code of Conduct, combined with a high level of Corporate Governance, are instrumental in preventing behaviour that could contribute to reputational risk.

Solvay is implementing effective management and communication systems designed to give early warning of developing crises and to ensure an adequate response in the case of unexpected and sudden adverse events that can potentially harm the Group's reputation. Dedicated 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 geographical 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 (Health, Safety and Environment) matters. In this context litigation cannot be avoided and is sometimes necessary to defend the rights and interest 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 fully covered by provisions or insurance and could impact materially our revenues and earnings.

Ongoing legal proceedings involving the Solvay Group (including Rhodia) 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 with the merit of the case. Solvay is defending itself vigorously and believes in the merits of its defence.
For certain cases in accordance with the accounting rules, Solvay has created reserves/provisions to cover the financial risk and/or defence costs (see section 31).

Chemical & Plastics activities

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 by Solvay, the European General Court ruled that the fine should be reduced to EUR 139.5 millions. Appeal has been lodged by Solvay 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 anti-trust violation and claiming damages from the producers on a joint and several basis in the principal amount of EUR 240 millions. This proceeding is pending and Solvay is defending itself vigorously.

- In Brazil, Solvay is facing administrative claims related to alleged cartel activities in the Brazilian H2O2 and perborate market in the years 1998 to 2001. Solvay is contesting the administrative claims vigorously.

HSE related proceedings

- The French municipality of Metz has since 2001 filed several lawsuits against Solvay and Novacarb that discharge of water containing some sodium chloride arising from the soda ash production process into the Meurthe river was generating additional costs (claimed to be about EUR 50 million) for the distribution of drinkable water.

  Solvay complies with the operating permits delivered by the authorities and contests vigorously the allegations. Rhodia is as well concerned by this litigation as it guarantees Novacarb in the context of the sale of certain chemicals activities to Bain Capital in 2002.

- 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 conducts before 1975 in relation to two cases of former PVC workers with diseases allegedly due to exposure to VCM. The allegations are vigorously contested.
  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 or 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. Prosecuted parties include four Solvay employees. The allegations are vigorously contested.

  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. This case is pending at trial level before the Criminal Court of Pescara. 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 the event of a negative outcome of the proceedings.

- As a general note, authorities are increasingly active to ensure improved management of the soil and groundwater environmental legacy. In this context, a number of administrative proceedings are under way to define the need and approach for remediation. 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

Suits brought in January 2004 before the Paris Commercial Court by certain shareholders:

- an individually brought ("ut singuli") action challenges Sanofi-Aventis (formerly Aventis) and certain individuals who were members of the Board of Directors of the Company at the time of the alleged facts. This action disputes the terms and conditions of the acquisition of Albright & Wilson by Rhodia. The plaintiffs demand that the defendants be ordered to pay the Company EUR 925 million as compensation for the alleged harm the Company suffered. These proceedings were adjourned on January 27, 2006;

- the other suit challenges Sanofi-Aventis (formerly Aventis), certain individuals who were members of the Board of Directors of the Company and the Statutory Auditors at the time of the alleged facts, as well as the Company on a subsidiary basis. This action alleges that the information on environmental risks and deferred tax assets made public by the Company in 2001 and until January 29, 2002 in respect of the acquisition by Rhodia of Albright & Wilson and then Chirex, were inaccurate and misleading. Both plaintiffs demand that the defendants be ordered to pay EUR 131.8 million as a compensation for damages. These proceedings were adjourned on February 10, 2006.

Both proceedings were adjourned due to the existence of a criminal investigation conducted by examining magistrates of the financial division of the Paris Court of First Instance concerning the same facts and pursuant to three criminal proceedings instituted in 2003 and 2004 against an unspecified defendant by the same shareholders for misuse of company assets, insider dealings, publication of false or misleading information, fraudulent balance sheet and disclosure of inaccurate accounts. Rhodia decided to join the criminal investigation as a plaintiff claiming damages ("partie civile") on January 25, 2006. The investigation was still in progress as of December 31, 2011.

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 U.S. hormone replacement therapy (HRT) litigation. Former users of HRT products have brought thousands of U.S. lawsuits against manufacturers of HRT products.

As of December 31, 2010, fewer than 350 plaintiffs had alleged use of Solvay HRT products. This number is not expected to change significantly. No cases involving Solvay products have gone to trial. Solvay will defend itself vigorously.

2011 Consolidation Scope

The Group consists of Solvay S.A. and a total of 422 subsidiaries and associated companies in 61 countries.

Of these, 209 are fully consolidated, 4 are proportionately consolidated and 64 are accounted for under the equity method, whilst the other 145 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
BELGIUM	Carrières les Petons S.P.R.L.	-	meets the consolidation criteria
	Rhodia Belgium SA	Rh	purchase of Rhodia Group
LUXEMBOURG	Caredor S.A.	Rh	purchase of Rhodia Group
NETHERLANDS	Polvom B.V	-	meets the consolidation criteria
	Rhodia International Holdings B.V.	Rh	purchase of Rhodia Group
FRANCE	Butachimie S.N.C.	Rh	purchase of Rhodia Group
	Cogeneration Chalampe S.A.S.	Rh	purchase of Rhodia Group
	GIE Chime Salindres	Rh	purchase of Rhodia Group
	GIE Osiris	Rh	purchase of Rhodia Group
	Hexagas S.A.S.	Rh	purchase of Rhodia Group
	Orbeo Climate Care S.A.S.	Rh	purchase of Rhodia Group
	RHOD V S.N.C.	Rh	purchase of Rhodia Group
	RHOD W S.N.C.	Rh	purchase of Rhodia Group
	Rhodia Chimie S.A.S.	Rh	purchase of Rhodia Group
	Rhodia Energy GHG S.A.S.	Rh	purchase of Rhodia Group
	Rhodia Energy S.A.S.	Rh	purchase of Rhodia Group
	Rhodia Finance S.A.S.	Rh	purchase of Rhodia Group
	Rhodia Laboratoire du Futur S.A.S.	Rh	purchase of Rhodia Group
	Rhodia Operations S.A.S.	Rh	purchase of Rhodia Group
	Rhodia Participations S.N.C.	Rh	purchase of Rhodia Group
	Rhodia S.A.	Rh	purchase of Rhodia Group
	Rhodianyl S.A.S.	Rh	purchase of Rhodia Group
	Rhodigaz S.A.S.	Rh	purchase of Rhodia Group
ITALY	Rhodia Italia S.p.A.	Rh	purchase of Rhodia Group
	Solvay Specialty Polymers Management s.r.l.	Pl	meets the consolidation criteria
GERMANY	Projektgesellschaft Untertagedeponie Niederrhein GmbH	-	meets the consolidation criteria
	Rhodia Acetow GmbH	Rh	purchase of Rhodia Group
	Rhodia Deutschland GmbH	Rh	purchase of Rhodia Group
	Rhodia GmbH	Rh	purchase of Rhodia Group
	Warmeverbundkraftwerk Freiburg GmbH	Rh	purchase of Rhodia Group
SPAIN	Rhodia Iberia S.L., Madrid	Rh	purchase of Rhodia Group
SWITZERLAND	Sopargest - Société de participation et de gestion S.A.	Rh	purchase of Rhodia Group
GREAT BRITAIN	Holmes Chapel Trading Ltd	Rh	purchase of Rhodia Group
	McIntyre Group Ltd	Rh	purchase of Rhodia Group
	Rhodia Eco Services Ltd	Rh	purchase of Rhodia Group
	Rhodia Food Ingredients Lts	Rh	purchase of Rhodia Group
	Rhodia Holdings Ltd	Rh	purchase of Rhodia Group
	Rhodia HPCII Ltd	Rh	purchase of Rhodia Group
	Rhodia Industrial Specialties Ltd	Rh	purchase of Rhodia Group
	Rhodia International Holdings Ltd	Rh	purchase of Rhodia Group
	Rhodia Limited	Rh	purchase of Rhodia Group
	Rhodia Organique Fine Ltd	Rh	purchase of Rhodia Group

	Rhodia Overseas Ltd	Rh	purchase of Rhodia Group
	Rhodia Pharma Solutions Holdings Ltd	Rh	purchase of Rhodia Group
	Rhodia Pharma Solutions Ltd	Rh	purchase of Rhodia Group
	Rhodia Reorganisation	Rh	purchase of Rhodia Group
	Rhodia UK Ltd	Rh	purchase of Rhodia Group
POLAND	Rhodia Polyamide Polska Sp z.o.o.	Rh	purchase of Rhodia Group
	Zaklad Energoeloctryczny Energo-Stil Sp. z o.o.	Rh	purchase of Rhodia Group
RUSSIA	Poligran OAO	Pl	meets the consolidation criteria
	Rusvinyl OOO	Pl	meets the consolidation criteria
	Sertow OOO	Rh	purchase of Rhodia Group
UNITED STATES	Alcolac Inc.	Rh	purchase of Rhodia Group
	Heat Treatment Services Inc.	Rh	purchase of Rhodia Group
	Primester	Rh	purchase of Rhodia Group
	Rhodia Financial Services Inc	Rh	purchase of Rhodia Group
	Rhodia Funding Corporation	Rh	purchase of Rhodia Group
	Rhodia Holding Inc	Rh	purchase of Rhodia Group
	Rhodia Inc	Rh	purchase of Rhodia Group
	Rhodia India Holding Inc.	Rh	purchase of Rhodia Group
CANADA	Rhodia Canada Inc	Rh	purchase of Rhodia Group
MEXICO	Rhodia de Mexico SA de CV	Rh	purchase of Rhodia Group
	Rhodia Especialidades SA de CV	Rh	purchase of Rhodia Group
BRAZIL	Cogeracao de Energia Electricica Paraiso SA	Rh	purchase of Rhodia Group
	Rhodia Brazil Ltda	Rh	purchase of Rhodia Group
	Rhodia Energy Brazil Ltda	Rh	purchase of Rhodia Group
	Rhodia Poliamida Brasil Ltda	Rh	purchase of Rhodia Group
	Rhodia Poluamida e Especialidades Ltda	Rh	purchase of Rhodia Group
	Rhopart-Participacoes Servidos e Comercio Ltda	Rh	purchase of Rhodia Group
VENEZUELA	Rhodia Acetow Venezuela SA	Rh	purchase of Rhodia Group
	Rhodia Silices de Venezuela C.A.	Rh	purchase of Rhodia Group
URUGUAY	Alaver SA	Rh	purchase of Rhodia Group
	Fairway Investimentos SA	Rh	purchase of Rhodia Group
	Zamin Company S/A	Rh	purchase of Rhodia Group
AUSTRALIA	Rhodia Chemicals Pty Ltd	Rh	purchase of Rhodia Group
NEW ZEALAND	Rhodia New Zealand Ltd	Rh	purchase of Rhodia Group
JAPAN	Anan Kasei Co Ltd	Rh	purchase of Rhodia Group
	Rhodia Japan K.K.	Rh	purchase of Rhodia Group
	Rhodia Nicca Ltd	Rh	purchase of Rhodia Group
CHINA	Baotou Rhodia Rare Earths Company Ltd	Rh	purchase of Rhodia Group
	Beijing Rhodia Eastern Chemical Co.	Rh	purchase of Rhodia Group
	Guangxi Laibin Bioqi New Energy Co., Ltd	Rh	purchase of Rhodia Group
	Liyang Rhodia Rare Earth New Material Co. Ltd	Rh	purchase of Rhodia Group
	Qingdao Dongyue Rhodia Chemical Co Ltd	Rh	purchase of Rhodia Group
	Rhodia (Shanghai) International Trading Co. Ltd	Rh	purchase of Rhodia Group
	Rhodia (Zhenjiang) Chemicals Co., Ltd	Rh	purchase of Rhodia Group
	Rhodia China Co., Ltd	Rh	purchase of Rhodia Group
	Rhodia Feixiang Specialty Chemicals Co. Ltd	Rh	purchase of Rhodia Group
	Rhodia Fine Chemical Additives (Qingdao) Co. Ltd	Rh	purchase of Rhodia Group
	Rhodia Hengchang (Zhangjiagang) Specialty Chemical Co. Ltd	Rh	purchase of Rhodia Group
	Rhodia Hong Kong Ltd	Rh	purchase of Rhodia Group
	Rhodia Polyamide (Shanghai) Co. Ltd	Rh	purchase of Rhodia Group

	Rhodia Silica Qingdao Co. Ltd	Rh	purchase of Rhodia Group
	Rhodia Wuxi Pharmaceutical Co Ltd	Rh	purchase of Rhodia Group
	Zhuhai Rhodia Specialty Chemicals Co Ltd	Rh	purchase of Rhodia Group
THAILAND	Rhodia Thai Holdings Ltd	Rh	purchase of Rhodia Group
	Rhodia Thai Industries	Rh	purchase of Rhodia Group
SINGAPORE	Rhodia Amines Chemicals Pte Ltd	Rh	purchase of Rhodia Group
	Rhodia Asia Pacific Pte Ltd	Rh	purchase of Rhodia Group
MALAYSIA	Biopower Climate Care Holding Sdn Bhd	Rh	new company
	Biopower Climate Care Sdn Bhd	Rh	purchase of Rhodia Group
INDONESIA	Rhodia Manyar P.T.	Rh	purchase of Rhodia Group
INDIA	Hindustan Gum & Chemicals Ltd	Rh	purchase of Rhodia Group
	Rhodia Polymers & Specialties India Private Limited	Rh	purchase of Rhodia Group
	Rhodia Specialty Chemicals India Limited	Rh	purchase of Rhodia Group
SOUTH KOREA	Rhodia Energy Asia Pacific Co. Ltd	Rh	purchase of Rhodia Group
	Rhodia Korea Co. Ltd	Rh	purchase of Rhodia Group
	Rhodia Silica Korea Co. Ltd	Rh	purchase of Rhodia Group

Companies leaving the Group

Country	Company	Sector	Comments
NETHERLANDS	Solvay Finance B.V.	-	liquidated
	Terlin B.V.	-	liquidated
GERMANY	Projektgesellschaft Untertagedeponie Niederrhein GmbH	-	merged into Cavity GmbH
	Solvay Kali-Chemie Holding GmbH	-	merged into Solvay GmbH
SPAIN	Vinilis S.A.	Pl	merged into Solvin Spain S.L.
PORTUGAL	Pipelife Portugal-Sistemas de Tubagens Plasticas Lda	Pl	merged into Pipelife France S.N.C.
GREAT BRITAIN	Rhodia Eco Services Ltd	Rh	liquidated
	Rhodia Food Ingredients Lts	Rh	liquidated
	Rhodia HPCII Ltd	Rh	liquidated
	Rhodia Industrial Specialties Ltd	Rh	liquidated
CHINA	Rhodia Wuxi Pharmaceutical Co Ltd	Rh	sold
THAILAND	Rhodia Thai Industries	Rh	sold
SOUTH KOREA	Solvay & CPC Barium Strontium Korea Co Ltd	Ch	liquidated

Change of consolidation method

Country	Company	Sector	Comments
BELGIUM	BASF Interox H_2O_2 Production nv, Brussels	Ch	equity method
	Pipelife Belgium SA, Kalmthout	Pl	equity method
NETHERLANDS	MTP HP JV C.V., Weesp	Ch	equity method
	MTP HP JV Management bv, Weesp	Ch	equity method
	Pipelife Finance bv, Enkhuizen	Pl	equity method
	Pipelife Nederland bv, Enkhuizen	Pl	equity method
	Twebotube bv, Enschede	Pl	equity method
FRANCE	Cogeneration Chalampe S.A.S. , Puteaux	Rh	equity method
	Orbeo Climate Care S.A.S.	Rh	fully consolidated
	Pipelife France S.N.C., Gaillon	Pl	equity method
	Rhodigaz S.A.S. , Lyon (Thiers)	Rh	equity method
GERMANY	Pipelife Deutschland Asset Management GmbH, Bad Zwischenahn	Pl	equity method
	Pipelife Deutschland GmbH & Co KG Bad Zwischenahn, Bad Zwischenahn	Pl	equity method
	Pipelife Deutschland Verwaltungs-GmbH Bad Zwischenahn, Bad Zwischenahn	Pl	equity method
	Solvay & CPC Barium Strontium GmbH & Co KG, Hannover	Ch	equity method
	Solvay & CPC Barium Strontium International GmbH, Hannover	Ch	equity method
SPAIN	Pipelife Hispania SA, Zaragoza	Pl	equity method
PORTUGAL	Pipelife Portugal-Sistemas de Tubagens Plasticas Lda, Nogueira Da Maia	Pl	equity method
AUSTRIA	Pipelife International GmbH, Wiener Neudorf	Pl	equity method
	Pipelife Austria GmbH & Co KG, Wiener Neudorf	Pl	equity method
	Solvay Sisecam Holding AG, Wien	Ch	equity method
GREAT BRITAIN	Pipelife UK Ltd, Corby	Pl	equity method
IRELAND	Dromalour Plastics Ltd, Cork	Pl	equity method
	Kenfern Investments Ltd, Cork	Pl	equity method
	Quality Plastics (Holding) Ltd, Cork	Pl	equity method
	Quality Plastics Ltd, Cork	Pl	equity method
	Qualplast Sales Ltd, Cork	Pl	equity method
SWEDEN	Pipelife Hafab A.B., Haparanda	Pl	equity method
	Pipelife Nordic A.B., Göteborg	Pl	equity method
	Pipelife Sverige A.B., Oelsremma	Pl	equity method
NORWAY	Pipelife Norge AS, Surnadal	Pl	equity method
FINLAND	Pipelife Finland OY, Oulu	Pl	equity method
	Propipe OY, Oulu	Pl	equity method
POLAND	Pipelife Polska SA, Karlikowo	Pl	equity method
ROMANIA	Pipelife Romania S.R.L., Bucuresti	Pl	equity method
SLOVENIA	Pipelife Slovenija, d.o.o., Trzin	Pl	equity method
ESTONIA	Pipelife Eesti AS, Tallinn	Pl	equity method
LITHUANIA	Pipelife Lietuva UAB, Vilnius	Pl	equity method
LATVIA	Pipelife Latvia SIA, Riga	Pl	equity method
BULGARIA	Deven AD, Devnya	Ch	equity method
	Pipelife Bulgaria EOOD, Plovdiv	Pl	equity method
	Solvay Sodi AD, Devnya	Ch	equity method
CROATIA	Pipelife Hrvatska Republika d.o.o., Karlovac	Pl	equity method
HUNGARY	Pipelife Hungaria Kft, Debrecen	Pl	equity method
CZECH REPUBLIC	Pipelife Czech s.r.o., Otrokovice	Pl	equity method

SLOVAKIA	Pipelife Slovakia s.r.o., Piestany	Pl	equity method
SERBIA	Pipelife Serbia d.o.o., Beograd	Pl	equity method
GREECE	Pipelife Hellas SA, Moschato Attica	Pl	equity method
TURKEY	Arili Plastik Sanayii AS, Pendik	Pl	equity method
RUSSIA	Pipelife Russia OOO, Zhukov	Pl	equity method
	Soligran ZAO, Moskva	Pl	equity method
UNITED STATES	Pipelife Jet Stream, Inc. Siloam Springs, AR	Pl	equity method
MEXICO	Solvay & CPC Barium Strontium Monterrey S. de R.L. de C.V., Monterrey	Ch	equity method
	Solvay & CPC Barium Strontium Reynosa S. de R.L. de C.V., Reynosa	Ch	equity method
BRAZIL	Dacarto Benvic SA, Santo André	Pl	equity method
	Peroxidos do Brasil Ltda, Sao Paulo	Ch	equity method
THAILAND	MTP HP JV (Thailand) Ltd, Bangkok	Ch	equity method
INDONESIA	Rhodia Manyar P.T., Gresik	Rh	equity method
INDIA	Hindustan Gum & Chemicals Ltd, New Delhi	Rh	equity method
SOUTH KOREA	Solvay & CPC Barium Strontium Korea Co Ltd, Onsan	Ch	equity method

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, Bruxelles	99.9	-
Peptisyntha SA, Neder-Over-Heembeek	100	Ch
Rhodia Belgium SA , Bruxelles	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			
Polvom B.V., Linne-Herten	100		
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			
Orbeo Climate Care S.A.S. , Puteaux	100		Rh
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 Energy 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 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. , Bollate	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 Padanaplast S.p.A., Roccabianca	100		Pl
Solvay Solexis 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			
Cavity GmbH, Hannover	100		-
Girindus AG, Hannover	82		Ch

Horizon Immobilien AG, Hannover	100	-
Rhodia Acetow GmbH , Freiburg	99 .9	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		
Electrolisis de Torrelavega S.L., Barcelona	100	Ch
Rhodia Iberia S.L., Madrid	100	Rh
Solvay Benvic Europe - Iberica S.A., Barcelona	100	Pl
Solvay Ibérica S.L., Barcelona	100	-
Solvay Participaciones S.A., 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 Reeds	100	Rh
McIntyre Group Ltd , Watford Reeds	100	Rh
Rhodia Holdings Ltd , Watford Reeds	100	Rh
Rhodia International Holdings Ltd , Oldbury	100	Rh
Rhodia Limited , Watford Reeds	100	Rh
Rhodia Organique Fine Ltd , Watford Reeds	100	Rh
Rhodia Overseas Ltd , Watford Reeds	100	Rh
Rhodia Pharma Solutions Holdings Ltd, Cramlington	100	Rh
Rhodia Pharma Solutions Ltd, Cramlington	100	Rh
Rhodia Reorganisation, Watford Reeds	100	Rh
Rhodia UK Ltd , Watford Reeds	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
Montecatini USA, Wilmington, DE	100	Pl
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 North America Investments, LLC, Houston, TX	100	-
Solvay North America LLC, Houston, TX	100	-
Solvay Soda Ash Expansion JV, Houston, TX	80	Ch
Solvay Soda Ash Joint Venture, Houston, TX	80	Ch
Solvay Solexis, Inc., Wilmington, DE	100	Pl
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 Aguiar	100	Rh
Rhodia Energy Brazil Ltda, Paulinia Sao Francisco	100	Rh
Rhodia Poliamida Brasil Ltda , Sao Paolo Aguiar	100	Rh
Rhodia Poliamida e Especialidades Ltda, Sao Paolo Aguiar	100	Rh
Rhopart-Participacoes Servidos e Comercio Ltda, Sao Paolo Aguiar	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 Acetow Venezuela SA, Valencia	100	Rh
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	67	Rh
Nippon Solvay KK, Tokyo	100	Ch
Rhodia Japan K.K., Tokyo	100	Rh
Rhodia Nicca Ltd, Tokyo	60	Rh
Solvay Advanced Polymers KK, Tokyo	100	Pl
Solvay Solexis 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	100	Rh
Liyang Rhodia Rare Earth New Material Co., Ltd, Li Yang	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	87 .5	Rh
Rhodia Fine Chemical Additives (Qingdao) Co., Ltd, Qingdao	100	Rh
Rhodia Hengchang (Zhangjiagang) Specialty Chemical Co., Ltd, Zhangjiagang	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 Speciality Polymers (Changshu) Co. Ltd, Changshu	100	-
Zhuhai Rhodia Specialty Chemicals Co Ltd	78 .8	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	-

MALAYSIA		
Biopower Climate Care Holding Sdn Bhd, Kuala Lumpur	100	Rh
Biopower Climate Care Sdn Bhd, Kuala Lumpur	95.4	Rh
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
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
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	50	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
Pipelife Belgium S.A., Kalmthout	50	Pl
NETHERLANDS		
MTP HP JV C.V., Weesp	50	Ch
MTP HP JV Management bv, Weesp	50	Ch
Pipelife Finance bv, Enkhuizen	50	Pl
Pipelife Nederland bv, Enkhuizen	50	Pl
Twebotube bv, Enschede	50	Pl
FRANCE		
Cogeneration Chalampe S.A.S. , Puteaux	50	Rh
GIE Chime Salindres , Salindres	50	Rh
Gie Osiris, Roussillon	34 .8	Rh
Pipelife France S.N.C., Gaillon	50	Pl
Rhodigaz S.A.S. , Lyon (Thiers)	50	Rh
GERMANY		
Pipelife Deutschland Asset Management GmbH, Bad Zwischenahn	50	Pl
Pipelife Deutschland GmbH & Co KG Bad Zwischenahn, Bad Zwischenahn	50	Pl
Pipelife Deutschland Verwaltungs-GmbH Bad Zwischenahn, Bad Zwischenahn	50	Pl
Solvay & CPC Barium Strontium GmbH & Co KG, Hannover	75	Ch
Solvay & CPC Barium Strontium International GmbH, Hannover	75	Ch
SPAIN		
Pipelife Hispania SA, Zaragoza	50	Pl
AUSTRIA		
Pipelife Austria GmbH & Co KG, Wiener Neudorf	50	Pl
Pipelife International GmbH, Wiener Neudorf	50	Pl
Solvay Sisecam Holding AG, Wien	75	Ch
GREAT BRITAIN		
Pipelife UK Ltd, Corby	50	Pl
IRELAND		
Dromalour Plastics Ltd, Cork	50	Pl
Kenfern Investments Ltd, Cork	50	Pl
Quality Plastics (Holding) Ltd, Cork	50	Pl
Quality Plastics Ltd, Cork	50	Pl
Qualplast Sales Ltd, Cork	50	Pl
SWEDEN		
Pipelife Hafab A.B., Haparanda	50	Pl
Pipelife Nordic A.B., Göteborg	50	Pl
Pipelife Sverige A.B., Oelsremma	50	Pl

NORWAY		
Pipelife Norge AS, Surnadal	50	Pl
FINLAND		
Pipelife Finland OY, Oulu	50	Pl
Propipe OY, Oulu	50	Pl
POLAND		
Zaklad Energoeloctryczny Energo-Stil Sp. z o.o., Gorzow Wielkopolski	25	Rh
Pipelife Polska S.A., Karlikowo	50	Pl
ROMANIA		
Pipelife Romania S.R.L., Bucuresti	50	Pl
SLOVENIA		
Pipelife Slovenija, d.o.o., Trzin	50	Pl
ESTONIA		
Pipelife Eesti AS, Tallinn	50	Pl
LITHUANIA		
Pipelife Lietuva UAB, Vilnius	50	Pl
LATVIA		
Pipelife Latvia SIA, Riga	50	Pl
BULGARIA		
Deven AD, Devnya	75	Ch
Pipelife Bulgaria EOOD, Plovdiv	50	Pl
Solvay Sodi AD, Devnya	75	Ch
CROATIA		
Pipelife Hrvatska Republika d.o.o., Karlovac	50	Pl
HUNGARY		
Pipelife Hungaria Kft, Debrecen	50	Pl
CZECH REPUBLIC		
Pipelife Czech s.r.o., Otrokovice	50	Pl
SLOVAKIA		
Pipelife Slovakia s.r.o., Piestany	50	Pl
SERBIA		
Pipelife Serbia d.o.o., Beograd	50	Pl
GREECE		
Pipelife Hellas SA, Moschato Attica	50	Pl
TURKEY		
Arili Plastik Sanayii AS, Pendik	50	Pl
RUSSIA		
Pipelife Russia OOO, Zhukov	50	Pl
Poligran OAO, Tver	50	Pl
Rusvinyl OOO, Moscow	29 .7	Pl
Soligran ZAO, Moscow Aptekars	50	Pl
UNITED STATES		
Pipelife Jet Stream, Inc. Siloam Springs, AR	50	Pl
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
CHINA		
Qingdao Dongyue Rhodia Chemical Co Ltd, Qingdao	30	Rh

ARGENTINA		
Solalban Energia S.A., Bahia Blanca	40 .5	Pl
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	2010	**2011**
ASSETS		
Fixed assets	8 061	9 107
Start-up expenses and intangible assets	83	97
Tangible assets	61	57
Financial assets	7 917	8 953
Current assets	5 613	5 260
Inventories	12	12
Trade receivables	110	116
Other receivables	687	4 243
Short-term investments and cash equivalents	4 778	794
Accruals	26	95
Total assets	13 674	14 368
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	6 684	6 753
Capital	1 271	1 271
Issue premiums	18	18
Reserves	1 948	1 951
Net income carried forward	3 447	3 513
Investment grants	0	1
Provisions and deferred taxes	324	360
Financial debt	6 122	6 641
- due in more than one year	1 999	2 301
- due within one year	4 123	4 340
Trade liabilities	119	152
Other liabilities	310	316
Accruals and deferred income	115	146
Total shareholders' equity and liabilities	13 674	14 368

Income statement of Solvay SA (summary)

EUR million	2010	2011
Operating income	903	982
Sales	427	485
Other operating income	476	497
Operating expenses	-973	-1 178
Operating profit / loss	-70	-196
Financial gains / losses	281	278
Current profit before taxes	211	82
Extraordinary gains / losses	2 543	209
Profit before taxes	2 754	291
Income taxes	28	34
Profit for the year	2 782	325
Transfer to (-) / from (+) untaxed reserves	-	-
Profit available for distribution	2 782	325

Statutory auditor's report

to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2011

To the shareholders

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

Unqualified audit opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Solvay SA/NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 19 437 million EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 247 million EUR.

The financial statements of several significant entities included in the consolidation scope which represent total assets of 10 223 million EUR and a total profit of 22 million EUR have been audited by other auditors. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts contributed by those entities, is based upon the reports of those other auditors.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence that we have obtained, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.

In our opinion, and based upon the reports of other auditors, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2011, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Diegem, 16 February 2012

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Eric Nys


508 273
1 033 121
1 683
92
69 862
63
440
2 670
532 861
1 112 770
1 738
83
73 583
62
429
3 054
566 401
1 214 240
1 852
110
75 262
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Corporate Governance Statement

This chapter is an annex to the management report

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Reference code and introduction

The Solvay group has adopted the 2009 Belgian Corporate Governance Code as its reference code in governance matters. The present report presents the application of the recommendations of this 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).

2011 saw the acquisition of Rhodia on September 16 and the start of the integration of its activities into the Solvay group. The governance of the Solvay group applies to all its activities, including those of the Rhodia Sector. In some areas, the integration 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 file 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 on dematerialized securities accounts or converted into registered shares by July 1, 2011, have been converted as of right into dematerialized shares.

At December 31, 2011, 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.

The stock is listed on the NYSE Euronext Brussels. It was also admitted to trading on NYSE Euronext Paris on 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 65^{th} place (0.4% of the index) at December 31, 2011.
- The BEL 20 index, based on the 20 most significant shares listed on Euronext Brussels. At December 31, 2011, Solvay represented around 7.6% of the value of this index (5^{th} place in this index). Solvay shares are included in the ‘Chemicals – Specialties’ category of the Euronext Brussels sectoral index.
- The DJ Stoxx, DJ Euro Stoxx, FTSE 300, FTSE4Good, 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 Euronext Brussels. This appointment remained in place in 2011.

1.3. Solvay SA’s main shareholder is Solvac SA, a registered company, which at December 31, 2011 held a little over 30% of 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 purchase 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 founder families.

In addition, at December 31, 2011, Solvay Stock Option Management SPRL held 4.13% of the shares issued by Solvay SA (3 284 625 shares), in particular to cover the Solvay stock options program (see under 2.1. ‘Capital’). On February 17, 2012, this shareholding fell below the 3% threshold to 2.81%.

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 Euronext of 247 000 shares in 2011 and 182 000 shares in 2010).

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 2010 and May 2011 Shareholders' Meetings, shares were deposited and votes cast in respect of an average 46% of Solvay SA's capital.

1.5. At December 31, 2011, 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.
Very limited use was made of this facility in 2011 for the requirements of a liquidity contract (see item 1.2. above) and to cover stock option commitments (see item 2.1.3. below) and in the framework of a treasury share investment program introduced in early 2010 and which expired at the end of 2011. The 880 766 own shares purchased by Solvay SA in this context have been transferred to Solvay Stock Option Management SPRL to cover stock options.

2.1.3. In December 1999, the company introduced a new annual stock option program for Group executives worldwide. This program is covered by own shares purchased by 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 5-year period by the Extraordinary Shareholders' Meeting of May 12, 2009.

At December 31, 2011, Stock Option Management SPRL's holdings of Solvay SA shares represented 4.13% (3 284 625 shares) of the company capital. On February 17, 2012, this shareholding fell below the 3% threshold to 2.81%.

The most recent annual program of stock options (exercisable from January 1, 2015 to December 13, 2019) was offered at the end of 2011 to around 200 Group executives, at an exercise price of EUR 65.71 per share. This price represents the average closing price of the Solvay share on Euronext during the 30 days

Stock options plans

Issue date	Exercise price (in EUR)	Exercise date	Acceptance rate
2000	58.21	02/2004-12/2008	98.9%
2001	62.25	02/2005-12/2009	98.6%
2002	63.76	02/2006-12/2010	98.4%
2003	65.83	02/2007-12/2011	97.3%
2004	82.88	02/2008-12/2012	96.4%
2005	97.30	02/2009-12/2013	98.8%
2006	109.09	02/2010-12/2014	97.2%
2007	96.79	01/2011-12/2015	97.6%
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%

preceding the offering of options. 93.8% of these stock options were accepted by these executives.

In 2011, stock options representing a total of 480 577 shares were exercised (it should be noted that options are in principle exercisable over a period of five years[1] after being frozen for three years).
The stock options exercised break down as follows:

- 2000 stock option plan: 12 300 shares
- 2001 stock option plan: 18 900 shares
- 2002 stock option plan: 14 800 shares
- 2003 stock option plan: 180 800 shares
- 2004 stock option plan: 182 277 shares
- 2005 stock option plan: 55 700 shares
- 2007 stock option plan: 15 800 shares

Voting and dividend rights attached to these shares are suspended as long as they are held by the company.

As part of the integration of Rhodia into the Solvay group and in order to harmonize the conditions for the granting of stock options, future stock option plans will be widened to a larger number of beneficiaries. In addition, owing to this integration, the Board has decided to advance the 2012 plan to the month of March.

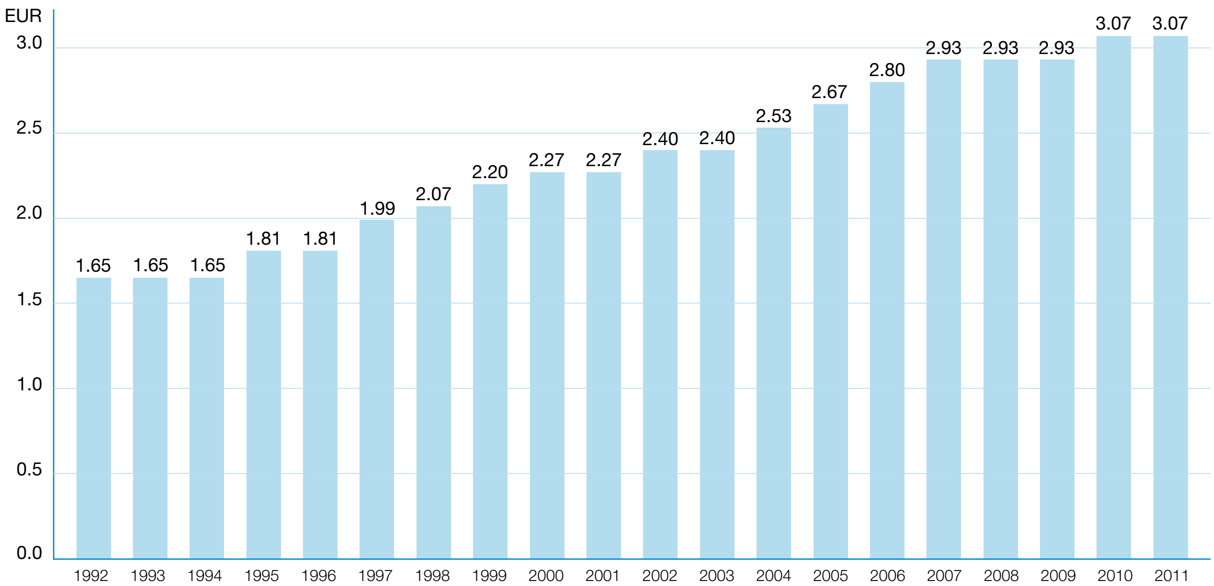
Finally it should be mentioned that, under the tender offer by Solvay SA for the shares of Rhodia, liquidity agreements were concluded with employees receiving free shares or options on Rhodia shares to enable these beneficiaries to retain their rights and to sell their Rhodia shares during a specified period after the close of the tender offer.

2.1.4. At its December 14, 2011 meeting, the Board of Directors implemented its annual stock option plan in favor of around 200 Group executives, including the Members of the Executive Committee. These include Mr. Christian Jourquin and Mr. Bernard de Laguiche, who are 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. Mr. Christian Jourquin and Mr. Bernard de Laguiche accepted 25 000 and 20 000 options respectively. At his request, the number of options granted in 2011 to the Chairman of the Executive Committee was limited to the number granted the year before.

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

Solvay dividend (gross) from 1992 to 2011 (in EUR)



1. 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.

Extraordinary Shareholders' Meeting of the company.

2.2. Dividend policy

2.2.1. Board policy is to propose a dividend increase to the Shareholders' Meeting whenever possible, and as far as possible, never to reduce it. This policy has been followed for very many years. The graph page 183 illustrates the application of this policy over the past 20 years.

2.2.2. The annual dividend is paid in two installments, in the form of an advance payment (interim dividend) and a payment of the balance.
In October 2006, the Board of Directors decided to change the way the advance payment is set. This method includes a guidance of 40% (rounded) of the total previous year's dividend, and takes into account the results for the first nine months of the current year.

In this way, for 2011, an interim dividend of EUR 0.90 net per share (EUR 1.20 gross before Belgian withholding tax in full discharge at 25%) was approved by the Board of Directors on October 26, 2011.
This interim dividend (coupon no. 89), which was paid on January 19, 2012, is to be offset against the total dividend for 2011, which was proposed by the Board of Directors on February 15, 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.

The net dividend for 2011 proposed to the General Shareholders' Meeting of May 8, 2012 is EUR 2.30 net per share (EUR 3.0667 gross per share), unchanged from the dividend for 2010.
Given the interim dividend payment made on January 19, 2012 (EUR 0.90 net per share – coupon no. 89), the balance of EUR 1.40 net per share will be payable from May 15, 2012 (coupon no. 90).

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 does not have any reduced-tax VVPR shares, given that almost its entire capital was issued before the introduction of this pro-dividend tax regime.
The company has not, up to this point, proposed optional dividends to its shareholders, i.e. stock instead of cash dividends. This option does not offer in Belgium any tax or financial benefit 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.
The Ordinary Shareholders' Meeting of Solvay SA, to be held on May 8, 2012, will be organized pursuant to the new legal provisions.

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 has been previously 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 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 is obligatory for participating in and voting at the Shareholders' Meeting. Shareholders must complete the registration of their securities by the 14th calendar day at 24.00 hours (Belgian time) prior to the relevant Shareholders' Meeting.

For holders of registered shares, shares are registered automatically by the fact of being in the company's register of registered shares on the registration date.

Dematerialized shares are registered by the fact 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 registered in their name in their accounts at registration date and for which the shareholder states he wishes 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 6th calendar day preceding the date of the Shareholders' Meeting.

The mandated agent does not have

to be, as was previously the case, 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 mandated 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 6th 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 to 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, special report of the Board of Directors, etc.) is available every year on the Internet site www.solvay.com as from the time of convening 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 which 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 periodical 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 main policies and general strategic directions 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 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, of Executive Committee Members and of General Managers.

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 on the Executive Committee is sufficient. Powers may also be delegated on a case-by-case basis as needs arise.

4.2.3. Subject to what is set out in 2.1.4. (Article 523 of the Companies Code, page 183), the Directors of the company were not confronted in 2011 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. For example, Directors on the Executive Committee when the Board of Directors was deciding on the renewal of their terms of office.

4.3. Composition

4.3.1. Size & Composition
At December 31, 2011, the Board of Directors consisted of 16 members, as listed on page 189.

4.3.2. During 2011, the Board of Directors was chaired by Mr. Aloïs Michielsen, with Mr. Denis Solvay as Vice-Chairman.
Mr. Aloïs Michielsen, who reached the age limit of 70 years in January 2012, will leave the Board of Directors of Solvay and his presidency after the Ordinary Shareholders' Meeting on May 8, 2012. The Board has decided unanimously to appoint Mr. Nicolas Boël to succeed Mr. Aloïs Michielsen as Chairman of the Board with effect from May 9, 2012.

At the Ordinary Shareholders' Meeting of May 10, 2011:
- the independent directorships of Mr. Charles Casimir-Lambert and Mr. Yves-Thibault de Silguy were renewed for four-year terms;
- the independence, under the law of December 17, 2008, of Ms. Evelyn du Monceau was confirmed. Ms. Evelyn du Monceau has ceased to be a non-executive director of Solvac SA for more than one year (see criteria of independence under item 4.3.4. below).

At the Ordinary Shareholders' Meeting on May 8, 2012, the Board of Directors will propose:

- to renew for a four-year term the directorship of Mr. Jean-Marie Solvay;
- to appoint Mr. Jean-Pierre Clamadieu as Director to replace Mr. Aloïs Michielsen, whose term he will complete; his resume will be attached to the notices convening the Ordinary Shareholders' Meeting.

It will formally take note of the resignation of Mr. Jourquin as a member of the Board.

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. In this case, the director in question resigns, and is replaced, for his remaining term of office, by a successor appointed by the Shareholders' Meeting.

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, 2011, 14 out of 16 directors were non-executive, and two belonged to the Executive Committee (Mr. Christian Jourquin 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, 2011, the independent status of 9 out of 14 non-executive directors has been recognized by the Ordinary Shareholders' Meeting;
- ensuring that the members of the Board of Directors together reflect the shareholder structure and possess the wide range of competences and experience required by the Group's activities;
- ensuring that the Board of Directors' international composition appropriately reflects the geographic extent of its activities.
  At December 31, 2011, 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 2011 (96%);
- 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 14 men and 2 women at December 31, 2011, will take care, when mandates are next renew, to respect, within the imparted deadlines, the requirement to have at least one third of women on the Board.

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 exercised a mandate as an executive member of the management body or a function of member of the executive committee or managing director in the company or in a company or person affiliated with 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 nonexecutive 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

	Year of birth	Year of 1st appointment	Solvay SA mandates, and expiry date of directorship	Diplomas and activities outside Solvay	Presence at meetings in 2011 as a function of date of appointment
Mr. Aloïs Michielsen (B)	1942	1990	Chairman of the Board of Directors and of the Finance, Compensation and Nomination Committees, until May 8, 2012 inclusive	Civil engineering degree in chemistry and MA in Applied Economics (Catholic University of Louvain), Business Administration (University of Chicago).	8/8
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.	8/8
Mr. Christian Jourquin (B) (*)	1948	2005	Chairman of the Executive Committee, Director, Member of the Finance Committee and guest of the Compensation and Nomination Committees until May 10, 2012 inclusive	Commercial Engineering degree (Free University of Brussels), ISMP Harvard.	8/8
Mr. Bernard de Laguiche (F/BR) (*)	1959	2006	2013 Member of the Executive Committee, Director and Member of the Finance Committee	Commercial Engineering degree, MA in economics HSG (University of St. Gallen, Switzerland).	8/8
Mr. Jean-Marie Solvay (B)	1956	1991	2012 Director and Member of the Innovation Board	Advanced Management Programme – Insead, CEO of Albrecht RE Immobilien GmbH & Co. KG., Director of Heliocentris GmbH & Co. KG (Germany).	8/8
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), Executive Chairman of Hatch Corporate Finance (UK), Member of the Supervisory Board and Chairman of the Audit Committee of Advanced Metallurgical Group (Netherlands), Vice-Chairman of the Board Committee of Ageas SA, Chairman of the Board of Ageas UK, and various other mandates in unlisted companies.	8/8
Mr. Nicolas Boël (B)	1962	1998	2013 Director Member of the Nomination Committee From May 9, 2012: Chairman of the Board of Directors, Chairman of the Finance Committee and Chairman of the Compensation Committee	MA in Economics (Catholic University of Louvain), Master of Business Administration (College of William and Mary – USA) Director of Sofina.	8/8
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.	8/8
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 PSA Peugeot-Citroën, Chairman of Eutelsat, Director of Saint-Gobain, of Société Générale, of Alstom and of Axa, Member of the Supervisory Board of ONF-Participations.	7/8
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.	8/8
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).	6/8
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.	8/8
Ms. 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), Executive President of Hispasat (Spain and International); Professor at the University of Business Administration, UNED & CUNEF, Madrid.	8/8
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), Director of companies in the Petercam sa group and Managing Director of Petercam Institutional Bonds sa, Director of Vital Renewable Energy Company LLC (Delaware).	8/8
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-Chair 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).	6/8
Ms. 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, Member of the Board of Directors of La Financière de Tubize SA, Vice Chair of the Board and Chair of the Remuneration and Nomination Committee of UCB SA, Director of FBNet Belgium, Member of the Fondation Commission Corporate Governance. Member of the Orientation Council of NYSE Euronext Brussels.	8/8

* Full-time activity in the Solvay group.

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 exercising 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, 2011, 9 out of 16 directors fulfilled the criteria of independence, as confirmed by a vote of the Ordinary Shareholders' Meeting of May 10, 2011:

- Mr. Aloïs Michielsen, having been Chairman of the Executive Committee of Solvay until May 9, 2006, was not recognized as independent at the time of renewal of his directorship in May 2009 (criterion no. 1);
- Messrs. Christian Jourquin and Bernard de Laguiche, Chairman and Member of the Executive Committee respectively, were not recognized as independent at the time of renewal of their directorships in May 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 seeks first 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 set by itself. The Ordinary Shareholders' Meeting decides on proposals made by the Board of Directors in this area by a simple majority. When a directorship becomes vacant during a term of office, the Board of 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 eight times in 2011 (five ordinary and three extraordinary meetings). Five ordinary meetings are planned in 2012.
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 its 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 its 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 by the Board at the end of this evaluation process are: increasing the time allotted to questions and answers during executive management's presentation of quarterly results, ex-post evaluation of past policy decisions in order to draw lessons for the future, and also the addition of Human Resources to the list of regular executive management presentations to the Board. It was also decided to add a third meeting of the Nomination Committee to the calendar for 2011.
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 its 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 next following 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 will mature on May 1, 2012. The Board of Directors has 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 has further decided to have in future the renewal dates of the Committees coincide with the dates of Ordinary Shareholders' Meetings. The new composition of Committees will therefore take 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 2011, 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 four times in 2011, each time before a Board meeting scheduled to consider the publication of periodical results (quarterly, half-yearly and annual). Participation in Audit Committee meetings was a very high 100%.

The Audit Committee is tasked with monitoring the effectiveness of the internal control of Group and Solvay SA accounting, checking in particular its reliability and compliance with legal and internal accounting procedures. Its mission has been set out in an internal "Terms of Reference" document (see Annex 1).
This mission was reviewed in 2009 to integrate the requirements of the legal mission instituted by the law of December 17, 2008.

At each meeting, the Audit Committee hears reports from the Chief Financial Officer, the Head of the Group Service Internal Audit and of 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 (Mr. Christian Jourquin) 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 2011 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, Ms. Petra Mateos-Aparicio Morales, Chevalier Guy de Selliers de Moranville and Baron Hervé Coppens.
Mr. Michel Defourny is secretary to this Committee.

This Committee met four times in 2011. 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.

Mr. Nicolas Boël has been an invited guest at meetings of the Finance Committee since January 1, 2012 and will became a Member and Chairman from May 9, 2012, replacing Mr. Michielsen. Mr. Jean-Pierre Clamadieu will succeed Mr. Christian Jourquin as a member of the Finance Committee with effect from May 11, 2012 subject to his appointment as a Director of Solvay.

4.5.4. The Compensation Committee
The Compensation Committee consists of Mr. Aloïs Michielsen (Chairman), Messrs. Denis Solvay, Jean van Zeebroeck, Jean-Martin Folz and Yves-Thibault de Silguy, and, from May 10, 2011, Ms. Evelyn du Monceau. A majority of the members of this Committee have independent Director status within the meaning of the law. Mr. Christian Jourquin is invited to meetings in his capacity as Chairman of the Executive Committee, except for matters that concern him personally.
The secretary of this Committee is Mr. Daniel Broens.

This Committee met three times in 2011. Participation of the members of the Compensation Committee was very high (100%).

Directors belonging to both the Compensation Committee and the Nomination Committee do not receive double compensation, but receive a single attendance fee of EUR 2,500 per session.

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, the Executive Committee and General Management. It also gives its opinion to the Board of Directors and/or Executive Committee on the Group's main compensation policies (including stock options). It also prepares the report on compensation policy.

The Compensation Committee has the expertise necessary to perform its missions.

Mr. Nicolas Boël has been an invited guest at meetings of the Compensation Committee since January 1, 2012 and will became a Member and Chairman from May 9, 2012, replacing Mr. Michielsen. Mr. Jean-Pierre Clamadieu will succeed Mr. Christian Jourquin as an invited guest of the Compensation Committee from May 11, 2012 subject to his appointment as a Director of Solvay.

4.5.5. The Nomination Committee
The Nomination Committee consists of Mr. Aloïs Michielsen (Chairman), Messrs. Denis Solvay, Nicolas Boël, Jean van Zeebroeck, Jean-Martin

Folz, Yves-Thibault de Silguy and Ms. Evelyn du Monceau. A majority of the members of the Nomination Committee are independent non-executive Directors.
Mr. Christian Jourquin is invited to meetings in his capacity as Chairman of the Executive Committee, except for matters that concern him personally.
The secretary of this Committee is Mr. Michel Defourny.

The Committee met four times in 2011. The participation of members of the Nomination Committee was high (93%).

Directors belonging to both the Compensation Committee and the Nomination Committee do not receive double compensation, but receive a single attendance fee of EUR 2 500 per session.

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.

Mr. Jean-Martin Folz will chair this Committee upon the departure of Mr. Aloïs Michielsen. Mr. Jean-Pierre Clamadieu will succeed Mr. Christian Jourquin as an invited guest of the Nomination Committee from May 11, 2012 subject to his appointment as a Director of Solvay.

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 discussion and decisions on this subject date back to December 14, 1998. There have been no significant changes since then.

5.1.2. The Executive Committee, as a group, has been assigned the following main tasks by the Board of Directors:

- day-to-day management of the company is delegated to it;
- it ensures that the company, its subsidiaries and its affiliates are properly organized, through the choice of members of their governing bodies (Boards of Directors, etc.);
- it appoints senior managers (except to those functions where the decision lies with the Board of Directors);
- it supervises subsidiaries;
- it has delegated authority from the Board of Directors for investment and divestiture decisions (including acquisitions and sales of know-how) up to a ceiling of EUR 50 million. At each meeting, the Board of Directors is informed of and ratifies the Executive Committee's decisions and recommendations in respect of investments of between EUR 5 and 50 million for the immediately preceding period;
- it sets Group policies, except for the most important ones, which it proposes to the Board of Directors;
- it sets executives' compensation (except where the decision lies with the Board of Directors);
- it prepares and proposes to the Board of Directors, for its decision:
  – general strategies (including the effect of strategies on the budget and 5-year plan and the allocation of resources);
  – general internal organization;
  – major financial steps that have the effect of modifying the company's financial structure;
  – the creation and termination of major activities, including the corresponding entities (branches, subsidiaries, joint ventures); and
  – the company's financial statements.
- it submits to the Board of Directors all questions lying within the latter's competence, and reports to the Board on the exercise of its mission;
- it executes the decisions of the Board of Directors.

5.2. Delegation of powers

The Executive Committee operates on a collegial basis, whilst consisting of members exercising General Management functions.

The execution of Executive Committee decisions and the following up of its recommendations is delegated to the Executive Committee member (or another General Manager) in charge of the activity or of the function corresponding to the decision or recommendation.

5.3. Composition

5.3.1. Size and composition
At December 31, 2011, the Executive Committee had eight members. It should be emphasized here that Messrs. Jean-Pierre Clamadieu and Gilles Auffret joined the Executive Committee on September 8, 2011 following the acquisition of Rhodia Group, as Deputy CEO and Executive Committee member respectively.

Mr. Jourquin's term of office as Chairman of the Executive Committee will end on May 10, 2012, with Mr. Clamadieu, the Deputy CEO, succeeding Mr. Jourquin from May 11, 2012 subject to his appointment as a Director of Solvay.

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 decided by the Board of Directors on December 14, 2011 in favour of Mr. Gilles Auffret, whose mandate has been renewed for a further two-year term. This exception is 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 specialist members, generally from the Group's General Managements. Members must work full-time for the Group. Apart from the Chairman and the Deputy CEO, its members were at the end of 2011 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.

All Executive Committee members have employment contracts with the Solvay group, except for the Chairman and the Deputy CEO, who have self-employed status. The post of Chairman of the Executive Committee may not be held concurrently with that of Chairman of the Board of Directors.

5.3.4. Appointment and renewal procedure

The Chairman of the Executive Committee is appointed by the Board of Directors based on a proposal by the Chairman of the Board of Directors and with recommendations by the 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 2011. Meetings are generally held at the Company's registered office, but can also be held elsewhere at the decision of the Executive Committee Chairman. The Executive Committee sets the dates of its meetings more than a year before the start of the financial year. Additional meetings can be convened by the Chairman of the Executive Committee, who sets the agenda based, inter alia, on proposals from the General Managements.

	Year of birth	Year of 1st appointment	Term of office ends	Diplomas and main Solvay activities	Presence at meetings (as a function of date of appointment)
Mr. Christian Jourquin (B)	1948	1996	May 10, 2012	Commercial Engineering degree (Free University of Brussels), ISMP Harvard, Chairman of the Executive Committee.	20/20
Mr. Jean-Pierre Clamadieu (F)	1958	2011	2013	Engineering degree from the Ecole des Mines (Paris), Deputy CEO.	7/7
Mr. Bernard de Laguiche (F/BR)	1959	1998	2014	Commercial engineering degree – MA in economics HSG (University of St Gallen – Switzerland), Executive Committee Member in charge of Finance/ Information Systems.	20/20
Mr. Jacques van Rijckevorsel (B)	1950	2000	2013	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 Louvain), 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.	7/7

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, agendas and the dossiers containing the item-by-item information required for decision-making.
He makes sure that members receive notices and dossiers – complete whenever possible – at least five days before meetings.

The Corporate Secretary draws up the minutes of Executive Committee meetings and has them approved by the Chairman of the Executive Committee and subsequently by all members. Minutes are formally approved at the following meeting. They are not signed, but the Chairman of the Executive Committee and the Corporate Secretary may deliver certified conformed extracts.

It should be noted that the Executive Committee organized certain meetings in teleconference format, given that one member is physically located in Asia.

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 2011. The Executive Committee has not appointed any specialist Committees from among its members. For important projects, however, it does set up ad hoc working teams, led mainly by General Managers chosen on the basis of the competences required.
The Executive Committee regularly invites other employees to its discussions on specific subjects.

5.4.4. Every two years the Executive Committee, enlarged to include the other General Managers, holds an off-site meeting to discuss the Group's strategic directions. A meeting of this type was organized in 2010. This was devoted to the Horizon project to reorganize the Group, as part of the strategy to make the Group a major player in sustainable chemistry.

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 sum 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, which was developed with the help of a specialist outside consultant, is set out in an annex 2 to this document.
Given the acquisition of Rhodia in 2011 and as part of its integration into the Group, it is planned to review this policy in the course of 2012 with the aim of implementing it at the start of 2013.

6.1.2. Setting individual compensation:

a) for Directors:
(i) The June 2005 Ordinary Shareholders' Meeting decided to set Directors' pay, starting from the 2005 financial year, as follows:
– on the one hand to grant an annual gross fixed compensation of EUR 35 000 per Director and, on top of this, an attendance individual fee of EUR 2 500 gross per Board meeting attended;
– and on the other hand to confirm the Audit Committee attendance fees, namely: EUR 4 000 gross for members and EUR 6 000 gross for the Chairman;
– and, lastly, to grant attendance fees, for the Compensation Committee, the Nomination Committees and the Finance Committee, of EUR 2 500 gross

per member 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; – but with the specification that 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) The Board of Directors has made use of the authorization conferred on it by article 27 of the bylaws to grant an additional fixed compensation of EUR 238 201 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 446 755 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 mandate as Chairman of the Board.

(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 Committee is set as a global gross amount. This includes not only the gross compensation earned at Solvay SA, but also amounts deriving, 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, and which remained valid for the 2011 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.

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 opposite)

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 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 that are financially comparable with those applicable, leaving aside any contributions, to his Executive Committee colleagues related to the Pension Regulations for executives in Belgium.

Given that he is aged over 60, any early departure of the Chairman of the Executive Committee would be deemed retirement. This means that no severance indemnity would be owed to him. The Chairman of the Executive Committee would be 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 opposite)

Variable compensation consists of an annual incentive based on the performance of the Solvay group (ROE) and on each Executive Committee member's performance against individual objectives (for further details see the table on page 207). In 2010, the Board did not made 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. The variable compensation of Messrs. Clamadieu

GROSS COMPENSATION AND OTHER BENEFITS GRANTED TO DIRECTORS				
Compensation		2010		2011
	Gross amount	Including Board of Directors and Committees attendance fees	Gross amount	Including Board of Directors and Committees attendance fees
A. Michielsen				
– Fixed emoluments + attendance fees	50 000.04	15 000.00	55 000.04	20 000.00
– "Article 27" supplement	231 218.28		238 201.07	
– Compensation for complementary pension rights	433 658.74		446 755.23	
N. Boël	57 500.04	22 500.00	62 500.04	27 500.00
D. Solvay	52 500.04	17 500.00	65 000.04	30 000.00
C. Jourquin	50 000.04	15 000.00	55 000.04	20 000.00
J-M. Solvay	50 000.04	15 000.00	55 000.04	20 000.00
G. de Selliers	76 000.04	41 000.00	81 000.04	46 000.00
Wh. Sadler	12 607.54			
J. van Zeebroeck	57 500.04	22 500.00	65 000.04	30 000.00
J-M. Folz	55 000.04	20 000.00	62 500.04	27 500.00
B. de Laguiche	50 000.04	15 000.00	55 000.04	20 000.00
B. Scheuble	74 000.04	39 000.00	79 000.04	44 000.00
A. Van Rossum	63 500.04	28 500.00	66 000.04	31 000.00
C. Casimir-Lambert	66 000.04	31 000.00	71 000.04	36 000.00
H. Coppens d'Eeckenbrugge	50 000.04	15 000.00	65 000.04	30 000.00
Ms. P. Mateos-Aparicio Morales	60 000.04	25 000.00	65 000.04	30 000.00
Ms. E. du Monceau	32 392.50	10 000.00	65 000.04	30 000.00
Y-T. de Silguy	32 392.50	10 000.00	60 000.04	25 000.00
	1 554 270.12	**342 000.00**	**1 711 956.94**	**467 000.00**

Compensation and other benefits granted to the Chairman of the Executive Committee	2010	2011
Base compensation	776 804	776 804
Variable compensation	926 625	955 469
Pension and death-in-service and disability coverage (costs paid or provided for)	250 000	229 481
Other compensation components[3]	15 676	22 402

Compensation and other benefits granted to the other members of the Executive Committee[2]	2010	2011
Base compensation	2 278 519	2 648 581
Variable compensation	1 699 342	1 704 062
Pension and death-in-service and disability coverage (costs paid or provided for)	398 109	643 573
Other compensation components[3]	85 597	87 884

and Auffret for 2011 was set under the rules in force at Rhodia and as a function of their objectives.

The law (Art. 520ter 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.

1. Company vehicles.
2. These amounts include the compensation of Messrs. Clamadieu and Auffret since October 1, 2011, following their appointment to the Solvay Executive Committee on September 8, 2011.
3. Representation allowance, luncheon vouchers, company car, housing allowance,...

Given the significant changes under way in terms of organizational and business scope, the Board has asked the Shareholders' Meeting and received its authorization to continue the current system for 2011 and 2012, given that the current system is already based on predetermined and objectively measurable performance criteria. The policy review in the course of 2012 will reflect the legal requirements in this area.

Executive Committee members receive stock options as explained below. They do not, however, receive shares as part of their compensation packages.

Executive Committee members' 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 December 2011, the Board of Directors allotted, on the proposal of the Compensation Committee, stock options to around 200 senior Group managers. The exercise price amounts to EUR 65.71 per option, with a three-year vesting period. Executive Committee members together were granted 109 000 options in 2011, compared with 106 000 in 2010.
The stock option plans, which are not currently considered as part of variable compensation, will be included in the compensation policy review to be held in 2012.

6.7. The 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

Stock options allotted in 2011 to Executive Committee members

Country	Name	Function	Number of options
Belgium	Jourquin Christian	Chairman of the Executive Committee	25 000
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
TOTAL			**109 000**

Stock options held in 2011 by Executive Committee members

Country	Name	Options held at 31/12/10	granted in 12/2011	exercised in 2011	expired in 2011	31/12/11		
						held	exercisable	non exercisable
Belgium	Jourquin Christian	155 000	25 000	0	0	180 000	105 000	75 000
Belgium	de Laguiche Bernard	108 000	20 000	0	0	128 000	70 000	58 000
Belgium	van Rijckevorsel Jacques	105 000	18 000	8 000	0	115 000	61 000	54 000
Belgium	De Cuyper Vincent	77 000	17 000	3 000	0	91 000	44 000	47 000
Belgium	Mesland Jean-Michel	58 000	14 000	3 000	0	69 000	28 000	41 000
Thailand	Kearns Roger	54 400	15 000	2 600	0	66 800	24 800	42 000
TOTAL		**557 400**	**109 000**	**16 600**	**0**	**649 800**	**332 800**	**317 000**

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.

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 is invited once a month to join the Executive Committee meeting during its discussion of the most important items on which proposals will be made to the Board of Directors;
- the Chairman of the Board calls on the people necessary to him in the exercise of his functions, making sure to inform the Chairman of the Executive Committee and the members of the Board of Directors of the same;
- the Chairman of the Executive Committee (along with the Finance Manager, a member of the Executive Committee), is also a member of the Board of Directors, where he presents the Executive Committee's proposals.

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, the management controls, the 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 which is 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 the Corporate Governance Statement.
More detailed information on this point is available in the 2011 Annual Report.

2. The risk management process

Taking calculated risks in 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 which are potentially significant for the activities of the Group, the Company has set up risk management systems.

Risk management is integrated in the 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 the 2011 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 prevent 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. The management control activities (1st level control)

The 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 (production process), 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 directly from the integrated IT systems (ERP). 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 which are managed centrally and integrated, where appropriate, in the Shared Services Centers, and by application of uniform procedures.

4. The internal control supervision (2nd 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 controls in the financial, IT, and HR areas. In particular, it ensures that:

- Risks, including fraud, are identified and managed;
- Operational, management and financial (material) information is reliable;
- The actions of the employees are in line with the Group's policies, standards and procedures, as well as with the decisions of the management;
- The resources are obtained economically, used efficiently, and protected properly.

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 respected 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 same 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 reasons.

The Ordinary Shareholders' Meeting of May 2010 proceeded to appoint the international audit company Deloitte, represented by Mr. Eric Nys, as Effective Auditor and to appoint the international audit company Deloitte, represented by Mr. Franck Verhaegen as Alternate Auditor. These two mandates expire at the end of the 2013 Ordinary Shareholders' Meeting.

The same Shareholders' Meeting also set the yearly emoluments for the Effective Auditor, covering the statutory audits, the consolidated accounts and IFRS reporting, at EUR 354 818 for 2010, EUR 351 270 for 2011 and EUR 351 270 for 2012. As from fiscal year 2011 these amounts will be inflation adjusted (consumer price index from December to December).

Deloitte received EUR 2 888 000 in supplementary fees in 2011. Over 70% of this amount was linked to the acquisition of Rhodia.
For the entire consolidated Group, the fees received by Deloitte break down as follows:
- fees for auditing the financial statements: EUR 3 795 000
- other audit and miscellaneous services: EUR 1 740 000
- special mission and tax advice: EUR 1 148 000.

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.
The Solvay Code of Conduct is based on its Values that serve as a reference framework for the Group's decisions and actions:
- Ethical behavior;
- Respect for people;
- Customer care;
- Empowerment;
- Teamwork.

These Values need to be respected and applied constantly and consistently.

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 this Code, the Group will continue to promote a rich and balanced social dialogue between senior management and social partners.

The Solvay group takes various measures to ensure that this Code is applied, including targeted training programs, in order to minimize the danger of violation and with provision for clear sanctions where necessary.

The Group Functions "Legal and Compliance" contribute to or enhance the compliance culture. They are under the authority of the Group General Counsel. The Group Service "Ethics and Compliance" has the more specific objective of strengthening a culture based on ethics and on compliance with the Solvay Values and Code of Conduct. It consists of "Compliance Officers" who are present in the four regions. 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 possibility, in every region, 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, our 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 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 in the businesses section of this Annual Report.

13. Relations with shareholders and investors

13.1. Performance of the Solvay share

The Solvay share is listed on NYSE Euronext Brussels. It was also admitted to trading on NYSE Euronext Paris on January 23, 2012. On December 31, 2011, its price was EUR 63.7, as against EUR 79.8 at the end of 2010. During 2011, the average price was EUR 84.5 and the highest price was EUR 111.6 (July 7, 2011).

Average daily trading volume as reported by Euronext was 247 000 shares in 2011, compared with 182 000 shares in 2010.

The evolution of the Solvay share in 2011 compared with market indexes is shown opposite.

13.2. Active financial communication

Throughout the year the Investor Relations Team is ready to meet individual and institutional shareholders and investors, as well as analysts, to answer their questions and to explain to them short- and long-term developments at the Group, with appropriate regard for the equal treatment of all shareholders.

The Group's communication policy is to disseminate, as soon as reasonably possible, information that is of material interest for the market in the form of press releases and/or press conferences.

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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. Shareholder Clubs and individual investors

For many years the Group has maintained very close relations with clubs of individual investors both by taking part in fairs and conferences and by providing regular information on the life of the Group (press releases, the annual report, etc.) on request.

In 2011, the Solvay group actively continued its meetings with individual investors.

By way of example:

- In March 2011, Mr. Christian Jourquin's Meeting with readers of the Belgian magazine CASH was attended by nearly 200 persons, including members of investment clubs such as Investa and VFB (Flemish Association of Investors and Investors' Clubs).
- In April 2011, Solvay took part in the "Investors' Event", which is organized by the VFB, and attended every year by more than 1 000 participants.
- In May 2011, Solvay's participation in the 'Action Day' organized by the Belgian magazine CASH offered a further opportunity to meet individual shareholders.

13.4. Roadshows and meetings for professionals

Roadshows and meetings with senior Group managers are organized regularly for international professionals (analysts, portfolio managers, press, etc.).

In 2011, over 500 contacts were established at meetings and events organized in Europe (Brussels, London, Paris, Frankfurt, Geneva, Zurich, Milan, etc.), the United States and Canada.

Conference telephone calls with management are also systematically organized, every quarter, to comment on Group results.

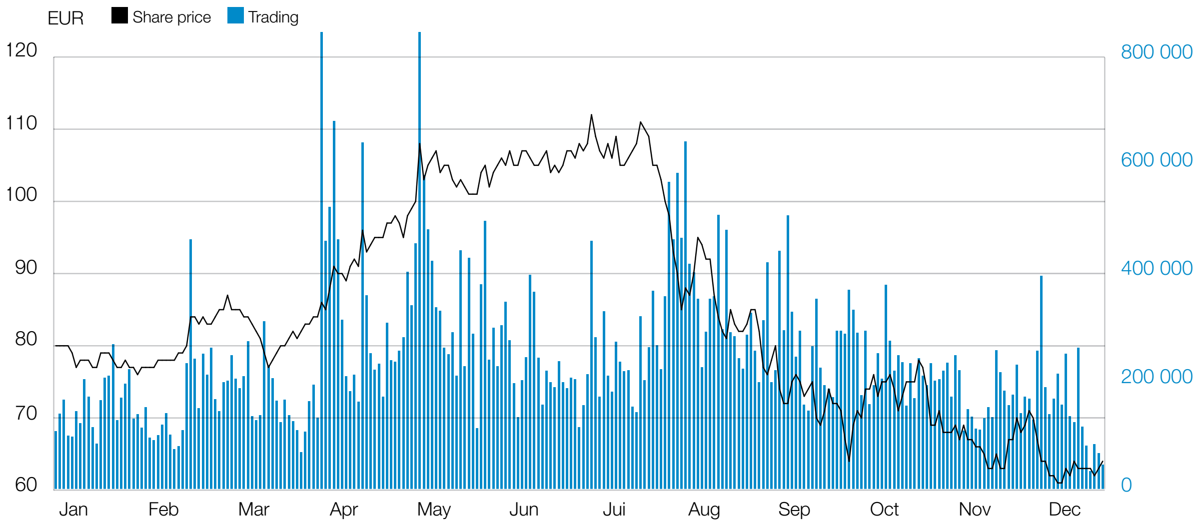
13.5. A specific internet site

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 also provides useful contacts with specialist analysts who closely track the Group.

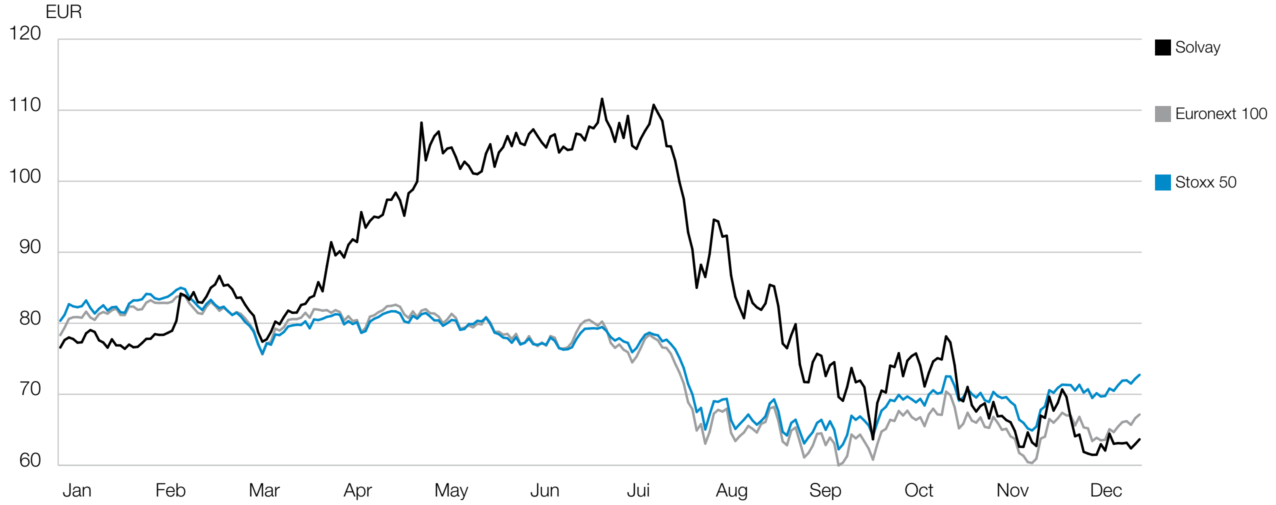
The internet site also offers a way to join a Shareholders' and Investors' Club in order to receive e-mail notification in three languages (French, Dutch, English) of the publication of information of various kinds: agendas of certain meetings, including the annual Shareholders' Meeting, draft wording of by-law amendments, special reports of the Board of Directors, publication of the annual report, unconsolidated parent company accounts, payment of dividends, etc.

The site was fully updated in early 2011, out of a concern to offer even easier and more user friendly access to the wealth of information contained on it.

Solvay share prices and trading volumes: 01/01/2011 to 31/12/2011



The Solvay share compared with the indexes (2011)



13.6. Quarterly earnings publication

Out of a desire to provide ever more finely tuned and regular communication, the Group began in 2003 to publish quarterly results in accordance with International Financial Reporting Standards (IFRS).

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 required standards. The Audit Committee ensures that these systems meet legal requirements.

e) In respect of the internal audit, the Audit Committee verifies the scope/programs/results of the work of the internal audit department and makes sure that the internal audit organization has the necessary resources.
The Audit Committee checks that internal audit recommendations are properly followed up.

f) The Audit Committee 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, the foreign exchange risk, major legal disputes, environmental questions, product liability issues, etc. During such examination, the Audit Committee examines the procedures in place to identify these major risks and to quantify their potential impact on the Group and the way the control systems work.

5. Minutes

As a 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

In general

This compensation policy applies to Solvay's General Managers, including the CEO and the members of the Executive Committee. General Managers' compensation is set by the Board of Directors based on the recommendations of the Compensation Committee.
The guiding principles of Solvay's compensation policy for its General Managers can be summarized as follows:

- to ensure overall competitive compensation opportunities that will enable Solvay to attract, retain, motivate and reward executives of the highest caliber essential to the successful leadership and effective management of a global chemicals company;
- to focus executives' attention on critical success factors for the business that are aligned with the company's interests in the short, medium and long term;
- to encourage executives to act as members of a strong management team, sharing in the overall success of the Group, while still assuming individual roles and responsibilities;
- to maintain and further strengthen the performance culture of the Group by linking compensation directly to the fulfillment of demanding individual and collective performance targets.

The composition and level of the General Managers' total compensation (fixed and variable) is reviewed annually.

Compensation reflects overall responsibility as well as individual experience and performance. It takes into account relevant competitive practice considering the nature and level of the position as well as specific characteristics of the business sectors in which Solvay operates. Other factors that are deemed relevant, such as fairness and balance within the company, are also taken into consideration.

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 will be reviewed on a periodic basis to assure that it continues to reflect the company's strategic orientation.

For executives with a non-European home country and who are based outside Europe, the home country practice (ideally weighted towards the chemicals sectors) 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.

Elements of compensation

The compensation of the General Managers comprises base salary, annual incentives (i.e. performance bonuses) and long-term incentives, which constitute the General Managers' total direct compensation. General Managers also enjoy other benefits such as, essentially, retirement, death-in-service, disability and medical benefits.
Target performance-based and, hence, variable pay represents at a minimum close to 50% of the General Managers' total direct compensation.

Base salary

Base salary is reviewed – but not necessarily changed – on an annual basis. This review assesses current levels against median levels of the reference market taking into account the responsibilities and scope of the position of the General Manager, as well as individual competencies, relevant professional experience, potential for future development and sustained performance over time.

Annual incentives

The incentive levels are related to the full achievement of all pre-set performance objectives and range from 50% to 100% of the base salary depending upon position.
These percentages have been determined taking into consideration median target bonus levels observed in the chosen reference market and Solvay's policy regarding the target compensation mix and competitive positioning.

Generally speaking, Solvay aims to offer, on average, base salary plus annual incentive opportunities close to the median levels observed in the reference market.

The actual annual bonus amount varies according to the performance of the Solvay group, its various sectors and the individual General Managers' performances. The actual bonus ranges from zero in the case of poor performance up to 150% of the amount corresponding to normal performance in case of outstanding achievement.

The overall business performance is measured in terms of ROE (return on equity of the past year); the individual performance is measured against a set of predetermined region/business sector/function goals as well as other executive-specific critical objectives approved by the Board of Directors.

Long-term incentives

The long-term incentive is delivered through periodic grants of stock options.

Each year, the Board of Directors, upon the recommendation of the Compensation Committee, sets the number of stock options that are granted respectively to the Chairman of the Executive Committee, the members of the Executive Committee and the other General Managers.
In determining the actual number of options to be granted to each group of General Managers, the Board is guided by prevailing long-term incentive levels and practices in the reference market.

The 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 expire eight years after the date of grant.
They vest as from the first day of the year following the third anniversary of the grant and can be exercised during specified "open periods".

Other benefits

The General Managers are entitled to retirement, death-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. The chosen reference market is, as a rule, a blend of some 20 leading Belgian companies and Belgian subsidiaries of foreign-owned organizations generally considered as attractive employers by national and international executive talent and for which the representative benefit practices can be regarded as sufficiently in line with prevailing European standards at executive level.

Annual and long-term incentive levels

			Chairman of the Executive Committee	Members of the Executive Committee	Other General Managers
ROE	Actual performance	ROE levels	AS % OF FIX	as % of FIX	as % of FIX
	Below threshold	< 4%	0%	0%	0%
	At threshold	4% to < 8%	15%	9%	8%
		8% to < 10%	30%	18%	15%
	Intermediate (low)	10% to < 12%	40%	24%	20%
	On target	**12% to < 14%**	**50%**	**30%**	**25%**
	Intermediate (high)	14% to < 16%	60%	36%	30%
	Outstanding	16% to < 18%	70%	42%	35%
	Exceptional	>= 18%	At Board discretion	At Board discretion	At Board discretion
INDIVIDUAL BONUS		Bonus level	as % of FIX	as % of FIX	as % of FIX
		Below	0%	0%	0%
		Target	**50%**	**30%**	**25%**
		Outstanding	75%	45%	37,5%
			At Board discretion	At Board discretion	At Board discretion
INDIVIDUAL BONUS + ROE	At target, ROE and individual bonus represent 50/50.		as % of FIX	as % of FIX	as % of FIX
			0%	0%	0%
			100%	**60%**	**50%**
			145%	87%	72,5%
STOCK OPTIONS	If a stock option plan is agreed by the Board of Directors		Stock options	Stock options	Stock options
		-20%	32 000	12 000	4 000
		Target	**40 000**	**15 000**	**5 000**
		+20%	48 000	18 000	6 000

General Glossary

ABIQUIM: Brazilian Chemical Industry Association
ANSAC: American Natural Soda Ash Corporation
Ba/Sr: Barium/Strontium
BAT: Best available techniques
CEO: Chief Executive Officer
CER: Certified Emission Reductions
CLM: Change Leadership Model
CNRS: Centre National de la Recherche Scientifique
CSR: Corporate Social Responsability
EBRD: European Bank for Reconstruction and Development
ENS: Ecole Normale Supérieure
ERU: Emission Reduction Units
FSSC: Food Safety System Certification
FKM: Fluoroelastomers
GBU: Global Business Unit
HSE: Health, Safety and Environment
ICCA: International Council of Chemical Associations
JV: Joint venture
MEA: Membrane Electrode Assembly
MRU: Mixed Research Units
MW: Megawatt
NBD: New Business Development
OLED: Organic Light Emitting Diodes
OPV: Organic photovoltaics
OTFT: Organic thin-film transistors
PCC: Precipitated calcium carbonate
PVC: Polyvinyl chloride
PVDF: Polyvinylidene fluoride
R&D: Research and Development
REACH: Registration, Evaluation and Authorization of Chemicals
RCMS: Rhodia Care Management System
SBU: Strategic Business Unit
SDS: Safety data sheet
SPM: Sustainable Portfolio Management
UNESCO: United Nations Educational, Scientific and Cultural Organization

ABAF: Belgian Financial Analysts Association (Association Belge des Analystes Financiers)
Added value: personnel expenses + total amortizations and depreciations + total taxes + net result
Cash flow: Net income plus total depreciation, amortization, impairments and other write-downs
Corporate & Business Support: Non-allocated items, after larger direct allocations from 2007 onwards
Dividend yield (net): Net dividend divided by the closing share price on 31 December
Dividend yield (gross): Gross dividend divided by the closing share price on 31 December
Earnings per share: Net income (Solvay's share) divided by the weighted average number of shares, after deducting own shares purchased to cover stock option programs
Earnings per share (excluding discontinued operations): As earnings per share but excluding discontinued operations from the net income figure (Solvay's share)
Earnings per share (diluted): Net income (Solvay's share) divided by the weighted average number of shares, after deducting treasury shares purchased to cover stock option programs, and adding back other potential sources of dilution (outstanding options, etc)
Earnings per share (diluted, excluding discontinued operations): As diluted earnings per share, but excluding discontinued operations from net income (Solvay share)
EBIT: Earnings before interests and taxes
Equity (per share): Equity divided by the average number of shares for calculating IFRS results. The same denominator is used in calculating cash flow and REBITDA per share
Free cash flow: Cash flow from operating activities + cash flow from investing activities, excluding acquisitions and sales of subsidiaries and other investments + dividends from associates and JVs.
IFRS: International Financial Reporting Standards
OCI: Other Comprehensive Income
REBIT: Operating result, *ie* EBIT before non-recurrent items
REBITDA: REBIT, before depreciation and amortization
ROE: Return on equity
Velocity: Total number of shares traded during the year divided by the total number of listed shares, using the Euronext definition
Velocity adjusted by free float: Velocity adjusted as a function of the percentage of the listed shares held by the public, using the Euronext definition

Notes

Notes

Shareholder's Diary

April 24, 2012:
Capital Markets Day
May 7, 2012:
Announcement of 1st quarter 2012 results (at 18:00)
May 8, 2012:
Annual Shareholders' Meeting (at 10:30)
May 15, 2012:
Payment of the balance of the 2011 dividend (coupon no. 90). Trading ex-dividend as from May 10, 2012
July 27, 2012:
Announcement of the 2nd quarter and six months 2012 results (at 07:30)
October 25, 2012:
Announcement of the 3rd quarter and nine months 2012 results and the interim dividend for 2012 (payable in January 2013, coupon no. 91) (at 07:30)
February 14, 2013:
Announcement of full year 2012 results (at 07:30)

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