SOLVAY FINANCE

(a société anonyme incorporated in France)

Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC5.5 Bonds (the "Perp-NC5.5 Bonds")
Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC8.5 Bonds (the "Perp-NC8.5 Bonds")
Irrevocably guaranteed on a subordinated basis by
SOLVAY SA

(a société anonyme incorporated in Belgium)

Issue Price for the Perp-NC5.5 Bonds: 100 per cent.
Issue Price for the Perp-NC8.5 Bonds: 100 per cent.

This document constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC as amended (the "**Prospectus Directive**") and the Luxembourg law of 10 July 2005, as amended by the Luxembourg law of 3 July 2012 implementing the Prospectus Directive (the "**Luxembourg Prospectus Law**"). This prospectus contains information relating to the issue by Solvay Finance (the "**Issuer**") of the Perp-NC5.5 Bonds and the Perp-NC8.5 Bonds (each a "**Series**", and together, the "**Bonds**") irrevocably guaranteed on a subordinated basis by Solvay SA (the "**Guarantor**") and must be read in conjunction with the documents incorporated by reference herein. Together, this prospectus and the information incorporated by reference herein constitute a prospectus (the "**Prospectus**") in connection with the issue of the Bonds, prepared for the purposes of Article 5.1 of the Prospectus Directive and Article 8.1 of the Luxembourg Prospectus Law. The net proceeds of the Bonds will be used to finance the proposed acquisition of Cytec Industries Inc. by the Guarantor (the "**Acquisition**") and for general corporate purposes of the Group (as defined below).

The Bonds will be issued outside the Republic of France. The Perp-NC5.5 Bonds will bear interest (i) at the fixed rate of 5.118 per cent. *per annum* from (and including) December 2, 2015 (the "**Issue Date**") to (but excluding) June 2, 2021, payable annually in arrear on June 2 in each year and (ii) thereafter at a rate equal to the mid swap rate for 5-Year Euro Mid Swaps plus the relevant Margin payable annually. The Perp-NC8.5 Bonds will bear interest (i) at the fixed rate of 5.869 per cent. *per annum* from (and including) the Issue Date to (but excluding) June 3, 2024, payable annually in arrear on June 3 in each year and (ii) thereafter at a rate equal to the mid swap rate for 5-Year Euro Mid Swaps plus the relevant Margin payable annually. The Prevailing Rate may under certain circumstances be increased in case the Shareholder Approval Requirement is not satisfied or following a Change of Control Call Event (each such term as defined in "*Terms and Condition of the Perp-NC5.5 Bonds — Definitions*" and "*Terms and Conditions of the Perp-NC8.5 Bonds — Definitions*").

The Issuer may, at its option, elect not to pay interest in respect of the Bonds, in which case any such interest shall be deferred and constitute "**Outstanding Amounts**". Outstanding Amounts will bear interest at the rate of interest then applicable to the Bonds. Outstanding Amounts and interest accrued thereon shall be payable upon the occurrence of an Outstanding Amount Payment Event (as such term is defined in "*Terms and Conditions of the Perp-NC5.5 Bonds — Definitions*" and "*Terms and Conditions of the Perp-NC8.5 Bonds — Definitions*", as applicable) or if the Issuer so decides.

The principal and interest on the Bonds constitute direct, unconditional, unsecured and deeply subordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Parity Securities of the Issuer, but shall be subordinated to *prêts participatifs* granted to the Issuer, to Ordinary Subordinated Obligations and to Unsubordinated Obligations of, or issued by, the Issuer (as all such terms are defined in "*Terms and Conditions of the Perp-NC5.5 Bonds — Definitions*" and "*Terms and Conditions of the Perp-NC8.5 Bonds — Definitions*", as applicable). The Bonds will be guaranteed by the Guarantor (the "**Subordinated Guarantee**"). The Guarantor's obligations under the Subordinated Guarantee shall constitute direct, unsecured and subordinated obligations of the Guarantor and shall rank *pari passu* among themselves and *pari passu* with all other present and future Parity Securities of the Guarantor but shall be subordinated to the Ordinary Subordinated Obligations and the Unsubordinated Obligations of or issued by the Guarantor.

The Bonds may be redeemed (in whole but not in part) on the First Call Date, the Second Reset Date and on any Interest Payment Date thereafter (each as such terms are defined in "*Terms and Conditions of the Perp-NC5.5 Bonds — Definitions*" and "*Terms and Conditions of the Perp-NC8.5 Bonds — Definitions*", as applicable), at the option of the Issuer. The Issuer will also have the right (and in certain circumstances the obligation) to redeem the Bonds (in whole but not in part) for certain tax reasons, upon the liquidation or insolvency of the Issuer, upon an Accounting Event, upon an Acquisition Event, upon a Change of Control Call Event or upon a Rating Methodology Event (each as such terms are defined in "*Terms and Conditions of the Perp-NC5.5 Bonds — Definitions*" and "*Terms and Conditions of the Perp-NC8.5 Bonds — Definitions*").

Application has been made to the *Commission de Surveillance du Secteur Financier in Luxembourg* (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of the Prospectus Directive and the Luxembourg Prospectus Law for the approval of this Prospectus as a Prospectus for the purposes of Article 5.3 of the Prospectus Directive and the Luxembourg Prospectus Law. The CSSF assumes no responsibility as to the economic and financial soundness of the transaction contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Luxembourg Prospectus Law.

Application has been made to the Luxembourg Stock Exchange for the Bonds to be listed and admitted to trading on the Luxembourg Stock Exchange's Regulated Market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's Regulated Market is a regulated market for the purposes of the Market and Financial Instruments Directive 2004/39/EC (the "**Regulated Market**"). References in this document to the Luxembourg Stock Exchange (the "**Luxembourg Stock Exchange**") and all related references shall include the Regulated Market.

The Bonds will be in bearer form and in the denomination of Euro 100,000 each and integral multiples of Euro 1,000 in excess thereof. The Bonds will initially be in the form of a temporary global bond (the "**Temporary Global Bond**"), without interest coupons, which will be deposited on or around the Issue Date with a common depositary for Euroclear Bank, S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). The Temporary Global Bond will be exchangeable, in whole or in part, for interests in a permanent global bond (the "**Permanent Global Bond**"), without interest coupons, not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership. The Permanent Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for Bonds in definitive form in the denomination of Euro 100,000 each and with interest coupons attached. So long as the Bonds are represented by a Temporary Global Bond or a Permanent Global Bond and the relevant clearing system(s) so permit, the Bonds will be tradeable only in the minimum authorized denomination of Euro 100,000 and higher integral multiples of Euro 1,000, notwithstanding that no Definitive Bonds will be issued with a denomination above Euro 199,000. See "*Overview of Provisions Relating to the Bonds in Global Form*".

The Bonds are expected to be assigned a rating of Ba1 (Neg) by Moody's Investors Service Ltd. ("**Moody's**") and a rating of BBB-(CW Neg) by Standard & Poor's Credit Market Services Europe Ltd. ("**S&P**"). Each of Moody's and S&P is established in the European Union and registered under Regulation (EU) No 1060/2009 (as amended). Moody's and S&P are displayed on the latest update of the list of registered credit rating agencies on the ESMA website (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Prospectus dated November 30, 2015

Structuring Advisors

Credit Suisse **MORGAN STANLEY**

Joint Global Coordinators

Credit Suisse **HSBC**

MORGAN STANLEY

Joint Bookrunners

BNP PARIBAS **COMMERZBANK**
Credit Suisse **HSBC**
ING **MORGAN STANLEY**

IMPORTANT INFORMATION

This Prospectus has been prepared for the purpose of giving information with regard to the Issuer, the Guarantor and the Bonds which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position and profit and losses of the Issuer and the Guarantor.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

The delivery of this Prospectus at any time does not imply that any information contained herein is correct at any time subsequent to the date hereof.

The Issuer has confirmed to the Managers named under Section "*Subscription and Sale*" below (the "**Managers**") that this Prospectus and the documents incorporated by reference herein contain all information regarding the Issuer, the Guarantor and the Bonds which is (in the context of the issue of the Bonds) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer or the Guarantor are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

Neither the Issuer nor the Guarantor has authorized the making or provision of any representation or information regarding the Issuer, the Guarantor or the Bonds other than as contained in this Prospectus or as approved for such purpose by the Issuer or the Guarantor. Any such representation or information should not be relied upon as having been authorized by the Issuer, the Guarantor or the Managers.

Neither the Managers nor any of their respective affiliates have authorized the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bond shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

This Prospectus does not constitute an offer of Bonds, and may not be used for the purposes of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized, or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Bonds or the distribution of this Prospectus in any jurisdiction where any such action is required except as specified herein.

Neither this Prospectus nor any other information supplied in connection with the offering of the Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor or any of the Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Bonds constitutes an offer or invitation by or on behalf of the Issuer or any of the Managers to any person to subscribe for or to purchase any Bonds.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Bonds shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. The Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should subscribe for or consult its own advisers as to legal, tax, financial, credit and related aspects of an investment in the relevant Bonds. None of the Managers undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Managers.

The Bonds may not be a suitable investment for all investors. Each potential investor in the relevant Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Bonds, how the relevant Bonds will perform under changing conditions, the resulting effects on the value of the relevant Bonds and the impact the relevant Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Bonds;
- understand thoroughly the terms of the relevant Bonds and be familiar with the behavior of the relevant financial markets and of any financial variable which might have an impact on the return on the relevant Bonds; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments and such instruments may be purchased by potential investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Bonds.

The distribution of this Prospectus and the offering, sale and delivery of Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Bonds and on distribution of this Prospectus and other offering material relating to the Bonds, see "*Subscription and Sale*".

The Bonds and the Subordinated Guarantee have not been and will not be registered under the United Securities Act of 1933, as amended (the "**Securities Act**") and the Bonds are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds and the Subordinated Guarantee may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).

A further description of the restrictions on offers and sales of the Bonds in the United States or to, or for the benefit of, U.S. persons, and in certain other jurisdictions, is set forth below under "*Subscription and Sale*".

In connection with the issue of the Bonds, Credit Suisse Securities (Europe) Limited (the "Stabilizing Manager") (or persons acting on behalf of the Stabilizing Manager) may over allot Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager (or persons acting on behalf of the Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilization action or over-allotment shall be conducted in accordance with all applicable laws and rules.

GENERAL INFORMATION

In this Prospectus references to:

"**Solvay**", the "**Solvay Group**" or the "**Group**" are to Solvay or to Solvay and the group of companies owned and/or controlled by Solvay (including Cytec following the closing of the Acquisition), as the context requires.

"**Cytec**" are to Cytec Industries, Inc. or to Cytec Industries, Inc. and the group of companies owned and/or controlled by Cytec Industries, Inc. as the context requires.

A "Global Business Unit" or a "**GBU**" are to one of the various independently run and operating businesses lines or business units of Solvay.

Certain other terms used in this Prospectus are defined in Annex B "*Glossary*".

All references in this Prospectus to (i) "euro" or "€" are to the common currency of the European Union, (ii) "U.S. dollar", "$", "USD" or "US$" are to the currency of the United States, (iii) "RMB" are to the currency of China, (iv) "CAD" are to the currency of Canada, (v) "real" are to the currency of Brazil and (vi) "GBP" (pounds sterling) are to the currency of the United Kingdom.

PRESENTATION OF FINANCIAL INFORMATION

The historical financial information of the Issuer presented in this Prospectus as of December 31, 2014, 2013 and 2012 and for the years ended December 31, 2014, 2013 and 2012 has been derived from the Issuer's audited unconsolidated financial statements, which were prepared in accordance with French GAAP. The historical financial information presented in this Prospectus as of June 30, 2015, has been derived from the Issuer's unaudited unconsolidated interim financial statements, which were prepared in accordance with French GAAP.

Historical Solvay Financial Information

The historical financial information with respect to Solvay presented in this Prospectus for the years ended December 31, 2014, 2013 and 2012 has been derived from Solvay's audited consolidated financial statements, which were prepared in accordance with IFRS, as adopted by the European Union ("**IFRS**"). The historical financial information with respect to Solvay presented in this Prospectus as of and for the nine months ended September 30, 2015 and 2014, has been derived from Solvay's unaudited consolidated interim financial statements, which were prepared in accordance with IFRS.

Unaudited Pro Forma Consolidated Financial Information

The unaudited pro forma consolidated financial information presented in Section "*Unaudited Pro Forma Consolidated Financial Information*," is based on (i) Solvay's consolidated income statement for the year ended December 31, 2014 included in its audited consolidated financial statements prepared in accordance with IFRS, (ii) Solvay's consolidated income statement and statement of financial position as of and for the nine months ended September 30, 2015 included in its unaudited consolidated interim financial statements prepared in accordance with IFRS, (iii) Cytec's consolidated income statement for the year ended December 31, 2014 included in Cytec's audited consolidated financial statements prepared in accordance with U.S. GAAP and (iv) Cytec's consolidated income statement and balance sheet as of and for the nine months ended September 30, 2015 included in Cytec's unaudited condensed consolidated financial statements prepared in accordance with U.S. GAAP. In particular the unaudited pro forma consolidated financial information assumes that the Financing (as defined herein) has taken place on January 1, 2014 with respect to the unaudited pro forma consolidated income statements, and as of September 30, 2015 with respect to the unaudited pro forma consolidated statement of financial position.

The unaudited pro forma consolidated financial information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities and Exchange Act of 1934. Neither the adjustments nor the resulting pro forma financial information have been audited. In evaluating the unaudited pro forma consolidated financial information, investors should carefully consider the consolidated financial statements included elsewhere in this Prospectus.

The unaudited pro forma consolidated financial information is based upon available information and assumptions that Solvay believes are reasonable but are not necessarily indicative of the results that would have actually been achieved if the Acquisition and the Financing had been completed on the dates indicated, or indicative of the results that may be achieved in the future. The unaudited pro forma consolidated financial information is provided for information purposes only.

Non-IFRS Financial Measures

For its analysis and financial communications, Solvay uses the following non-IFRS measures: recurring earnings before interest expense, taxes, depreciation and amortization (REBITDA), Free Cash Flow, Net Debt, Adjusted Net Income and Cash Flow return on investment (CFROI). Solvay believes that these measurements are useful tools for analyzing and explaining changes and trends in its historical results of operations, as they allow performance to be compared on a consistent basis. Solvay also believes that some of these measures are frequently used by securities analysts. However, they are not subject to audit and are not IFRS measures. These measures do not have a standardized meaning prescribed by IFRS and, in part due to the lack of such a standardized meaning, have limitations as analytical tools. Prospective purchasers should not consider them in isolation from, or as substitutes for, Solvay's results of operations and financial condition under IFRS. As there is no standardized meaning for such measures under IFRS, the methods of calculating such measures used by Solvay may differ from the calculation of similarly named measurements by other companies. A reconciliation of each of these performance measure to the nearest IFRS measure can be found in Section "*Operating and Financial Review*."

REBITDA

REBITDA is a key performance indicator monitored by management to gauge income statement performance of continuing operations. It is a non-IFRS measure, that can be reconciled to IFRS earnings before interest expense and taxes (EBIT) and is used by management to monitor segment performance and to allocate resources.

- REBITDA consists of EBIT, as presented in the income statement, excluding:
  - (i) depreciation and amortization charges;
  - (ii) non-recurring items, as defined below, including non-recurring items from equity-method consolidated companies;
  - (iii) M&A-related income and expenses, including, but not limited to, the purchase price allocation amortization related to the Rhodia acquisition; and
  - (iv) major financing-related income and expenses from equity-method consolidated companies, such as RusVinyl.
- Non-recurring items mainly include:
  - (i) gains and losses on the sale of subsidiaries and Solvay's interest in joint operations, joint ventures, and associates that do not qualify as discontinued operations;
  - (ii) acquisition costs of new businesses;
  - (iii) gains and losses on the sale of real estate not directly linked to an operating activity;
  - (iv) major restructuring charges;
  - (v) impairment losses resulting from the shutdown of an activity or a plant;
  - (vi) impairment losses resulting from testing cash generating units ("**CGUs**") for impairment (which may include impairment of tangible assets, intangible assets and allocated goodwill, if any);
  - (vii) the impact of significant litigation; and
  - (viii) remediation costs not generated by ongoing production facilities (such as shutdown of sites, discontinued activities or previous years' pollution).

Free Cash Flow

Free Cash Flow is used as a liquidity measure because the Group believes that it more accurately reflects the available liquid resources of the Group than existing IFRS measures. It is also used as a performance measure because the ability to generate liquid readily-available resources reflects the health of the Group's major business segments.

Free Cash Flow is derived by adding IFRS cash flow from operating activities (including dividends from associates and joint ventures) and IFRS cash flow from investing activities, net of three elements: (i) acquisitions and sales of subsidiaries, (ii) acquisitions and sales of other investments and (iii) loans to associates and non-consolidated subsidiaries.

Adjusted Net Income

Adjusted Net Income is currently used as a key performance indicator because the Group believes that it eliminates the distorting effects of the increases in depreciation and amortization charges in the income statement that resulted from recording the assets and liabilities of the Rhodia acquisition at fair market value.

Adjusted Net Income is calculated using IFRS net income, which is then adjusted for “PPA Amortization”. The PPA Amortization is the amortization and depreciation charges for the period (after taxes) on intangible assets that were allocated to Solvay’s statement of financial position using the purchase price allocation method that was applied to the assets and liabilities of Rhodia.

Net Debt

Net Debt is currently used as a key performance indicator because it represents the amount of financial debt that is not covered by available cash and liquid instruments. Net Debt has no directly comparable IFRS financial measure, but is calculated using several asset and liability categories from the statements of financial position.

Net Debt is defined as short and long-term financial debt, minus cash and cash equivalents and minus Other Current Receivables – Financial Instruments.

CFROI

Cash flow return on investment (“**CFROI**”) is a metric used by Solvay’s management to evaluate value creation. It is determined on an annual basis at the Group level, the segment level, and the GBU level.

CFROI is calculated as the ratio of Recurring Cash Flow over Invested Capital, where:

(i) Recurring Cash Flow means REBITDA plus dividends from joint ventures accounted for using the equity method minus income from such entities plus Recurring Capex minus Tax;

(ii) Capital Invested means the Replacement Value of Fixed Assets plus Working Capital plus the value on our balance sheet of joint ventures accounted for using the equity method;

(iii) Recurring CapEx is defined as 2% of the Replacement Value of Fixed Assets net of goodwill values;

(iv) Tax is defined as 30% of REBIT;

(v) Replacement Value of Fixed Assets generally uses the IFRS gross values of fixed assets as the relevant indication of replacement values. However for certain businesses, adjustments are made if the book values are not representative, in which case benchmarks are used. In addition, in certain cases, goodwill is included, as it reflects part of the asset acquisition cost; and

(vi) Working Capital is the sum of inventory, trade receivables (payables) and current net income tax receivables (payables) on Solvay’s statement of financial position.

General

Prospective investors should read the financial information in this Prospectus together with the other information in this Prospectus, in particular the information with respect to the Acquisition.

The financial information included in this Prospectus is not intended to comply with the requirements of the SEC. Compliance with such requirements would generally require the modification or exclusion of certain information presented in this Prospectus and the presentation of certain other information not included in this Prospectus.

See “*Information regarding Cytec*” below with respect to the financial information of Cytec.

In financial periods ending after the date of consummation of the Acquisition, Solvay and its subsidiaries and Cytec and its subsidiaries will be consolidated into a common group. Therefore, the consolidated financial statements of Solvay after the date of consummation of the Acquisition will differ materially from the historical financial statements of Solvay and Cytec presented in this Prospectus.

The financial statements and other financial information of Solvay included in this Prospectus were prepared in euro.

Certain monetary amounts and other figures included in this Prospectus have been subject to rounding adjustments. Accordingly, any discrepancies in any tables between the totals and the sums of amounts listed are due to rounding.

INFORMATION REGARDING CYTEC

The information regarding Cytec contained in Annex A and elsewhere in this Prospectus consists, save as otherwise noted below, of extracts from the Cytec annual report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 24, 2015 (the "**Form 10-K**") and the Cytec quarterly report on Form 10-Q for the period ended September 30, 2015 filed with the SEC on October 22, 2015 (the "**Form 10-Q**") as indicated below. All such information extracted from the Form 10-K and Form 10-Q has been filed with or furnished to the SEC and is available on the SEC website at www.sec.gov. The Cytec annual report for 2013 and prior years is also available on the SEC website. Information set forth on the Cytec website or the SEC website is not considered to be part of this Prospectus and is not incorporated by reference herein.

Through and including the period ended September 30, 2015, Cytec prepared its consolidated financial statements in accordance with generally accepted accounting principles in the United States ("**U.S. GAAP**"), which differ in certain respects from IFRS. Accordingly, the financial information of Cytec presented in Annex A and elsewhere in this Prospectus is not directly comparable to the financial information of Solvay presented in this Prospectus, since Solvay applies different accounting policies from Cytec and because Solvay prepares its financial information in accordance with IFRS. The main differences between U.S. GAAP and IFRS relate to research and development costs, employee benefits, provisions, the derecognition of receivables, share-based payment awards and tax credits. They are further described in note 3.2 to the unaudited pro forma consolidated financial information in Section "*Unaudited Pro Forma Consolidated Financial Information*" in this Prospectus. As Cytec uses the U.S. dollar as its reporting currency, amounts given as Cytec financial information are set forth in U.S. dollars unless otherwise indicated.

Prospective investors should read the Cytec information in Annex A and elsewhere in this Prospectus together with the other information in the Prospectus, in particular the information with respect to the Acquisition.

The extracts in Annex A and elsewhere in this Prospectus from the Form 10-K and the Form 10-Q have been reproduced by Solvay as filed by Cytec with the SEC, except that (i) certain defined terms have been modified by Solvay to maintain consistency with the Prospectus, (ii) cross references, including to information contained in the consolidated financial statements of Cytec, have been modified by Solvay to reflect the manner in which the information is set forth in Annex A, (iii) one word in the 10-Q and two figures in the 10-K have been corrected and (iv) the summary historical financial information of Cytec in this Prospectus and the selected historical financial information of Cytec in Annex A has been extracted by Solvay from the consolidated financial statements of Cytec included elsewhere in this Prospectus.

Although Solvay has no knowledge that would indicate that any statements contained in Annex A or in the summary historical financial information of Cytec contained in the Summary section of this Prospectus are inaccurate, incomplete or untrue, Solvay was not involved in the preparation of the Form 10-K or Form 10-Q and, therefore, cannot verify the accuracy or completeness of the information obtained from such reports or any failure by Cytec to disclose events that may have occurred, but that are unknown to Solvay, that may affect the significance or accuracy of the information contained in such reports. However, Solvay is not aware, as far as it has been able to ascertain from information published by Cytec in such reports, that any facts have been omitted that would render the reproduced information inaccurate or misleading. The full Form 10-K and Form 10-Q are not to be considered part of this Prospectus and are not incorporated by reference herein. However, the extracts of the Form 10-K and the Form 10-Q that are included in Annex A are part of this Prospectus.

Solvay has not independently verified certain adjustments and assumptions with respect to Cytec's financial information.

Cytec's audited annual consolidated financial statements included herein were audited by KPMG, LLP.

The cost savings and synergies information related to Solvay in Section "*Description of the Guarantor—Overview of Solvay and its Business—Strengths and Strategy*" and Section "*The Acquisition—Rationale for the Acquisition*" constitute forward-looking statements and may not be representative of the actual cost savings and synergies that will result from the Acquisition. Such information included in this Prospectus reflects potential opportunities for savings and synergies identified by Solvay, including based on information made available by Cytec. Both the potential opportunities for cost savings and synergies identified by Solvay and the information made available by Cytec are based on estimates and assumptions that are inherently subject to significant uncertainties which are difficult to predict, and accordingly there can be no assurance that these cost savings and synergies will be realized.

The Cytec information in Annex A is as of such earlier date as specified in such information, speaks only as of such date, and is subject to update, completion or amendment without notice.

PRESENTATION OF MARKET INFORMATION

Market information (including market share, market position and industry data for the operating activities of Solvay and its subsidiaries or of companies acquired by it) or other statements presented in this Prospectus regarding the position of Solvay (or of companies acquired by it) relative to its competitors largely reflect the best estimates of Solvay's management. These internal estimates are based upon information obtained from customers, trade or business organizations and associations, other contacts within the industries in which Solvay operates and, in some cases, upon published statistical data or information from independent third parties. Except as otherwise stated, Solvay's market share data, as well as Solvay's management's assessment of Solvay's comparative competitive position, have been derived by comparing publicly-available production capacities of industry participants with Solvay's production capacity, which comparison may include analysis of foreign trade statistics or commissioned market studies, as well as from published statistical data and information from independent third parties. Sources may include publicly-available capacity information sourced from industry participants' internet websites, specialized media and publication agencies and information on production permits. Information reproduced from third party sources has been accurately reproduced and, as far as Solvay is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Prospective investors should not rely on the market share and other market information presented herein as precise measures of market share or of other actual conditions.

FORWARD-LOOKING STATEMENTS

This Prospectus (including the information incorporated by reference into this Prospectus) contains statements that are, or may be deemed to be, "forward-looking statements" that are prospective in nature. All statements other than statements of historical fact are forward-looking statements. They are based on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", "targets", "aims", "projects" or words or terms of similar substance or the negative thereof, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Forward looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of the Group's operations; and (iii) the effects of global economic conditions on the Group's business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of the Group to differ materially from the expectations of the Group include, among other things, general business and economic conditions globally, commodity, raw materials and energy price volatility, industry trends and cyclicality, competition approvals, changes in government and other regulations, including in relation to the environment, health and safety and taxation, labor relations and work stoppages, adverse determination of current or new litigation, changes in political and economic stability, interest rate and currency fluctuations, the Group's ability to integrate new businesses and retain key managers of such businesses, including the Acquisition, and recover its reserves or develop new reserves and changes in business strategy or development plans and other risks, including those described in the Section "*Risk Factors*". Such forward-looking statements should therefore be construed in light of such factors.

Neither Solvay nor any of its associates or directors, officers or advisors provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. These forward-looking statements speak only as of the date of this document.

Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Such risks, uncertainties and other factors are set out more fully in the Section "*Risk Factors*". Otherwise, Solvay expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in the expectations of the Group with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

No statement in this document or incorporated by reference into this document is intended to constitute a profit forecast or profit estimate for any period, nor should any statement be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the preceding financial periods.

EXCHANGE RATE INFORMATION

The following tables set forth, for the periods and dates indicated, certain information regarding the exchange rate between the euro and the U.S. dollar, based on the noon buying rate quoted by the Federal Reserve Bank of New York. These rates may differ from the actual rates used in the preparation of the financial statements and other financial information appearing in this Prospectus. The main exchange rates used by Solvay in the preparation of its financial statements and the pro forma financial information are disclosed in the note entitled "IFRS Accounting Policies" in Solvay's financial statements set out in Section "*Historical Financial Information of the Guarantor*" and in Note 1 to the Unaudited Pro Forma Consolidated Financial Information set out in Section "*Unaudited Pro Forma Consolidated Information*". Inclusion of these exchange rates is not meant to suggest that the U.S. dollar amounts actually represent such euro amounts or that such amounts could have been converted into euro at any particular rate. The following tables have been set out solely for the purpose of convenience.

For the years ended December 31,	High	Low	Average[(1)]	Period end
		US$ per €		
2012	1.3458	1.2061	1.2860	1.3192
2013	1.3804	1.2772	1.3283	1.3789
2014	1.3925	1.2100	1.3285	1.2100

Note:
(1) The average of the exchange rates on the last business day of each full month during the relevant period.

Months	High	Low	Average	Period end
		US$ per €		
May 2015	1.1432	1.0882	1.1432	1.0973
June 2015	1.1374	1.0919	1.1374	1.1153
July 2015	1.1129	1.0841	1.1129	1.1003
August 2015	1.1529	1.0873	1.1529	1.1204
September 2015	1.1435	1.1120	1.1435	1.1177
October 2015	1.1495	1.0897	1.1230	1.1006
November 2015 (through November 24, 2015)	1.1021	1.0620	1.0750	1.0647

Source: Bloomberg Finance L.P.

RESPONSIBILITY STATEMENT

The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer and the Guarantor, having taking all reasonable care to ensure that such is the case, the information contained or incorporated by reference in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Solvay Finance
25 rue de Clichy
75009 Paris
France

Solvay SA
Rue de Ransbeek, 310
B-1120 Brussels
Belgium

TABLE OF CONTENTS

RISK FACTORS

The following is a description of risk factors which are material in respect of the Bonds and the financial situation of the Issuer and the Guarantor and which may affect the Issuer's and/or the Guarantor's ability to fulfil their respective obligations under the Bonds and/or the Subordinated Guarantee (as defined in the Terms and Conditions of the Bonds) and which prospective investors should consider carefully before deciding to purchase the Bonds. Such risk factors also include certain risks in relation to the Acquisition. The sequence in which the following risk factors are listed is not an indication of their likelihood to occur or of the extent of their commercial consequences. Prospective investors should read and consider all of the information provided in this Prospectus or incorporated by reference in this Prospectus and should make their own independent evaluations of all risk factors and consult with their own professional advisers if they consider it necessary. Terms defined in "Terms and Conditions of the Perp-NC 5.5 Bonds" and "Terms and Conditions of the Perp-NC8.5 Bonds" below shall have the same meaning where used below.

Risks relating to the Issuer

The Issuer is a finance vehicle of the Group whose principal purpose is to raise debt to be on-lent to the Guarantor and other subsidiaries of the Guarantor. The Issuer raises debt by, amongst others, issuing securities including, but not limited to, bonds or similar or other types of debt instruments. The Issuer carries out no industrial or trade activities and its ability to perform its obligations under the Bonds depends essentially on the financial support that the Guarantor will provide to the Issuer as its principal shareholder.

Risks relating to the Group and its business

Solvay operates in competitive and constantly evolving international markets.

Solvay operates in 52 countries and markets its products worldwide. It produces and sells a broad range of products and competes on the basis of product quality, price, technology and customer service. While the degree of Solvay's exposure to competition varies significantly among products and geographies, Solvay faces intense competition in certain markets. The competitive pressure on Solvay and its products in some segments is characterized by strong price competition, which is sometimes caused by overcapacity, and certain low-cost producers, such as in Emerging Biochemicals' vinyls production for the southeast Asian markets. These competitive pressures may be increased by consolidation among Solvay's competitors or customers. Solvay's main competitors vary by product, from large international groups to smaller regional or local players, for example in the Silica GBU.

The emergence of new products and new technologies developed by Solvay's competitors may affect Solvay's competitive position in these markets. For example there may be technological advances leading to the development of substitute products or more competitive manufacturing processes, which Solvay has not foreseen or not implemented in a timely manner. Moreover, the lack of success of a new product, new entrants in a market, a reduction in demand by key customers, a change in regulation affecting a product or generally increased levels of competition in the chemical industry could result in lower prices or lower sales volume for Solvay, which could have a material adverse effect on Solvay's business, financial condition and results of operations.

Solvay is subject to risks related to its international operations.

With operations worldwide, including in emerging markets, Solvay's business and results of operations are subject to various risks inherent in international operations. These risks include:

- instability of foreign economies and governments, which can cause investment in capital projects to no longer be profitable and can reduce or eliminate the viability of some markets for Solvay's products;
- risks of war, terrorism, riots and uprisings, which can make it unsafe to continue operations, adversely affect budgets and schedules and expose Solvay to losses;
- seizure, expropriation, nationalization or detention of assets, or renegotiation or nullification of existing contracts;
- foreign exchange restrictions, import/export quotas, sanctions and other laws and policies affecting taxation, trade and investment; and
- availability of suitable personnel and equipment, which can be affected by government policy, or changes in policy, that limit the importation of qualified employees or specialized equipment in areas where local resources are insufficient.

Solvay is exposed to these risks in all of its international operations to some degree, particularly in emerging markets where the political and legal environment is less stable. Solvay is subject to the risk of adverse developments with respect to certain international operations and any insurance coverage it has may not be adequate to compensate it for any losses arising from such risks.

Activities in certain foreign countries may require prior United States government and/or European Union authorities' approval in the form of an export license and may otherwise be subject to tariffs and import/export restrictions. These laws can change over time and may result in limitations on Solvay's ability to compete globally. Solvay has procedures in place to conduct these operations in compliance with applicable U.S. and European laws. However, failure to comply with US or European laws on equipment and product exports could result in material fines and penalties, damage Solvay's reputation, and negatively affect the market price of Solvay's securities.

Solvay, and certain of its subsidiaries and affiliated entities in the Group, conduct business in countries where there is government corruption. Solvay is committed to doing business in accordance with all applicable laws and the "Solvay Way", the Group's code of conduct, but there is a risk that Solvay or any member of the Group may act in violations of such codes or applicable law, including anti-corruption or anti-bribery law, which could result in substantial civil and criminal penalties and could materially adversely affect Solvay's business, financial condition, results of operations or reputation.

The specialty chemicals industry is subject to volatile global economic conditions, market uncertainties and local and regional economic conditions.

General economic conditions affect the specialty chemicals industry, including the aeronautics and automotive, consumer goods, healthcare, agriculture, food, energy, construction and electronics industry segments in which the Group operates. Deteriorating economic conditions, negative perceptions about economic conditions or a negative or uncertain economic outlook could result in a substantial decrease in demand for the Group's products and negatively impact capacity utilization, selling prices and sales volumes and the Group's profit margins. Due to the Group's significant fixed cost base, a decrease in revenues tends to have a greater impact on the Group's profitability. For example, the global economic and financial crisis in 2008 and 2009 had a significant negative impact on the Group's business and results of operations. If GDP declines, the Group typically experiences a greater decline in sales. The economic environment may be negatively affected by volatile financial markets, rising interest rates, international or regional conflicts, political instability or unrest, epidemics, terrorism, natural disasters or other events. For example, the terrorist attacks in Paris on November 13, 2015 could negatively affect the economy and have a material adverse effect on the Group's business, liquidity or results of operations.

In addition, market uncertainty or an economic downturn in certain geographic areas or in key customer industries could reduce demand for Solvay's products and result in decreased sales volume. The timing and magnitude of fluctuations are difficult to predict and may depend on factors that are outside of the Group's control, such as the general economic situation, activities of competitors, international circumstances and events and changes in regulations in Europe, the United States, China and other countries. These fluctuations have in the past had, and may in the future have, a material adverse effect on Solvay's business, financial condition and results of operations.

The Group's results of operations are substantially dependent on regional economic conditions in the four regions where Solvay operates: Europe, North America, Latin America, and Asia and the rest of the world. Many of Solvay's GBUs are local or regional in nature, exacerbating the effects of regional economic changes. As a result, Solvay's results of operations are dependent on regional economic conditions, especially in certain developing countries that are generally more volatile than developed markets. Some products, such as peroxides, are subject to local price dynamics notwithstanding Solvay's presence in multiple regions because they are not easily or economically transported to non-local markets. Any downturn in the local or regional economies of such markets could have a significant effect on the prospects of any local or regional business line.

In Europe, which accounted for, respectively, 34% and 32% of the Group's total net sales in the year ended December 31, 2014 and in the nine months ended September 30, 2015, concerns regarding sovereign debt, in particular of Greece, have resulted in the European Central Bank taking measures in an effort to boost growth and reduce the risk of deflation. The circumstances surrounding Eurozone members with high debt-to-GDP levels may negatively impact growth in the Eurozone. Factors affecting economic conditions in other geographic areas such as Russia, the Ukraine, the Middle East, and Brazil may also have a material impact on the Group. For example, the current conflict between Russia and Ukraine may have an impact on certain Solvay operations, such as the RusVinyl joint venture.

In Asia and the rest of the world, which accounted for, respectively, 32% and 35% of the Group's total net sales in the year ended December 31, 2014 and in the nine months ended September 30, 2015 and represents over 40% of the Group's currently planned capital expenditure over the next three years, major emerging economies have shown volatility in recent months. For example, the Group is investing in a new plant in Thailand to address the local sodium bicarbonate market, and in the production of electronic-grade H2O2 to address the Chinese market for peroxides. Given the Group's investment in the region, factors such as the gradual slowdown in Chinese GDP growth and general decline in growth compared to previous decades could have a noticeable impact on Group sales. Weaker growth in China could have adverse effects on growth in emerging economies and entail a contagion effect across the globe.

In North America, which accounted, respectively, for 23% and 23% of the Group's total net sales in the year ended December 31, 2014 and in the nine months ended September 30, 2015, monetary policy has continued to support GDP growth. Any changes to the current monetary policy in the United States could negatively affect GDP growth prospects.

In Latin America, which accounted, respectively, for 11% and 10% of the Group's total net sales in the year ended December 31, 2014 and in the nine months ended September 30, 2015, declines in the price of oil and other commodities have negatively affected growth in large economies such as Brazil and Mexico, and these and other factors may have a significant impact on growth throughout the region.

Uncertain global economic factors and changes in GDP growth in key countries make it difficult for the Company to forecast demand trends for its products and its profitability. It can be difficult to accurately predict the development of factors affecting the industry segments, and negative developments could materially adversely affect the Group's business, financial condition, results of operations and prospects.

Solvay is dependent on energy and raw materials, which are subject to price variations, and which could affect profitability and margins.

Solvay's manufacturing processes consume significant amounts of energy and raw materials, the costs of which are subject to worldwide supply and demand pressures, as well as other factors beyond its control.

Significant variations in the cost of energy, for example, primarily reflect market prices for oil and natural gas. The prices for these inputs can vary significantly from one period to the next. Sustained high energy prices increase Solvay's production costs and cost of goods sold and, if increased prices cannot be passed through to customers rapidly or at all, can reduce Solvay's net income.

Petrochemical products derived from crude oil or natural gas account for a significant portion of Solvay's raw materials and Solvay is therefore directly exposed to the volatility of oil and natural gas prices. Raw materials expense, excluding energy, packing and shipping costs, amounted to approximately €3.6 billion in 2014 for the Group. Petrochemical products account for a significant portion of raw material costs (approximately 60% of the total in 2014), particularly natural gas and products derived from benzene. Energy costs generally, of which about half are linked to gas, were approximately €0.9 billion in 2014. Solvay is therefore indirectly exposed to the volatility of oil prices through changes in the price of benzene. When possible, Solvay purchases raw materials through negotiated long-term contracts to minimize the impact of price fluctuations and enters into over-the-counter and exchange-traded derivative commodity instruments to hedge exposure to price fluctuations on certain raw material purchases.

Solvay takes actions to offset the effects of higher energy and raw material costs through price increases, productivity improvements and cost reduction programs. Solvay's ability to maintain its operating margins depends on its ability to pass on increases in the cost of raw materials through price increases. However, Solvay's success in offsetting higher raw material costs with price increases is subject to competitive and economic conditions and could vary significantly depending on the market served.

Solvay is also subject to the risk that it may be unable to acquire certain of its raw materials on a timely basis, on acceptable price and other terms, or at all. If Solvay is unable to obtain adequate and punctual deliveries of required raw materials, it may be unable to manufacture sufficient quantities of its products in a timely manner (especially those products requiring long lead times or which involve complex manufacturing processes), which could cause Solvay to lose customers, incur additional costs, delay new product introductions or suffer harm to its reputation.

In addition, the availability and prices of raw materials may be negatively affected by, among other factors:

- new laws or regulations;
- suppliers' allocations to other purchasers;
- business continuity of suppliers;
- interruptions in production by suppliers;
- accidents or other similar events at suppliers' premises or along the supply chain;
- wars, natural disasters and other similar events;
- fluctuations in exchange rates; and
- the bargaining power of raw material suppliers and the availability and cost of transportation.

Any prolonged interruption in the supply of raw materials, or increases in raw material costs that cannot be passed on to customers, could adversely affect Solvay's business, financial condition and results of operations.

Some of the industries Solvay serves, such as the oil and gas industry, are cyclical and can experience substantial downturns, leading to cyclical over-capacity and reduced demand.

Some industries that Solvay serves are cyclical, highly volatile and have experienced substantial downturns, such as the auto industry, oil and gas industry and the building industry. These cycles can result in large variability in the prices of and demand for Solvay's products, exposing Solvay to periods of surplus production capacity, price or volume declines and reduced margins. The cycles often occur on short notice and are in part caused by the capacity additions of new world-scale production facilities or the expansion of existing production facilities, which are necessary to create or sustain economies of scale in the industry segments, and the decline of industry-wide utilization rates that often follows capacity additions. The oil and gas industry is particularly cyclical and the decrease in oil and gas prices and reduced demand for exploration this year has adversely affected demand and prices for certain of Solvay's products used in drilling and oilfield service, affecting profitability.

Customers of chemical companies typically adapt procurement activities to the expected growth rates of their business. In a downturn, such as the global financial crisis beginning in 2008, customers generally try to reduce their working capital and inventories, while in a recovery customers increase inventories, leading to increased demand for specialty chemical products. Overcapacity has, for example, affected the acetate market due to re-stockings in 2014, leading to reduced demand for Solvay's acetate products during 2015 to date. These de-stocking and re-stocking activities amplify the effect of changes in actual growth rates and cause increased cyclicality in the demand for Solvay's products.

Solvay may be unable to successfully execute its business strategy and realize its transformation plan

Solvay's business strategy seeks, among other goals, to further strengthen Solvay's capabilities and resources in targeted investment areas, consolidate its positions in markets identified as having high potential for sustainable growth, and invest selectively to strengthen its offerings. As part of this strategy, in 2010 Solvay determined to divest its pharmaceuticals branch to focus on the chemicals industry, in particular on two areas: chemicals and plastics. In the context of its transformation plan instituted in 2012, Solvay has made significant changes in the structure of its portfolio, including both acquisitions (such as the Acquisition) and divestments. Pursuant to the transformation plan, Solvay is focused on in-depth transformation through portfolio management, organic growth and excellence initiatives. The achievement of this strategy is dependent upon many factors, some of which are beyond Solvay's control. For example, Solvay continues to seek divestment options for its 70.59% stake in Solvay Indupa, its Latin American chlorovinyls business, after rejection of its sale to Braskem by the Brazilian regulator in 2014. Any inability to complete such acquisitions or divestments could have a material adverse effect on Solvay's business and financial strategy going forward.

Although Solvay's financing agreements do not prohibit the disposals of assets currently planned for the coming years, significant future divestments may have implications under Solvay's financing agreements or require the approval of Solvay's lenders or of joint arrangement partners in the assets held for divestment. In such cases, Solvay may be unable to obtain the necessary waiver of any provision prohibiting, or agreement to, any divestment. Solvay's current and future financing arrangements could also impose requirements on its use of the proceeds from such divestments and restrict Solvay's ability to make future divestments.

Certain aspects of Solvay's growth and excellence plans may not be realized, and the financial benefit of these initiatives may be less than expected. Solvay's strategy targets higher margins and improved profitability through a focus on high-end solutions in Solvay's two growth engines, Advanced Materials and Advanced Formulations. These higher margin products are dependent on increasing customer intimacy and successful innovation. There is no assurance that the customer intimacy model will provide sustainable growth, or that Solvay will predict the direction of innovation or customer demand necessary to execute its business strategy. See Risk factor "*The Group may fail to predict technological trends or customer demand, resulting in lower than expected profitability relative to capital expenditure*".

Solvay's strategy also provides that it will invest selectively to strengthen its offerings in its cash-generating businesses with a view to supporting investments in its growth engine businesses. Solvay's consistent cash-generating businesses may fail to perform as expected. For example, Functional Polymers experienced a slowdown in 2014, requiring the businesses in this segment to focus on restoring performance. Further, Solvay may not be able to realize cash-generating investments. Any such change in current expectations of cash-generating ability will limit Solvay's ability to invest in its strategic growth engine businesses, which would materially adversely affect Solvay's ability to achieve its plans.

Solvay's future performance may also depend on its ability to manage the growth of its operations. There is no guarantee that Solvay will be able to manage its growth successfully or that such growth will not interfere with its existing structure. If Solvay is unable to manage its growth in a satisfactory manner, Solvay may lose market position, which could have a material adverse effect on its business, results of operations and financial condition.

Solvay faces legal risks in securing and defending its ownership of new discoveries and processes.

The Group is exposed to legal risk, particularly in the areas of contractual obligations, patent infringement, and protection of Solvay's intellectual property. The Group's operations and growth depend on the capacity to innovate and control key technologies, including defending against patent claims and making all efforts to protect Solvay's intellectual property.

In the chemical industry, technological know-how may not always be patentable, and may constitute trade secrets. Solvay implements specific policies and continuously invests in protecting its industrial processes, technological know-how and proprietary information. Such precautions may limit Solvay's choice of partners in research and innovation ("**R&I**"), may limit its choice of locations for research facilities and ultimately, may limit its return on certain innovations.

Important Group businesses are run as joint arrangements, including joint operations and joint ventures. In choosing joint arrangements, Solvay agrees to share certain of its technological know-how and, particularly in countries with comparatively less stringent intellectual property protection, these partners may use this technology and know-how for their own purposes outside the scope of the relevant project. Non-competition undertakings in joint venture agreements may prevent the Group from rendering services or producing, marketing and distributing the relevant products for its own account in certain markets. Further, illegal or unethical activities by the joint venture partner may have negative consequences for the Group's reputation and may result in legal disputes, fines or other adverse consequences.

In the course of pursuing any of these means of protecting Solvay's intellectual property or defending against any lawsuits filed against Solvay, Solvay could incur significant costs and diversion of its resources and its management's attention. Due to the competitive nature of Solvay's industry, it is unlikely that Solvay could increase its prices to cover such costs. In addition, such claims against Solvay could result in significant penalties or injunctions that could prevent Solvay from selling some of its products in certain markets or result in settlements or judgments that require payment of significant royalties or damages. The Group may need to accrue provisions due to ongoing legal or regulatory disputes, including with respect to intellectual property.

If Solvay cannot protect its own innovations or if it is barred from using certain technologies deemed to belong to others, it could have a material adverse effect on Solvay's business, financial condition and results of operations.

Some of the end-markets for Solvay's products are characterized by a small number of major customers, and financial difficulties of such customers may adversely affect Solvay.

Some markets in which Solvay offers its products are characterized by a small number of major customers. This applies, in particular, to the Silica, Acetow, Emerging Biochemicals, Coatis and Soda Ash & Derivatives GBUs, each of which had at least one customer representing 10% or more of net sales of such GBU in 2014, although across the Solvay Group no customer exceeded 3% of net sales in 2014. Moreover, Solvay's other markets, which currently have a diverse and balanced customer base, may change, for example as a result of consolidation among its customers. In the future, customers in consolidated markets or customers in other industries where there are currently consolidation trends, such as in the automotive or cosmetics markets, could use their power to exert pressure on Solvay's prices and margins. Client consolidation can therefore have a material adverse effect on the Group's business, financial condition and results of operations.

As a result of a further slowdown in relevant economies or a recession, an increasing number of Solvay's customers and other business partners could experience financial difficulties, including insolvency, bankruptcy, restructuring or liquidation, which could have a material adverse effect on Solvay's business by reducing its sales, increasing the risk of extending trade credit to customers, and reducing its profitability.

Failure to innovate, or delays in development, may lead to Solvay's products or technologies becoming superseded and could affect important customer relationships.

The Group spends significant amounts on research and development and depends on its development of new, improved, or more cost-effective materials, methods, and technologies. An important component of its strategy is to innovate continuously in a sustainable manner to prepare tailor-made solutions for customers. Any failure to successfully develop new products, methods or technologies, or delays in development, may lead to the Group's products or technologies becoming superseded, could result in impairments and could reduce the Group's future sales.

The Group depends on its continued ability to develop new, improved, or more cost-effective materials, methods, technologies, and to then successfully commercialize and distribute new products. The trend towards commoditization and standardization in some of the Group's markets has increased the importance of research and development in supporting overall margins and the importance of other tailor-made and high-end markets that the Group markets supply, in which the Group must offer ever more specialized products that are intended to offer higher value to customers in order to achieve satisfactory margins. The Group may not successfully expand or improve its product portfolio or may lack the capacity to invest the required level of human or financial resources in the development of new products.

In addition, although the Group seeks to maintain close and cooperative relationships with its customers, its relationships could deteriorate in the future. Any such deterioration would make it more difficult for the Group to identify customer needs and to develop customized solutions and execute its customer intimacy model, which is highly dependent on rapid delivery of technical advances.

The Group may fail to predict technological trends or customer demand, resulting in lower than expected profitability relative to capital expenditure.

The Group spends extensively on research and development, including €287 million in 2014, and without successful research and development activities, the Group believes that it would lose a significant portion of its sales.

To support innovation, determinations of capital expenditure are made in a forward-looking manner according to current understanding of trends and customer demand. The Group may commit errors or misjudgments in its planning and misallocate resources, for instance, by developing products that require large investments in research and development and capital expenditure but that are not commercially viable. In particular, production facilities in the specialty chemicals industry require high initial capital expenditures and continuous investment in modernization and expansion measures. The Group is currently completing several major investment projects in different regions throughout the world and is making considerable additional investments in order to expand its existing production facilities. These projects require significant capital expenditure and are not expected to come to maturity until three to six years after initial investment. Any failure to realize the benefits anticipated from capital-intensive projects could cause a material adverse effect on Group business, financial condition and results of operations.

In addition, such investment may become non-viable, or may be superseded prior to completion. For example, competitors may develop new types of materials or technologies with favorable characteristics, especially for regulatory purposes, or may improve on existing products and technologies. In addition, the market for a newly developed product may unexpectedly cease to exist. Further, technological developments or improvements in processes may permit competitors to offer products at lower prices than the Group. For example, if the Group's competitors develop more innovative and economically efficient production processes, the value of the Group's proprietary production processes, and investment therein, could be significantly reduced.

The materialization of any of these risks could have a material adverse effect on the Group's business, financial condition, and results of operations.

Solvay has firm commitments to certain suppliers and clients.

Certain contracts entered into with Solvay's suppliers or customers may entail obligations to purchase a minimum product volume (known as "take or pay" clauses) or firm commitments for the delivery of certain quantities of products within certain time periods. The failure to perform under these purchase or sale contracts could result in the payment of indemnities to Solvay's customers or suppliers. This risk is all the more important during an economic crisis in the event of a sharp drop in demand for Solvay's products or sharp increase in Solvay's need for certain supplies to fulfill client contracts. This mismatch between economic conditions and Solvay's firm commitments to purchase or sell could materially adversely affect Solvay's business, financial condition and results of operations.

Solvay faces political risks and physical security risks in its facilities.

Solvay has facilities in 52 countries around the world, including in developing countries. Solvay's facilities, personnel and customers are therefore exposed to circumstances, where the normal exercise of public authority is disrupted. This could be the consequence of a social crisis, political instability, civil war, nationalization, terrorist activities, natural disasters or similar events in countries where the Group operates or sells products. Such disruptions may result in delay of or failure to deliver products. In addition, Solvay's production facilities, research centers, product shipments or employees could be affected by industrial accidents, chemicals spills, shortages of raw materials, power failures, transport interruptions or other logistical issues resulting from such events.

Public and political attention continues to be placed on protecting critical infrastructure, including chemical plants, from security threats. Recent terrorist attacks and natural disasters have increased concern about the physical security and safety of chemical production and distribution. The risk inherent to climate change could also cause increased frequency and intensity of climatic events such as hurricanes, tsunamis and typhoons, floods, and water shortages, which could affect some production sites. Many industry groups and national authorities continue to elaborate rules and standards to ensure safe production and transport of chemicals.

If such political and physical security risks were to materialize in regions where Solvay operates, Solvay could be forced to make a substantial investment in order to react to such threats, including evacuating and securing sites or continuing operations under heightened security precautions. Facilities in affected regions may not be able to obtain transportation, raw materials, sufficient water or power supply. Reacting to such conditions could be expensive and time consuming, which could have a material adverse effect on Solvay's business, financial condition and results of operations.

Solvay faces risks related to workplace safety.

Failure to respect safety protocols may lead to injuries to Solvay employees or third-party contractors on Solvay's sites. Workplace injuries may result from various industrial accidents, including: working with dangerous heavy equipment; contact with hot, corrosive or toxic chemicals; accidents caused by leaking vessels, pumps or pipes; as well as explosions, falling objects or falls from scaffolding or silos. Workplace accidents may also cause injury to neighboring industrial sites or to the public at large, especially in the context of major releases of chemical substances or transport accidents. In addition to risks related to industrial transformation of chemical products, Solvay also owns several mines and quarries for the extraction of fluor, trona, limestone, salt and celestite and is therefore exposed to mining accidents. Occupational hazards for Solvay's employees and contractors include chronic diseases resulting from exposure to various chemicals and building materials: in the case of certain diseases, a long period of latency may separate the date of exposure from the diagnosis of symptomatic health effects, as is the case for exposures to asbestos and endocrine disrupting chemicals. This may make it difficult to accurately measure the human and financial impacts of such events.

Solvay facilities must comply with the workplace requirements of the Operational Safety and Health Administration (OSHA) and the Environmental Protection Agency EPA (EPA) in the United States, the Seveso Regulation in Europe, as well as various safety management regulations in other jurisdictions around the world; Solvay may face fines or administrative action if it does not comply with such standards. Solvay also strives to follow the voluntary safety recommendations of associations like Eurochlor, European Council of Vinyl Manufacturers, the Comité Technique Européen du Fluor, and programs like Responsible Care®.

Significant workplace accidents or breaches of workplace safety policies and real or alleged unfavorable outcomes may harm Solvay's reputation with its different stakeholders. Such events could also result in loss or life, environmental clean-up costs, lawsuits, fines, administrative penalties or other outcomes, which could have a material adverse effect on Solvay's business, financial condition and results of operations.

Solvay is subject to continually evolving environmental and health and safety laws and regulations.

Solvay's activities must comply with a set of continually changing environmental, health and safety laws and regulations at the local, national and international level. These regulations impose increasingly stringent restrictions concerning air, water and soil pollution; the use, handling, storage and disposal of hazardous materials; and the clean-up of environmental contamination. In particular, Solvay's industrial activities require prior permits or licenses in most countries in which Solvay operates. Special, more stringent regulations often apply to certain products with radioactive or biocidic properties as well as those used in cosmetics, pharmaceuticals, food or animal feed. Complying with these regulations involves significant and recurring costs for Solvay.

Environmental liability and the "polluter pays" principle are increasingly embedded in environmental legislation aimed at preventing and remedying environmental damage. Several Solvay sites in Europe are governed by Seveso II Regulations concerning high-risk installations. Moreover, Solvay could be held liable, under certain laws such as the U.S. Comprehensive Environmental Response, Compensation and Liability Act (known as the Superfund Act), to contribute to the expenses for remedial measures undertaken at sites or installations (operated by Solvay or belonging to third parties) on which Solvay stored or disposed of waste. Solvay also participates in the European Emission Trading System ("**ETS**"), which is a cap and trade system covering greenhouse gas emissions, which was set up by the European Union following the Kyoto Protocol but phased out in 2013. A similar scheme was set up in South Korea starting January 1, 2015. While Solvay may benefit from such cap and trade systems, and generated significant REBITDA from the ETS scheme during its existence, changing regulations could also have the effect of increasing costs or reducing, or eliminating, previous benefits.

All substances manufactured or used by Solvay in Europe require registration under the Registration, Evaluation, Authorization and Restriction of Chemicals ("**REACH**") regulation, such as sodium carbonate, hydrogen peroxide, adipic acid or hexamethylenediamine. The REACH regulation imposes several requirements on chemical users and producers including the registration of various chemical substances in accordance with a schedule set out in the regulation. Solvay has incurred substantial costs in implementing the REACH regulations in Europe.

In Europe, environmental damage to land, water, natural habitats and protected species is governed by an umbrella directive, the European Liability Directive ("**ELD**"), which may lead to increased remediation costs. Such legislation introduces a broader scope of soil-remediation requirements than previously seen across Europe, including requirements for primary remediation, complementary remediation and compensatory remediation. Like most other industrial companies, Solvay must manage and remediate historical soil contamination at some sites. To manage soil and groundwater environmental legacies, hydrogeological studies and soil characterizations must be conducted to diagnose potential problems, evaluate risks to aquifers and discuss relevant remediation or confinement actions with authorities.

Solvay may inadvertently exceed permitted emission levels under applicable regulations or schemes, which may lead to administrative or criminal sanctions, the cancellation of permits or operating licenses and adverse outcomes in litigation. Solvay could also incur significant compliance expenses in the event that new regulations or governmental policies are enacted or if the courts or competent authorities re-interpret or begin to apply current regulations more strictly. Any spills, releases, contaminations, emissions or other environmental damage related to Solvay's business could give rise to compliance costs, fines, remediation costs or damage awards. These events could have a material adverse effect on Solvay's business, financial condition and results of operations.

Solvay faces other regulatory risks related to producing, distributing and selling its products.

Solvay is exposed to regulatory risks from the introduction of new legislation or changes in existing regulations, such as product bans, and regulations that impose new standards of manufacturing, marketing or use. Certain industries, such as the cigarette industry that is the traditional market for Solvay's acetate tow business, are subject to increasingly strict regulation and governmental intervention. Such regulatory changes may also involve changes in price regulations, taxation, or tariff policies designed to affect the markets in which Solvay operates. The Group is also subject to competition laws that prohibit certain agreements between chemical producers or that regulate issues such as abuse of dominant position or improper distributor relationship management. It is also bound by anti-corruption rules, such as the Foreign Corrupt Practices Act in the United States. Sanctions regimes may have a material impact on the ability of Solvay to operate in certain countries, and Solvay products may be introduced by third parties into sanctioned countries. Cost increases, fines, legal fees or business interruptions can result from both new regulations, and from new interpretations by courts or stricter enforcement practices by regulatory authorities of existing regulations. Such changes in regulation may render it economically infeasible to continue producing or marketing a product.

Solvay's growth depends on innovations in the form of new products, new processes and new uses for existing chemical agents, which sometimes requires Solvay to expand its production capacity through new facilities. Solvay must obtain and maintain regulatory approval from authorities in many different countries in order to operate its production facilities and sell its products all over the world. Solvay may fail to obtain necessary approvals or authorizations and, if obtained, such approvals or authorizations may be withdrawn at any time. The Group is required to design and test all processes and products to ensure compliance with applicable standards and may be required to incur costs to upgrade facilities to comply with new standards. In addition, new costs may arise from audit, certification and self-assessment standards required to maintain compliance with existing regulations. Failure to comply with such standards and regulations may have a material adverse effect on Solvay's business, financial condition and results of operations.

Violations of applicable regulations, failure to comply with mandatory standards or any denial or revocation of an operating license could result in fines, penalties or injunctions that could prevent Solvay from operating its facilities in the relevant markets, which could have a material adverse effect on Solvay's business, financial condition and results of operations.

Solvay's complex international operating structure presents additional challenges to maintaining effective controls and internal compliance.

The Group is a large, diversified group comprised, as of December 31, 2014, of over 350 companies around the world of varying size. As a result, the Group's structure is complex, with multiple layers of holding companies below the ultimate parent company, Solvay SA, and numerous subsidiaries and finance companies in many countries. Although the Group has integrated management, legal and compliance departments and an approach based on local responsibility for production, marketing and personnel in accordance with Group-wide management standards and administrative procedures under the global leadership of Solvay SA, the size, geographical reach and complexity of the Group's structure create the risk of inefficiencies that may adversely affect the business, financial condition, and results of operations of the Group.

In addition, it is difficult to ensure that Group-wide management standards, including risk control and compliance policies under the umbrella of the Solvay Way, will always be fully and consistently applied throughout the organization (see Risk factor "*Several of Solvay's businesses face risks by operating as joint arrangements in which Solvay shares control but does not own a controlling interest*"). Similarly, reporting lines, including those for risk reporting, internal control and financial reporting, may not always be properly and timely followed. The failure by any Group company to follow Group-wide management standards may adversely affect the Group's performance. In addition, the inconsistent application of Group-wide management standards and failure to share information may adversely affect Solvay SA's ability to effectively perform its function as ultimate Group holding company, including supervision of the other Group companies, and its obligations as a publicly listed issuer. Any of these risks could have material adverse effects on the Group's business, financial condition, and results of operations.

Solvay is exposed to potential regulatory action from competition authorities.

Taking into account Solvay's strong focus on some of its markets, which are in some cases very concentrated, Solvay cannot exclude the risk that it will be the subject of investigations relating to unfair competition practices by the relevant antitrust authorities. These investigations could result in a judgment and the payment of fines or penalties which, taking into account the level of the fines that could be imposed by the antitrust authorities, could have a negative impact on Solvay's image as well as on its financial condition and results of operations. Solvay has in the past been subject to antitrust proceedings, as described in the Section "*Description of the Guarantor—Overview of Solvay and its Business—Legal and Arbitration Proceedings—Antitrust Proceedings*".

Solvay faces risks related to product liability.

Solvay faces risks relating to claims that its products or manufacturing processes may cause injury to third parties, including property damage and personal injury. Such injuries or damage may arise from inappropriate use or safety recommendations or from previously unidentified effects of existing products. Certain substances produced at Solvay facilities are subject to strict liability regimes in certain jurisdictions, meaning that the manufacturer is liable for any damage caused by the product, regardless of proof of fault or negligence.

Defective products may give rise to product liability claims when they do not meet specifications because of manufacturing errors, product contamination or product quality being altered during shipping or storage. Defective products may lead to recalls, particularly for products used in the healthcare and food & feed industries. Certain products may only be marketed to industrial customers due to significant potential hazards associated with their use. These products are not available for retail sale directly to consumers and must be accompanied by appropriate warnings describing conditions of safe use. If such products do reach the general public or the warning labels are insufficient, Solvay may be held strictly liable for the use of products that are not defective.

Solvay also runs the risk, in the context of new-product development, that it will not be able to adequately detect all potential effects of a product on humans, animals or the environment. Solvay must incur significant expense to monitor product quality, insure safe shipping methods, guarantee appropriate use of its products at customer sites and complete required regulatory documentation. For example, documentation must be provided informing customers, in their own language, of conditions of safe use and handling, hazard levels, first aid emergency measures and emergency phone contacts. A failure to follow such procedures may also be a source of liability.

In the course of defending product liability suits or recalling products as a preventative measure, Solvay could incur significant costs and diversion of its resources and its management's attention. Due to the competitive nature of Solvay's industry, it is unlikely that Solvay could increase its prices to cover such costs. In addition, such claims could result in large settlements that could have an impact on Solvay's reputation, business, financial condition and results of operations.

The Group's production processes and operations are subject to the inherent hazards and other risks associated with chemical processing, production, storage, and transportation.

The Group's production processes and operations are subject to the hazards and risks associated with chemical processing, production and the related storage and transportation by the Group or its subcontractors. The Group's production processes rely on hazardous substances such as chlorine, hydrofluoric acid, hydrogen cyanide, phenol, ethylene oxide and propylene oxide, which can present major risks to the health and safety of workers, neighboring populations and the environment. Other potential hazards associated with chemical production and operations include accidents, explosions, fires, inclement weather, transport risks, terrorist attacks, natural disasters, mechanical failure, transportation interruptions, remediation, pipeline leaks and ruptures, storage tank leaks, chemical spills, discharges or releases of toxic or hazardous substances or gases and other risks. These hazards could expose workers, suppliers, the community and others to toxic chemicals and other hazards, contaminate property and the environment, damage property, result in personal injury or death, lead to an interruption, relocation or suspension of operations and materially adversely affect the productivity and profitability of a particular production facility or the Group's business operations as a whole, and result in governmental enforcement, regulatory shutdowns, the imposition of government fines and penalties and claims brought by governmental entities or third parties.

The occurrence of any such event, which is not entirely preventable despite the application of a high standard of care, could be seriously detrimental to the Group's reputation and harm the Group's ability to obtain or maintain its existing licenses or its key commercial, regulatory, and governmental relationships. In addition, the Group uses contractors, over whom the Group has little control, who may perform duties on behalf of the Group in a manner that may cause harm to the health and safety of other workers, neighboring populations and the environment. The costs associated with any of these events may be substantial and could exceed or otherwise not be fully covered by the Group's insurance coverage. In addition, a number of governments have instituted regulations attempting to increase the protection and security of chemical plants and the transportation of hazardous substances, which could result in higher operating costs.

Furthermore, improper handling of hazardous substances by the Group, its customers or its business partners due to the Group's failure to provide, if at all, appropriate handling instructions, failure by its customers or business partners to follow handling instructions or otherwise may lead to the release of toxic or hazardous substances, which may in turn result in stricter regulation or restriction of the use of such substances. Each of these scenarios could materially adversely affect the Group's business, financial condition and results of operations.

Solvay's business depends on a reliable supply chain and the continued operation of its manufacturing facilities.

Solvay faces manufacturing risks from potential problems in its supply chain, production units or transportation links. Such risks relate to raw materials, suppliers, production methods, storage units and inbound/outbound transportation. Risks may result from major or critical equipment failure, production unit damage, natural disasters, chemical spills, transportation accidents, strikes, human error, raw material shortages, and power failures. Some of Solvay's products are produced at a single location but serve as inputs for other production facilities within Solvay's Group. Significant operating hazards and interruptions at these facilities may negatively impact the Group. During downtime, Solvay may be required to fulfill certain of its customer contracts using product purchased from third parties at spot prices, and Solvay may incur losses in connection with those sales. Solvay's supply chain is also exposed to large changes in energy or raw-material prices and availability constraints due to significant imbalances between supply and demand in these markets. In addition, some of Solvay's products, both specialty and commoditized, are produced only in one plant, and work stoppages in those plants could have repercussions for other Solvay facilities or for Solvay's customers. Any slow-downs or stoppages in Solvay's facilities due to supply chain issues may have a material adverse effect on Solvay's financial condition and results of operations.

Solvay could be held liable in case of an accident during the shipment of its products.

Solvay uses freight carriers for the shipment of its manufactured goods to its customers by road, air, railway, river or ocean. An incident or accident during the shipment of products manufactured by Solvay could represent a risk for the health and safety of persons and for the environment. Even if the Group is not responsible for the incident or accident, such a situation could have negative consequences for Solvay's reputation and have a material adverse effect on Solvay's business, financial condition and results of operations. In 2012, for example, a South Korean chemical company was involved in a hydrofluoric acid spill during the unloading of a tanker that resulted in casualties, a government declaration of a special disaster zone and negative publicity regarding the company involved.

Solvay may fail to obtain adequate insurance coverage to compensate it for risk of loss, or Solvay may choose to self-insure, exposing it to risks and costs arising from inadequate insurance or self-insurance.

Solvay's operations involve the production, handling and shipping of hazardous chemicals, giving rise to risks that may not be fully covered by its existing insurance coverage. Solvay could face significant reductions in revenues and increases in expenses to the extent these hazards or interruptions are not fully covered by its existing insurance coverage. Insurance companies that currently insure companies in Solvay's industry may cease to do so, may change the coverage provided or may substantially increase premiums in the future.

Solvay is currently insured under casualty, environmental, property and business interruption insurance policies. These policies contain exclusions and conditions that could have a materially adverse impact on Solvay's ability to receive indemnification thereunder, as well as customary sub-limits for particular types of losses.

In addition, Solvay may decide to retain risks that are insurable and face a loss in the event that such risks materialize. Solvay self-insures the first €100 million of any claim through a captive reinsurance company, as a result of which any claims are first absorbed up to €100 million by the Group itself and only amounts in excess thereof are eligible for outside coverage.

Any major accident, fire, flood or other event could damage Solvay's facilities or the environment and the surrounding community or result in injuries or loss of life. If Solvay experiences significant property damage, business interruption, environmental claims or other liabilities, Solvay's business could be materially adversely affected to the extent the damages or claims exceed the amount of its valid and collectible insurance policies or are insurable but uninsured by choice, which could adversely affect Solvay's business, financial condition and results of operations.

Solvay is party to a number of claims and lawsuits arising in the ordinary course of business.

With its variety of activities and its geographic reach, the Solvay group is exposed to legal risks, particularly in the areas of product liability, contractual relations, antitrust laws, patent disputes, tax assessments and HSE matters. In this context litigation cannot be avoided and is sometimes necessary to defend the rights and interests of the Group. Material ongoing legal proceedings involving the Solvay Group are described in the Section

"*Description of the Guarantor—Overview of Solvay and its business—Legal and arbitration proceedings*". In certain circumstances, Solvay has recorded provisions in accordance with IFRS to cover the financial risk and defense costs. The outcome of proceedings cannot be predicted with certainty. It is therefore possible that adverse final court decisions or arbitration awards could lead to expenses that are not covered or not fully covered by provisions or insurance and could have a material adverse impact on Solvay's business, financial condition and results of operations.

The Group relies on good relations with its employees and works councils.

Solvay believes that its present labor relations with its employees are satisfactory. The Group must comply with labor laws in the numerous jurisdictions in which it operates, and in some cases employment rights require Solvay to work collaboratively with the legal representatives of employees to effect any changes to labor arrangements. For example, most of Solvay's employees in Europe are represented by works councils that have co-determination rights on any changes in conditions of employment, including salaries and benefits and staff changes. Such representation may impede efforts to restructure Solvay's workforce. In addition, Solvay's failure to renew labor agreements on reasonable terms could result in labor disruptions and increased labor costs, which could adversely affect Solvay's financial performance. If Solvay's relations with its workforce do not remain positive, such employees could initiate a strike, work stoppage or slowdown in the future. For example, Solvay experienced a week-long strike at a small chemicals site in France last year. In the event of such an action, Solvay may not be able to adequately meet the needs of its customers using its remaining workforce. A strike, work stoppage or slowdown by Solvay's employees or significant dispute with its employees, whether or not related to these negotiations, could result in a significant disruption of Solvay's operations and higher ongoing labor costs, and could adversely affect Solvay's business, financial condition and results of operations.

Solvay is subject to interest rate risks.

Certain of Solvay's borrowings, primarily borrowings under short term treasury notes programs and working capital facilities, are at variable rates of interest and expose Solvay to interest rate risk. In 2014, if interest rates had been 1% higher/lower and with all other variables remaining constant, Solvay's borrowing costs would have increased/decreased by €6 million (€5 million in 2013). As of September 30, 2015, approximately 45% of Solvay's financial debt was at variable interest rates. Although variable rate debt currently represents a small portion of Solvay's debt, if interest rates increase, Solvay's debt service obligations on such indebtedness would increase even though the amount borrowed remained the same, which would require that Solvay use more of its available cash to service its indebtedness. The interest rates are dependent both on general market conditions as well as on investors' and lenders' perception of Solvay's liquidity and growth profile. As a result of the financing transactions carried out in connection with the Acquisition including the issue of the Bonds, Solvay's debt will increase. Although Solvay finances itself mainly with medium and long term debt at a fixed rate, a portion of the debt securities to be issued to finance the cash consideration for the Acquisition bear interest at a floating rate, as does the bridge loan that may be used to finance a portion of the Acquisition. Any additions to floating rate debt could increase its exposure to movements in both underlying interest rates and the risk premium Solvay pays. Any increase in the interest rates Solvay pays could have a material adverse effect on its business, financial condition and results of operations.

Solvay is subject to fluctuations in currency exchange rates.

Solvay is exposed to foreign exchange risk as a result of its international activities, including its geographically diverse production and sales activities, as well as its purchases of raw materials on international markets.

Solvay is subject to translation risk, which is the risk of variation in Solvay's euro-denominated consolidated financial statements resulting from subsidiaries operating in currencies other than the euro. Exchange rate fluctuations, particularly of the U.S. dollar, the Russian rouble, the Brazilian real, the Chinese yuan, the Thai bhat, and the South Korean won, can affect Solvay's reported results of operations. For example, due to fluctuations in the value of the Russian rouble, Solvay has taken impairments of €110 million on its Russian joint venture RusVinyl in 2014. Solvay does not hedge the translation risk resulting from its foreign operations. Note 37.D to Solvay's audited annual financial statements for 2014 as set out in Section "*Historical Financial Information of the Guarantor*" includes a table detailing the Group's sensitivity in income and equity to a 10% increase and decrease in the euro against the U.S. dollar and the Japanese yen as well as in the Brazilian real against the US dollar.

Following the Acquisition, the Group will increase its exposure to fluctuations in the U.S. dollar. Although Solvay anticipates adjusting its debt currency mix, currently denominated primarily in euro, to balance the increased U.S. dollar denominated portion of its revenue post-Acquisition through partial financing of the Acquisition consideration in U.S. dollars and the progressive retiring of a portion of its euro-denominated debt, the potential for increased exposure to fluctuations in currency exchange rates remains.

Solvay is also subject to transactional risk, which 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's policy is to hedge forward this foreign currency exposure for the following financial year using forward foreign exchange contracts or other derivatives, such as currency options.

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. These enable the Group to limit the exchange risk both in the financial company and in the company ultimately 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.

Although the Group attempts to reduce the risks associated with exchange rate fluctuations, those fluctuations may adversely affect Solvay's business, financial condition and results of operations.

Solvay has significant liabilities under its pension plans.

Solvay is exposed to many different benefit plans, the most important of which are defined-benefit plans in France, the United Kingdom, the United States, Brazil and Germany. Fluctuations in discount rates, salaries, social security benefits, longevity and asset/liability matching can have a major impact on the liabilities of such pension plans. For such plans, Solvay's risks relate primarily to returns on investments under management, inflation and interest rate fluctuations. Solvay was exposed to unfunded liabilities for funded plans and unfunded plans in a total amount of €2,582 million as of September 30, 2015, although the Group has reduced its exposure to defined-benefit plans by converting existing plans into hybrid plans, cash-balance plans and defined-contribution plans or by closing them to new entrants. Further information is provided in note 35A "Provisions for employee benefits" to the 2014 Solvay financial statements set out in Section "*Historical Financial Information of the Guarantor*". In addition, changes in government regulation could require funding pension liabilities that are currently unfunded or could create new pension liabilities. The existence of these liabilities could affect Solvay's credit profile and its ability to make future investments and could have a material adverse effect on Solvay's cash flows, financial condition and results of operations.

Solvay is exposed to liquidity risks.

Changing market conditions or lower credit ratings could result in a contraction in the availability of credit, reduce Solvay's sources of liquidity and result in higher borrowing costs. Solvay's liquidity risk therefore depends on the ability to generate cash from operations to service payment obligations under its debts, refinance debt or raise new debt.

In addition to cash flow from Group operations, the Group also has in place liquidity reserves including a €1 billion Belgian short-term notes program and a US$500 million commercial paper program. In addition, Solvay has several committed credit facilities as follows: a €1.5 billion multicurrency revolving credit facility maturing in 2020, a €550 million multicurrency revolving credit facility maturing in 2018 and several bilateral revolving credit facilities for a total of approximately €300 million with first maturity after 2016.

In addition, to secure the financing for the Acquisition of Cytec, on July 29, 2015, Solvay secured a bridge loan facility for a maximum amount of US$5.8 billion, with a maturity date of July 31, 2016, which may be extended for an additional 12 months under certain conditions.

Notwithstanding these liquidity reserves, adverse market conditions or lower credit ratings could reduce Solvay's flexibility to respond to changing business and economic conditions or to meet existing debt maturities, fulfil Solvay's financial obligations or fund its working capital needs, which could have a material adverse effect on Solvay's business, financial condition and results of operations.

Solvay has contingent liabilities that may come due.

Solvay guarantees certain liabilities and commitments of third parties, as described more fully in the financial statements included herein. These commitments include in particular (i) a guarantee for debt of the RusVinyl joint venture with Sibur for the construction and operation of a PVC plant in Russia, with each partner guaranteeing 50% of the principal on a several basis for an amount of €344 million each, plus interest and costs, (ii) a construction funding guarantee to its partner Sadara to guarantee its share of the funding obligations of a joint venture project for the construction and operation of a hydrogen peroxide plant in Saudi Arabia (with a reciprocal guarantee provided to Solvay by the partner); and (iii) a guarantee in connection with VAT amounts of €355 million in Italy. Liabilities and commitments in connection with these third party guarantees totaled €1.027 million as of December 31, 2014 and €902 million as of September 30, 2015. The Group has also identified environmental contingent liabilities that totaled €246 million as of December 31, 2014.

Solvay is subject to commitments given to purchasers of the businesses Solvay has divested, and Solvay may find latent liabilities in businesses it has acquired.

By implementing its strategic plan to focus on businesses in which Solvay achieves leading market positions, Solvay has sold a number of businesses to third parties over the past several years. Under these sale agreements, Solvay has given certain customary guarantees to the purchasers, particularly with regard to the compliance by the business sold with legislative and regulatory requirements, to business liabilities and to business assets. In addition to these contractual commitments, Solvay could be held liable as the seller depending on applicable laws.

Environmental, health and safety regulations affect not only activities at sites currently in operation, but may also relate to Solvay's past activities or sites that Solvay has shut down or sold. A large number of Solvay's current, past or discontinued production sites have a long history of industrial use. As a result, soil and groundwater contamination has occurred at certain sites in the past, and it is possible that further contamination could be discovered at these sites or other sites in the future. Solvay could be held liable and incur considerable expenses for remedial measures at these sites and for any new obligations discovered.

Solvay has also undertaken targeted acquisitions and intends to continue this strategy, including through the Acquisition. Acquisitions can expose Solvay to the various risks and in particular to contingent liabilities or responsibilities attached to acquired businesses. For example, Solvay may be subject to environmental liabilities at sites Solvay acquires even if damage relates to activities prior to its ownership. Any contractual protections Solvay has in a sale agreement may be time barred or inadequate to protect Solvay and depend on the liquidity of its counterparties. Moreover, Solvay's decisions to acquire businesses are based on assumptions concerning their operations and prospects which may not materialize. Any of those risks related to disposals or acquisitions could have a material adverse effect on Solvay's business, financial condition and results of operations.

If Solvay fails to maintain an effective system of internal control over financial reporting, it may not be able to accurately report its financial results or prevent fraud.

Solvay has designed and continues to maintain and update its internal controls with the objective of providing reasonable assurance that (i) its transactions are properly authorized; (ii) its assets are safeguarded against unauthorized or improper use; and (iii) its transactions are properly recorded and reported, all to permit the preparation of Solvay's financial statements in conformity with applicable accounting principles.

Any system of controls can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote. Any failure to maintain adequate internal controls or to be able to produce accurate financial statements on a timely basis could increase Solvay's operating costs and have a material adverse effect on its business, financial condition and results of operations.

Solvay is subject to numerous and complex tax regimes and changes in such regimes or in the interpretation of existing rules could materially impact its financial situation.

Solvay has operations in many countries in Europe, the Asia-Pacific area, North America and South America, and Solvay is therefore liable to pay taxes in many jurisdictions. The tax burden on the Group thus depends in particular on the interpretation of local tax regulations, bilateral or multilateral international tax treaties and the administrative doctrines in each one of these jurisdictions. Changes in these tax regimes, or in the interpretation of existing rules under these regimes, could have an impact on Solvay's tax burden and hence on its business, financial condition and results of operations.

Solvay's ability to use existing tax loss carry forwards to reduce future tax payments may be limited if Solvay experiences a change in ownership, or if taxable income does not reach sufficient levels.

Solvay's ability to use its net operating loss ("**NOLs**") carry forwards is restricted to income in the jurisdictions where such NOLs exist. Carried-forward NOLs of the Group for the year ended December 31, 2014 amounted to €8,016 million. In addition, use of net operating losses may be subject to limitations and reassessment under the laws of these jurisdictions, due to ownership changes that have occurred or that may occur in the future. Additionally, tax law limitations may result in Solvay's net operating losses expiring before Solvay has the ability to use them. In addition, financing and acquisition transactions that Solvay may enter into in the future could significantly limit or eliminate its ability to realize any value from its net operating losses.

Taxing authorities could reallocate Solvay's taxable income among its subsidiaries, which could increase Solvay's overall tax liability.

Solvay is based in Belgium, operates 119 industrial sites in 52 countries and has 366 subsidiaries in 56 countries. Solvay conducts operations through its subsidiaries in various tax jurisdictions pursuant to transfer pricing arrangements between Solvay's parent company and subsidiaries. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arm's length and that appropriate documentation be maintained to support the transfer prices. While Solvay believes that it operates in compliance with applicable transfer pricing laws and intends to continue to do so, Solvay's transfer pricing procedures are not binding on applicable tax authorities.

If tax authorities in any of these countries were to successfully challenge Solvay's transfer prices as not reflecting arm's length transactions, they could require Solvay to adjust its transfer prices and thereby reallocate its income to reflect these revised transfer prices, which could result in a higher tax liability to Solvay. For example, a major dispute relating to transfer pricing is ongoing in Italy challenging the tax deductibility of costs amounting to €18.5 million in connection with the closing of a site, which, if adjudicated unfavorably, will increase Solvay's tax liability. In addition, if the country from which the income is reallocated does not agree with the reallocation, both countries could tax the same income, resulting in double taxation. If tax authorities were to allocate income to a higher tax jurisdiction, subject Solvay's income to double taxation or assess interest and penalties, it would increase Solvay's consolidated tax liability, which could adversely affect Solvay's financial condition, results of operations and cash flows.

Changes in assumptions underlying the carrying value of certain assets, including as a result of adverse market conditions, could result in impairment of such assets, including intangible assets such as goodwill.

Solvay reviews at each reporting date whether there is any indication that the carrying amount of its tangible and intangible assets (excluding goodwill, which is reviewed annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable) may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the need for, and amount of, any impairment. The recoverable amount is the higher of its net selling price (fair value reduced by selling costs) and its value in use. The preliminary goodwill from the Acquisition has been recognized in the unaudited pro forma consolidated financial information for an amount of €2,520 million. For more information on goodwill related to the Acquisition, see Section "*Unaudited Pro Forma Consolidated Financial Information—Historical Financial Information—Preliminary Purchase Price Allocation*". See also Risk factor "*An impairment of goodwill or other intangible assets would adversely affect Solvay's financial condition and results of operations*".

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 (or cash generating unit). If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognized. An impairment loss is recognized as an expense immediately as part of operating income.

Goodwill arising in a business combination is recognized as an asset at the date that control is obtained (the acquisition date). Goodwill is measured as the excess of the sum of: (a) the consideration transferred; (b) the amount of any non-controlling interests in the acquiree; and (c) in a business combination achieved in stages, the acquisition date fair value of the previously held equity interest in the acquiree; over the share acquired by the Group in the fair value of the entity's identifiable net assets at the acquisition date.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units). 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(s) of assets.

These tests consist of comparing the carrying amount of the assets or (groups of) cash-generating units with their recoverable amount. The recoverable amount of an asset or a (group of) cash-generating unit(s) 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. See Note 7 to the 2014 Solvay financial statements as set out in Section "*Historical Financial Information of the Guarantor*" for further information.

If management's estimates or key assumptions change, the estimate of the fair value of goodwill could fall significantly and result in impairment. While impairment of goodwill does not affect reported cash flows, it does result in a non-cash charge in the income statement, which could have a material adverse effect on Solvay's results of operations or financial condition.

Several of Solvay's businesses face risks by operating as joint arrangements in which Solvay shares control.

Solvay has developed strategic partnerships with other companies in order to have access to or benefit from new businesses, new markets or new technologies or know-how. Some of these strategic partnerships take the form of joint arrangements over which Solvay has limited control. The most significant of these joint arrangements are Hindustan Gum & Chemicals Ltd, RusVinyl OOO, MTP HPJV (Thailand), Butachimie (in each of which Solvay owns a 50% stake) and Peroxides do Brasil Ltda (in which Solvay owns a 69.4%, stake). Joint arrangements can qualify as (a) joint ventures (in which case Solvay has rights to the net assets of the joint arrangements), which are recognized by applying the equity method of accounting, or (b) joint operations (in which case Solvay has direct rights to the assets and obligations for the liabilities of the joint arrangement), for which Solvay recognizes its share of the assets, liabilities, income and expense of the joint operation. Joint operations represent less than 1% of the net sales of the Group in 2014 and 2013.

Solvay bears the risks inherently associated with this type of structure. Depending on the case, because of the autonomy of these joint arrangements or shareholder agreements, Solvay may have to abide by decisions relating in particular to new financing, capital expenditures and approval of operating plans as well as the timing and the amount of the dividend distributions that may not be in Solvay's interest. Also, any serious disagreements between joint operators may make effective profitable management impossible. Such situations could have a material adverse effect on Solvay's business, financial condition and results of operations.

Solvay's forecasts and plans for these joint arrangements assume that Solvay's partners will observe their obligations to make capital contributions, purchase products and, in some cases, provide managerial personnel or financing. In addition, many of the projects contemplated by Solvay's joint arrangements rely on financing commitments, which contain certain preconditions for each disbursement. If any of Solvay's partners fail to observe their commitments or if Solvay fails to comply with all preconditions required under its financing commitments, the affected joint arrangements or other project may not be able to operate in accordance with Solvay's business plans, or Solvay may have to increase its level of investment to implement these plans.

Any of these events may have a material adverse effect on Solvay's business, financial condition and results of operations.

Solvay's largest shareholder may be able to exert influence over important corporate decisions.

As of the date of this Prospectus, Solvac SA ("**Solvac**"), a corporation incorporated in Belgium and listed on Euronext Brussels, owned 25,578,267 Shares, representing 30.20% of the total outstanding Shares. By a press release of July 29, 2015, Solvac has announced that it fully supported the contemplated Acquisition. Accordingly, Solvac may have significant influence in determining the outcome of any corporate transaction or other matters which are submitted to the shareholders of Solvay for approval, including appointment of directors, changes to the by-laws, capital increases, mergers or other business combinations. Depending on the voting rights present or represented at Solvay's shareholder meetings, Solvay may be able to approve on its own, or effectively prevent the approval of any such significant corporate transactions.

As a significant shareholder with a long-term investment horizon, Solvac's interests may not necessarily be aligned with those of other shareholders of Solvay.

Solvay is reliant on its IT systems, and cyber attacks, security breaches or technology malfunctions could compromise confidential, business critical information, cause a disruption in the Company's operations or harm the Company's reputation.

The Group's ability to effectively manage its business depends on the security, reliability and capacity of its IT systems.

Breaches of security in Solvay's information technology systems could negatively impact Solvay's financial results as a result of stolen intellectual property, trade secrets and other sensitive business-critical information. The Group has put in place security measures designed to protect against the misappropriation or corruption of its systems, intentional or unintentional disclosure of confidential information, or disruption of its operations. However, these security measures may prove ineffective. Current employees have, and former employees may have, access to a significant amount of information regarding the Group's operations, which could be disclosed to its competitors or otherwise used to harm the business. Any breach of the Group's security measures could result in unauthorized access to and misappropriation of its information, corruption of data or disruption of operations or transactions, any of which could materially adversely affect the Group's business, financial condition, results of operations and prospects.

Other IT risks include fraud or manipulation within the accounting, financial or cash management services, destruction of sensitive customer or contractual information, or disruption of production facilities. Throughout Solvay and Rhodia a new information services department and globally managed network was rolled out in 2014, which is ISO 9001/2008 certified at Group level for 2014/2015, and is intended to reduce the risks of having two different IT environments. Solvay is subject to the ongoing risk of integrating these IT systems.

In spite of Solvay's cyber security program, a significant cyber attack could negatively affect operations, which could have a negative impact on Solvay's business, financial condition and results of operations. In addition, the Group could be required to expend significant amounts to respond to unanticipated information technology issues or malfunctions.

It may be difficult to effect service of legal process and enforcing judgments against Solvay and Solvay's directors and management.

Solvay SA is registered under the laws of Belgium, and substantial portions of Solvay's assets are located outside of the United States. In addition, most members of Solvay's board of directors and executive committee reside outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon Solvay SA or such other persons residing outside the United States, or to enforce judgments outside the United States obtained against such persons in U.S. courts in any action, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. In addition, it may be difficult for investors to enforce rights predicated upon the U.S. federal securities laws in original actions brought in courts in jurisdictions located outside the United States.

Risks related to the Acquisition

Solvay will face financial risks in financing the Acquisition and due to its increased level of debt

Solvay expects to finance the Acquisition in part with the proceeds of several series of debt securities, including an offering of euro-denominated senior debt, an offering of U.S. dollar-denominated senior debt and the offering of the Bonds. The remainder of the Acquisition consideration will be paid with the proceeds of an expected €1.5 billion rights offering or drawings under a fully committed bridge loan facility of up to US$5.8 billion. See Section "*The Acquisition—Financing the Acquisition*". The rights offering and the aforementioned debt offerings are not conditioned upon one another and are being consummated separately. The decision to proceed with each offering has been made independently of the decision to proceed with any other offering, subject to market conditions.

The financing arrangements in connection with the Acquisition could have significant consequences. In particular, if drawn, the bridge facility is required to be refinanced by July 31, 2016, which term may be extended a further 12 months subject to certain conditions. Solvay is required to prepay this facility with the net cash proceeds from any equity raising the Group conducts and related hedging transactions. If Solvay is unable to successfully raise equity financing in the near future, its debt to equity ratio will be higher than expected. In addition, it will be required to find alternative financing to repay its bridge loan obligations. Failure to obtain refinancing or increased costs of financing would have a material adverse effect on Solvay's results of operations, cash flows, liquidity, financial condition and investment grade credit rating.

In addition, if Solvay fails to comply with the covenants or other terms of the bridge facility agreement, its lenders thereunder will have the right to accelerate the maturity of that debt, which can in turn trigger cross-acceleration in other debt instruments. See Section "*The Acquisition—Financing the Acquisition*" for a description of the main covenants of the bridge facility.

Even if Solvay is able to refinance any bridge loan drawings with the proceeds of a rights offering, the Group's indebtedness after the Acquisition will increase substantially compared to its historical position as a result of its issuance of debt securities.

The consolidated liabilities of Solvay following the Acquisition will also include outstanding Cytec indebtedness, which is not intended to be refinanced in connection with the Acquisition, in the amount of US$754 million in long- and short-term indebtedness as of September 30, 2015. Subject to closing of the Merger and to the approval of its Board of Directors, Solvay SA expects to provide a guarantee in respect of the currently outstanding bonds of Cytec.

The increased level of debt and the ensuing need to dedicate a substantial portion of its cash flow from operations to payments of interest and principal on its debt or to comply with any restrictive terms of its debt, could have significant consequences for Solvay. Such consequences include the following:

- increasing its vulnerability to general adverse economic and industry conditions,
- limiting its ability to fund future working capital and capital expenditure, engage in future acquisitions or development activities or otherwise fully realize the value of its assets and opportunities,
- limiting its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates,
- impairing its ability to obtain additional financing in the future, and
- placing Solvay at a competitive disadvantage compared to its competitors that have less debt.

Solvay's ability to make payments on its outstanding indebtedness will depend upon market conditions, and unfavorable conditions could increase costs beyond what is anticipated. Such costs could have a material adverse impact on cash flows or its results of operations or both. In addition, an inability to refinance all or a substantial amount of these debt obligations when they become due would have a material adverse effect on the financial condition and results of operations of Solvay.

The Acquisition and incurrence of related financial indebtedness could cause a downgrading of Solvay's or Cytec's credit ratings.

Solvay's borrowing costs and access to the debt capital markets depend on its credit ratings. Ratings agencies may downgrade Solvay's or Cytec's credit ratings below their current levels as a result of the Acquisition and the incurrence of the related financial indebtedness, or for other credit-related concerns. Standard & Poor's Credit Market Services Europe Ltd. has stated that they will likely downgrade Solvay's long-term rating by two notches after the closing of the Acquisition (to BBB-) and concurrently expect to assign a stable outlook. Moody's Investors Service Ltd. changed the outlook on Solvay's Baa2 rating to negative following the announcement of the planned Acquisition. If Solvay uses the bridge loan facility to fund a portion of the Acquisition consideration and does not successfully raise equity financing in the near future to repay the bridge loan, its debt to equity ratio will be higher than expected and its credit ratings may be further downgraded to below investment grade levels. A downgrading of the credit rating of Cytec's outstanding debt issuances to below investment grade, together with the change of control of Cytec, will trigger a requirement to refinance up to US$732 million of Cytec's outstanding indebtedness. Certain credit rating agencies may withdraw Cytec's separate credit rating. Any credit rating downgrade affecting Solvay or Cytec, in particular to a rating below investment grade, could materially adversely affect the ability of Solvay to finance its ongoing operations and to refinance its indebtedness, including the debt incurred to fund the Acquisition. The effects of a downgrade include increased borrowing costs (for new and existing indebtedness), which could significantly damage Solvay's financial condition, results of operations and profitability. The interest rates on the euro- and US dollar-denominated debt securities including the Bonds that Solvay intends to issue to finance a portion of the cost of the Acquisition will increase if Solvay loses its investment grade credit ratings. A downgrade below investment grade would also likely require Solvay to include financial and other restrictive covenants in any new indebtedness. If any of these events were to occur, Solvay's increased debt level following the Acquisition could materially and adversely affect the businesses and operations of Solvay and Cytec.

Solvay SA is primarily a holding company that depends on subsidiaries to satisfy its debt obligations.

Solvay SA conducts substantially all of its operations through subsidiaries, which own substantially all of Solvay's consolidated assets. Consequently, the principal source of cash to pay interest and principle due under financing arrangements, including obligations under the senior notes offerings and the bridge loan facility, is the cash that Solvay's subsidiaries generate from their operations. Solvay cannot assure that its subsidiaries will be able to, or be permitted to, make distributions to enable Solvay SA to make payments in respect of such obligations. Each of Solvay's subsidiaries is a distinct legal entity and, under certain circumstances, applicable country or state laws, regulatory limitations or terms of Solvay's debt instruments may limit Solvay's subsidiaries' ability to distribute cash to Solvay SA. Solvay may be unable to make required payments on its indebtedness as a result. This could have a material adverse effect on Solvay's business, financial condition and results of operations.

Solvay may not be able to retain Cytec's senior managers or employees following the Acquisition.

Certain of the benefits of the Acquisition will depend, among other things, on Solvay's capacity to retain the key employees of Cytec. The key employees of Cytec could leave their employment because of the uncertainties about their roles in Solvay following the Acquisition, difficulties related to the combination, or because of a general desire not to remain with Solvay. Moreover, Solvay will have to address issues inherent in the management of a greater number of employees. Therefore, it is not certain that Solvay will be able to attract or retain key employees of Cytec and successfully manage them, which could disrupt its business and have an unfavorable material effect on its financial position, its income from operations and on the competitive positions of Solvay and Cytec.

Achieving the projected benefits of the Acquisition will also depend on maintaining good relationships with its workforce, including legacy Cytec employees. A work stoppage or strike, including in connection with the integration of Cytec, could adversely affect Solvay's ability to operate its business.

Solvay may fail to realize the anticipated growth opportunities, cost savings, increased profits, synergies and other benefits anticipated from the Acquisition.

Achieving the projected benefits of the Acquisition will depend partly on the rapid and efficient combination of the activities of Solvay and Cytec, two companies of considerable size that function independently, produce different products and are incorporated in different countries, with geographically dispersed operations, different business cultures and distinct compensation structures, and different customer bases.

The integration process involves inherent costs and uncertainties. Solvay believes the consideration paid for the Acquisition is justified, in part, by the strategic value of adding Cytec's product range to its own portfolio. Solvay expects the Acquisition to yield growth opportunities, cost savings, tax benefits, synergies, increased revenues and profits and other benefits for Solvay. However, these expected business growth opportunities, cost savings, increased profits, synergies and other benefits may not develop. In addition, the assumptions upon which Solvay determined the consideration paid for the Acquisition may prove to be incorrect, because, among other things, such assumptions were based on publicly available information. In addition, benefits may be lower than expected if Solvay is not able to successfully introduce Cytec products to its existing customer base or encounters difficulties marketing Solvay products to Cytec customers or if the advanced materials markets for the aerospace and automotive industries do not develop as expected. In addition, the objectives of the Acquisition may not be reached as a result of legal restrictions on the production or sale of Cytec's products in any jurisdiction, or as a result of difficulties exploiting Cytec's intellectual property. Further, anticipated benefits may be adversely affected by a negative reaction of customers or suppliers to the Acquisition.

Implementation of the Acquisition and the successful integration of Cytec will also require a significant amount of management time and, thus, may affect or impair management's ability to run the business effectively during the period of the Acquisition and integration.

Although the estimated growth in market share, expense savings and revenue synergies contemplated by the Acquisition are significant, there can be no assurance that Solvay will realize these benefits. Any failures, material delays or unexpected costs of the integration process could therefore have a material adverse effect on the business, results of operations and financial condition of Solvay.

The Acquisition and the uncertainty regarding the effect of the Acquisition could have unexpected effects on the businesses of Solvay and Cytec that materially and adversely affect Solvay's or Cytec's businesses and their operations. Such effects could cause customers, distributors, business partners and other parties that have business relationships with Solvay or Cytec to defer the consummation of purchases, sales or other decisions concerning Solvay's or Cytec's businesses, or to seek to change existing business relationships with these companies.

Any due diligence by Solvay in connection with the Acquisition may not reveal all relevant considerations or liabilities of the Cytec Group, which could have a material adverse effect on Solvay's business, financial condition or results of operations.

Although Solvay has conducted due diligence on Cytec, there can be no assurance that the due diligence undertaken for the purposes of the Acquisition will have revealed all relevant facts that may be necessary to evaluate the Acquisition, including the determination of the price Solvay paid, or to formulate a business strategy. Furthermore, the information provided during the due diligence may be incomplete, inadequate or inaccurate. As part of the due diligence process, Solvay also made subjective judgments regarding the results of operations, financial condition and prospects of Cytec. If the due diligence investigations fail to correctly identify material issues and liabilities that may be present in Cytec, or if Solvay considers such material risks to be commercially acceptable relative to the opportunity, Solvay may subsequently incur substantial impairment charges or other losses that may not be covered by the contractual protections in the Merger Agreement. In addition, following the Acquisition, Solvay may be subject to significant, previously undisclosed liabilities of the acquired business that were not identified during the due diligence and which could contribute to poor operational performance, undermine any attempt to align Cytec with Solvay's business plan and have a material adverse effect on Solvay's business, financial condition and results of operations. Solvay has not been involved in the preparation of the consolidated financial statements for Cytec and its subsidiaries included in this Prospectus, which have been prepared by Cytec's management team, and therefore cannot confirm their accuracy, completeness or veracity.

The Acquisition remains subject to the review and authorization of various governmental authorities which could impose conditions that could have an unfavorable impact on Solvay and Cytec.

Completion of the Acquisition remains conditioned upon, among other things, authorization, approval and/or clearance under the competition laws of the European Union and Brazil. In connection with the Acquisition, Solvay and Cytec also have made filings with and notices to, and sought consents, orders and approvals from various other authorities, including the Committee on Foreign Investment in the United States, the Defense Security Service of the U.S. Department of Defense and the U.S. Directorate of Defense Trade Controls.

Authorization, approval and/or clearance under applicable antitrust/competition laws has also been obtained in the United States under the U.S. Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended (the "**HSR Act**") and in Mexico, Turkey, Ukraine, South Korea, Japan and Israel under the relevant competition laws of the respective jurisdictions.

See Section "*The Acquisition—Regulatory approvals*" for further details on regulatory approvals required under antitrust laws.

The terms and conditions of any authorizations, approvals and/or clearances still to be obtained, and any other action taken by a governmental authority following the consummation of the Acquisition may require, among other things, the divestiture of Solvay and/or Cytec assets or business to third parties, changes to operations in connection with the completion of the Acquisition, restrictions on the ability of Solvay to operate in certain jurisdictions following the Acquisition, restrictions on Solvay and Cytec combining their operations in certain jurisdictions or other commitments to regulatory authorities regarding ongoing operations. Any such actions could have a material adverse effect on the business of Solvay and diminish substantially the synergies and the advantages which Solvay expects to achieve from the Acquisition. Further, any delay in obtaining any authorizations, approvals and/or clearance in any of the jurisdictions pending at the time of the closing of the Merger may require Solvay and Cytec not to consummate the combination or integrate their businesses and operations in these jurisdictions. This could diminish substantially the synergies and the advantages which Solvay expects from a transaction achieved within the planned period and the successful integration of Cytec. Any event that delays the integration of Solvay and Cytec businesses and operations in any jurisdiction could have a material adverse effect on Solvay.

In addition, divestitures and other commitments, if any, may have an adverse effect on Solvay's business, results of operations, financial condition and prospects. These or any conditions, remedies or changes also could have the effect of delaying completion of the Acquisition, reducing the anticipated benefits of the transaction or imposing additional costs on or limiting Solvay's revenues following the completion of the Acquisition, any of which might have a material adverse effect on Solvay following the transaction.

The financial statements and other financial information of Cytec presented in this Prospectus and used to prepare the unaudited pro forma financial information presented in this Prospectus and the pro forma financial information itself may not be indicative of the results of Cytec as part of the Group.

This Prospectus contains unaudited consolidated pro forma financial information, which gives effect to the Acquisition and the related financing transactions. The unaudited consolidated pro forma financial information is based on preliminary estimates and assumptions which Solvay believes to be reasonable and is being furnished solely for illustrative purposes and is not necessarily indicative of what the combined results of operations and financial condition would have been had the Acquisition and financing transactions occurred on January 1, 2014 or on September 30, 2015, respectively. The historical results of operations and other financial information of Cytec presented in this Prospectus were reported in U.S. dollars in accordance with U.S. GAAP (not IFRS) and are not necessarily indicative of the contribution of Cytec's operations to Solvay. IFRS differs in material respects from U.S. GAAP including with respect to such matters as the accounting treatment of research and development costs, employee benefits, provisions, de-recognition of receivables, share-based payment awards and tax credits. Solvay is currently assessing the impact of Cytec's results of operations on its future consolidated IFRS financial statements. As a result, prospective investors should not place undue reliance on the unaudited consolidated pro forma financial information presented in this Prospectus.

In addition, due to limited access to Cytec financial and other information prior to the completion of the Acquisition, Solvay has not been able to conduct the valuation studies necessary to prepare an allocation of the purchase price of Cytec. A purchase price allocation may result in identification of additional liabilities and recognition or derecognition of assets through valuation studies or otherwise. Allocation of the purchase price to these or other items could result in recurring or non-recurring impacts, which may have an adverse effect on Solvay's results of operations. Under IFRS, Solvay will have 12 months from the date of the Acquisition to realize any adjustments to the provisional values used to account for the business combination as a result of completing the initial accounting.

Actions taken to enjoin the Merger or otherwise limit Solvay's rights following the Acquisition could significantly reduce the expected advantages of the Acquisition and could have a material adverse effect on Solvay.

Three class action lawsuits seeking to enjoin or rescind the Merger or obtain rescissory or compensatory damages have been filed in the United States, one of which has been voluntarily dismissed. These suits principally allege inadequate disclosure and breach of fiduciary duty by Cytec's directors. Two of these suits name Solvay and Tulip Acquisition Inc., the merger vehicle, for aiding and abetting these alleged breaches, including the suit that has since been voluntarily dismissed. See Section "*The Acquisition—Legal Proceedings Relating to the Merger*".

Solvay believes these lawsuits to be without merit. However, any of the proceedings or actions that seek equitable or other relief that affects the combination of Solvay and Cytec and its operations in specific jurisdictions or the ability of Solvay or its subsidiaries to exercise rights under existing agreements, or that may require other actions to be taken by Solvay, including the divestiture of any asset or business of Solvay, could diminish substantially the synergies and the advantages that Solvay expects from a transaction achieved within the planned period and the successful integration of Cytec, and have a material adverse effect on Solvay.

Change of control or similar provisions in Cytec's commercial and business agreements may be triggered upon the completion of the Acquisition and may lead to adverse consequences for Solvay, including the loss of significant contractual rights, the termination of joint venture and/or distribution agreements or the requirement to repay outstanding indebtedness.

Cytec is a party to joint ventures, distribution agreements, supply contracts and other instruments that may contain change of control or similar provisions. The completion of the Acquisition may trigger, or allegedly trigger such clauses, which may provide for or permit the termination of the agreement upon the occurrence of a change of control of one of the parties. The consent of one of Cytec's largest customers to the Acquisition was received on November 25, 2015. In the case of Cytec's outstanding debt securities, repayment is only required if Cytec's change of control is accompanied by a credit rating reduction of such debt securities below investment grade by both S&P and Moody's. If Solvay and Cytec determine that such provisions can be waived by the relevant counterparties, they may seek such waivers, which may or may not be granted. In the absence of such waivers, the operation of the change of control provisions, if any, could result in the loss of material contractual rights and benefits, the termination of joint venture agreements or the requirement to repay outstanding indebtedness.

In addition, various compensation and benefit programs with members of Cytec senior management and directors and other Cytec employees contain change of control provisions providing for vesting of stock options, accelerated payouts under certain pension and bonus plans and tax gross-ups to be paid following the completion of the Acquisition. Certain of these compensation and benefit programs also contain change of control provisions providing for compensation to be paid following the occurrence of a change of control even if the employment is not terminated. Solvay has taken into account potential payments arising on the operation of change of control provisions, including compensation arising on change of control provisions in employment agreements, but such payments may nonetheless exceed Solvay's expectations.

Solvay and Cytec have incurred and will incur substantial transaction and offer-related costs in connection with the Acquisition.

Solvay and Cytec have incurred and will incur significant transaction fees, costs of implementation of synergies and other costs associated with completing the Acquisition, combining their operations and achieving desired synergies. These fees and costs are substantial and include financing, financial advisory, legal and accounting fees and expenses. Additional unanticipated costs may be incurred in the integration of Cytec into Solvay. Although Solvay expects that the realization of other efficiencies related to the transaction will offset the incremental and transaction costs over time, this net benefit may not be achieved.

The financial results of Solvay will, as a result of the Acquisition and the resulting increased portion of assets, liabilities and earnings denominated in U.S. dollars, be more exposed to fluctuations in the exchange rate between the U.S. dollar and the euro.

Solvay will present its financial statements in euro and will have a significant portion of assets and revenues in non-euro currencies, particularly the U.S. dollar as a result of the significant assets and revenues of Cytec in the United States. In addition, Solvay will face increased exposure to the U.S. dollar based on any debt that is raised in order to finance the Acquisition and financed in U.S. dollars. The operational and financial results as well as the equity of Solvay will therefore be more sensitive to fluctuations in the exchange rate of the U.S. dollar against the euro than they are currently and a depreciation of the U.S. dollar relative to the euro could have an adverse impact on the consolidated financial condition and results of operation of Solvay.

An impairment of goodwill or other intangible assets would adversely affect Solvay's financial condition and results of operations.

The consideration to be paid in the Acquisition is significantly in excess of the book value of Cytec's net assets. As a result, upon completion of the Acquisition, the difference between the purchase price and the value of Cytec's net assets, as of that date acquired, will be recorded as goodwill in Solvay's consolidated balance sheet. In addition, other intangible assets not previously appearing in Cytec's balance sheet may be recorded in Solvay's consolidated balance sheet as a result of the purchase price allocation. Under IFRS, goodwill and intangible assets with indefinite life are not amortized but are tested for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. Other intangible assets with a finite life are amortized on a straight-line basis over their estimated useful lives and reviewed for impairment whenever there is an indication of impairment. In particular if the combination of the businesses meets with unexpected difficulties, or if the business does not develop as expected, impairment charges may be incurred in the future which could be significant and which could have an adverse effect on Solvay's results of operations and financial condition. The preliminary goodwill from the Acquisition has been recognized in the unaudited pro forma consolidated financial information for an amount of €2,520 million. For more information on goodwill related to the Acquisition, see Section "*Unaudited Pro Forma Consolidated Financial Information—Preliminary Purchase Price Allocation*".

Information regarding Cytec is extracted from public information, and Solvay has not verified its accuracy or completeness, or the adjustments and assumptions made in Cytec's accounting records.

Information regarding Cytec in this Prospectus, including Annex A hereto, is extracted from the Cytec annual report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 23, 2015, and the Cytec quarterly report on Form 10 Q for the period ended September 30, 2015 filed with the SEC on October 22, 2015 and certain Cytec press releases. Although Solvay has no knowledge that would indicate that any statements contained in this Prospectus are inaccurate or incomplete, Solvay was not involved in the preparation of such reports, statements or releases and, therefore, cannot verify the accuracy or completeness of the information obtained from such reports, statements or releases or any failure by Cytec to disclose events that may have occurred, but that are unknown to Solvay, that may affect the significance or accuracy of the information contained in such reports, statements or releases. In addition, until the completion of the Acquisition, Cytec only provided Solvay with limited access to Cytec's accounting records, and Solvay has therefore not had the opportunity to independently verify certain adjustments and assumptions, including adjustments and assumptions with respect to Cytec's financial information.

Risks relating to the Bonds

The Bonds may not be a suitable investment for all investors

Each potential investor of the Bonds must make its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment, either alone or with the help of a financial adviser. In particular, each potential investor should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

(d) understand thoroughly the Terms and Conditions of the Bonds and be familiar with the behavior of financial markets and of any financial variable which might have an impact on the return on the Bonds; and

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and

prospective purchasers should also consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Bonds.

Undated Securities

The Bonds are undated securities, with no specified maturity date. The Issuer is under no obligation to redeem the Bonds at any time (except under limited circumstances for tax reasons).

The holders of the Bonds (the "**Bondholders**") have no right to require redemption of the Bonds, except if a judgment is issued for the insolvent judicial liquidation (*liquidation judiciaire*) of the Issuer or if the Issuer is liquidated for any other reason or if the process for the liquidation of the Guarantor is commenced, for any reason. See "*Terms and Conditions of the Perp-NC5.5 Bonds" and "Terms and Conditions of the Perp-NC8.5 Bonds*".

Bondholders should therefore be aware that the principal amount of the Bonds may not be repaid and that they may lose the value of their capital investment.

There are no events of default under the Bonds

The Terms and Conditions of the Bonds do not provide for events of default allowing acceleration of the Bonds if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Bonds, including the payment of any interest, investors will not have the right to require the early redemption of principal. Upon a payment default, the sole remedy available to Bondholders for recovery of amounts owing in respect of any payment of principal or interest on the Bonds will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

Deferral of interest payments

On any Interest Payment Date (as defined in the Terms and Conditions of the Bonds), the Issuer may elect to defer payment of the interest accrued to that date, and the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose.

Any interest not paid on an applicable Interest Payment Date and deferred shall, so long as the same remains outstanding, constitute Outstanding Amounts (as defined in the Terms and Conditions of the Bonds) and shall be compounded and only payable as outlined in Condition 6 (*Payments and Calculations*) of the Terms and Conditions of the Bonds.

Any deferral of interest payments will be likely to have an adverse effect on the market price of the Bonds. In addition, as a result of the above provisions of the Bonds, the market price of the Bonds may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to the above provisions and may be more sensitive generally to adverse changes in the Issuer's or the Guarantor's financial condition.

Early redemption and exchange or variation risk

The Issuer may redeem the Bonds in whole, but not in part, on the First Call Date, the Second Reset Date and on any Interest Payment Date thereafter in accordance with Condition 5(b)(i).

The Issuer may also, at its option, redeem the Bonds in whole (but not in part), for taxation reasons in accordance with Condition 5(b)(ii), upon a Rating Methodology Event in accordance with Condition 5(b)(iii), upon an Accounting Event in accordance with Condition 5(b)(iv), upon the liquidation or insolvency of the Issuer in accordance with Condition 5(c), the Guarantor or the Guarantor's subsidiaries have purchased Bonds equal to or in excess of 90 per cent. of the aggregate principal amount of the Bonds initially issued under the Terms and Conditions of the Bonds in accordance with Condition 5(d), each as further described in Condition 5 (*Redemption and Purchase*) of the Terms and Conditions of the Bonds.

The Issuer may also, at its option, redeem the Bonds in whole (but not in part), upon the occurrence of an Acquisition Event in accordance with Condition 5(b)(v). The occurrence of an Acquisition Event is to a large extent in the hands of Solvay. If the Issuer decides to exercise this option, it is likely to be exercised in the first 6 months after the Issue Date.

Furthermore, the Issuer may also, at its option, redeem the Bonds in whole (but not in part) upon the occurrence of a Change of Control Call Event. This redemption option will however not be effective unless and until the Shareholder Approval Requirement is satisfied (as described in Condition 5(b)(vi)). As long as the Shareholder Approval Requirement is not satisfied, Bondholders will not be able to benefit from the 5 per cent. *per annum* step-up that would apply in case the Issuer would elect not to call the Bonds upon a Change of Control Call Event. In case the Shareholder Approval Requirement is not satisfied by the First Interest Payment Date, the Prevailing Rate will however increase by 0.75 per cent. *per annum* with retroactive effect from the Issue Date. If the Shareholder Approval Requirement is subsequently satisfied by the Second Interest Payment Date, the Prevailing Rate will decrease by 0.75 per cent. *per annum* as of the next Interest Period.

The redemption at the option of the Issuer may affect the market value of the Bonds. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to the Early Redemption Date.

The Issuer may also be expected to redeem the Bonds when its cost of borrowing is lower than the interest rate on the Bonds. There can be no assurance that, at the relevant time, Bondholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Bonds. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Bonds are redeemable early in accordance with Condition 5(b)(ii), 5(b)(iii), 5(b)(iv) or 5(b)(v), this would entitle the Issuer as an alternative to such redemption, without the consent of the Bondholders, to exchange or vary the Bonds, subject to not being prejudicial to the interest of the Bondholders, so that after such exchange or variation, (i) in the case of an early redemption in accordance with Condition 5(b)(ii) (*Redemption for taxation reasons*), payments of principal and interest in respect of such Bonds (as the case may be) are not subject to deduction or withholding by reason of French or Belgian law or published regulations or are deductible to the same extent as unsubordinated obligations of the Issuer, (ii) in the case of an early redemption in accordance with Condition 5(b)(iii) (*Redemption for rating reasons*), the aggregate nominal amount of the Exchanged Bonds or Varied Bonds (as the case may be) is assigned "equity credit" by the relevant Rating Agency that is at least the same as that which was assigned to the Bonds on or before the Issue Date, or if such equity credit was not assigned on or before the Issue Date, at the date when the equity credit was assigned for the first time, or in the case of S&P, at the date when the highest "equity credit" was assigned during the period from the Issue Date to a date falling on or before the first date on which the Issuer may no longer exercise its right to call the Bonds in accordance with Condition 5(b)(v) (*Redemption for acquisition reasons*), and (iii) in the case of an early redemption in accordance with Condition 5(b)(iv) (*Redemption for accounting reasons*), the aggregate nominal amount of the Exchanged Bonds or Varied Bonds (as the case may be) would be recorded as "equity" in full in the audited consolidated financial statements of the Guarantor pursuant to IFRS or any other accounting standards that may replace IFRS for the purposes of preparing the audited consolidated financial statements of the Guarantor.

No limitation on issuing or guaranteeing debt

There is no restriction in the Terms and Conditions of the Bonds on the amount of debt which the Issuer or the Guarantor may issue or guarantee. The Issuer, the Guarantor and their subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank *pari passu* or senior to the Bonds. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Bondholders on a winding-up of the Issuer or the Guarantor and/or may increase the likelihood of a deferral of interest payments under the relevant Bonds.

If the Issuer or the Guarantor's financial condition were to deteriorate, the Bondholders could suffer direct and materially adverse consequences, including loss of interest and, if the Issuer or the Guarantor were liquidated (whether voluntarily or not), the Bondholders could suffer loss of their entire investment.

Deeply Subordinated Obligations and Subordinated Guarantee

The obligations of the Issuer under the Bonds are deeply subordinated obligations of the Issuer and are the most junior debt instruments of the Issuer, subordinated to and ranking behind the claims of all other unsubordinated and subordinated creditors of the Issuer and lenders in relation to *prêts participatifs* granted to the Issuer. The obligations of the Issuer under the Bonds rank in priority only to Junior Securities and Share Capital Securities (as defined in the Terms and Conditions of the Bonds) of the Issuer.

The obligations of the Guarantor under the Subordinated Guarantee (as defined in the Terms and Conditions of the Bonds) are subordinated to Ordinary Subordinated Obligations and to Unsubordinated Obligations of, or issued by, the Guarantor and will only rank ahead of the rights and claims of the holders of Junior Securities and Share Capital Securities of the Guarantor. In the case of a Belgian Winding-Up of the Guarantor, payments under the Subordinated Guarantee will be subject to the condition precedent that all claims of the creditors of the Guarantor other than holders of Parity Securities, Junior Securities and Share Capital Securities issued by the Guarantor will have been discharged in full.

Therefore, in case of a Belgian Winding-Up of the Guarantor, the holders of the Bonds may recover significantly less than other creditors of the Guarantor. The holders of the Bonds may receive less than the nominal amount of the Bonds and may incur a loss of their entire investment.

Prospective investors should also take into consideration that unsubordinated liabilities of the Issuer and the Guarantor may also arise out of events that are not reflected on the balance sheet of the Issuer or the Guarantor, as the case may be, including without limitation, the issuance of guarantees on an unsubordinated basis. Claims made under such guarantees will become unsubordinated liabilities of the Issuer or the Guarantor, as the case may be, and will be paid in full before the obligations under the Bonds or the Subordinated Guarantee, as the case may be, in liquidation proceedings of the Issuer or a Belgian Winding-Up of the Guarantor, as the case may be, will be payable.

No voting rights

The Bonds do not give the Bondholders the right to vote at meetings of the shareholders of the Issuer or the Guarantor.

No prior market for the Bonds and liquidity risk

There is currently no secondary market for the Bonds. Application has been made to list the Bonds on the Regulated Market of the Luxembourg Stock Exchange. However, there can be no assurance that a liquid secondary market for the Bonds will develop or, if it develops, that it will continue. In an illiquid market, an investor might not be able to sell his Bonds at any time at fair market prices. The possibility to sell the Bonds might additionally be restricted by country specific reasons.

Fixed Rate Bonds

Interest on the Perp-NC5.5 Bonds will be payable at a fixed rate of interest to (but excluding) June 2, 2021. Interest on the Perp-NC8.5 Bonds will be payable at a fixed rate of interest to (but excluding) June 3, 2024. The holder of a fixed interest rate bond is exposed to the risk that the price of such bond falls as a result of changes in market interest rates. While the nominal interest rate of a fixed interest rate bond is fixed, in this case, during a certain period of time, the current interest rate on the market (market interest rate) typically changes on a daily basis. As the market interest rate changes, the price of such bond tends to evolve in the opposite direction. If the market interest rate increases, the price of such bond typically falls, until the yield of such bond is approximately equal to the market interest rate. Bondholders should be aware that movements of the market interest rate can adversely affect the price of the Bonds and can lead to losses for the Bondholders if they sell Bonds during the period in which the interest rate of the Bonds is fixed.

Reset Rate Bonds

Interest on the Bonds before the First Reset Date, which is calculated at a fixed rate, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Following the First Reset Date, interest on the Bonds shall be calculated on the basis of the mid swap rates for Euro swap transactions with a maturity of five years. These mid swap rates are not pre-defined for the lifespan of the Bonds. Higher mid swap rates for Euro swap transactions mean a higher interest and lower mid swap rates for swap transactions with a maturity of five years mean a lower interest.

Modification and waivers

The conditions of the Bonds contain provisions for calling General Meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant General Meeting and Bondholders who voted in a manner contrary to the majority.

Potential conflicts of interest

Potential conflicts of interest may arise between the Calculation Agent and the Bondholders, including with respect to certain discretionary determinations and judgments that such calculation agent may make pursuant to the Terms and Conditions of the Bonds that may influence the amount receivable under the Bonds.

Legality of purchase

Neither the Issuer, the Guarantor, the Manager(s) nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Bonds by a prospective investor of the Bonds, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

Change of law

The Terms and Conditions of the Bonds and the Subordinated Guarantee are based on English, French and Belgian law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in English, French and/or Belgian law or the official application or interpretation of English, French and/or Belgian law after the date of this Prospectus.

Currency risk

Prospective investors of the Bonds should be aware that an investment in the Bonds may involve exchange rate risk. The Bonds may be denominated in a currency other than the currency of the purchaser's home jurisdiction.

Exchange rates between currencies are determined by factors of supply and demand in the international currency markets which are influenced by macro economic factors, speculation and central bank and government intervention (including the imposition of currency controls and restrictions). Fluctuations in exchange rates may affect the value of the Bonds.

Credit ratings may not reflect all risks

A rating is expected to be assigned to the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. In particular, on July 29, 2015, S&P placed Solvay SA on CreditWatch negative and stated that they expect to downgrade Solvay's long-term rating by up to two notches following the closing of the Acquisition, from BBB+ to BBB-. On November 18, 2015, S&P confirmed that they will likely proceed to a two notches downgrading following the closing of the Acquisition and stated that they concurrently expect to assign a stable outlook. On July 30, 2015, Moody's changed the outlook on Solvay's Baa2 rating to negative (see also Risk Factor "*Risks related to the Acquisition—The Acquisition and incurrence of related financial indebtedness could cause a downgrading of Solvay's or Cytec's credit ratings*"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency.

Market Value of the Bonds

The market value of the Bonds will be affected by the creditworthiness of the Issuer and the Guarantor and a number of additional factors, including market interest and yield rates. The value of the Bonds depends on a number of interrelated factors, including economic, financial and political events in France, in Belgium or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Bonds are admitted to trading. The price at which a Bondholder will be able to sell the Bonds may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

Global Bonds

The Bonds will be represented by global Bonds except in certain limited circumstances described in the Permanent Global Bond. The Bonds will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Bond, investors will not be entitled to receive definitive Bonds. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Bonds. While the Bonds are represented by global Bonds, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Bonds.

Holders of beneficial interests in the Bonds will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Bonds will not have a direct right under the Bonds to take enforcement action against the Issuer in the event of a default under the Bonds but will have to rely upon their rights under the Deed of Covenant.

The proposed European financial transactions tax ("FTT")

The European Commission has published a proposal for a Directive for a common financial transaction tax ("**FTT**") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the "**Participating Member States**").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. The FTT would impose a charge at generally not less than 0.1 per cent. of the sale price on such transactions. Primary market transactions referred to in Article 5(c) of regulation (EC) No 1287/2006 should be exempt.

In May 2014, however, a joint statement by ministers of the Participating Member States (excluding Slovenia) proposed a "progressive implementation" of the FTT, with the initial focus applying the tax to transactions in shares and some derivatives. In January 2015, a joint statement by ministers of the Participating Member States (excluding Greece) renewed their commitment to reach an agreement on the proposal of a directive implementing an enhanced cooperation in the area of a FTT and reiterated their willingness to create the conditions necessary to implement the FTT on 1st January 2016.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

Joint statements issued by Participating Member States indicate an intention to implement the FTT by 1 January 2016. However, based on a recent communication by the EU Commissioner for Economic and Financial Affairs, Taxation and Customs, this deadline is unlikely to be met.

However, the FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. If the proposed directive or any similar tax were adopted, transactions in the Bonds would be subject to higher costs, and the liquidity of the market for the Bonds may be diminished.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

Taxation

Potential purchasers and sellers of the Bonds should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for innovative financial bonds such as the Bonds. Potential investors are advised not to rely upon the tax overview contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Bonds. Only these advisors are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

EU Savings Directive

On 3 June 2003, the Economic and Financial Affairs Council adopted a directive 2003/48/EC on the taxation of savings income under the form of interest payments (the "**Savings Directive**"). The Savings Directive requires Member States, subject to a number of conditions being met, to provide to the tax authorities of other Member States details of payments of interest and other similar income made by a paying agent located within their jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Austria instead operates a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld), unless during such period it elects otherwise. The rate of the withholding is 35%. A number of non-EU countries and territories have adopted similar measures (see "*Taxation — EU Savings Directive*").

On 24 March 2014, the Council of the European Union adopted a Council Directive (the "**Amending Directive**") amending and broadening the scope of the requirements described above. In particular, the Amending Directive was meant to broaden the categories of entities required to provide information and/or withhold tax pursuant to the Savings Directive, and would have required additional steps to be taken in certain circumstances to identify the beneficial owner of interest (and other income) payments, through a "look through" approach. The Member States had until 1 January 2016 to adopt the national legislation necessary to comply with this Amending Directive, which legislation had to apply as from 1 January 2017.

The Council of the European Union has adopted a Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements) to avoid overlap with Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU), pursuant to which Member States will generally be required to apply new measures on mandatory automatic exchange of information from 1 January 2016. The recitals to the Directive provide that member states of the European Union will no longer be required to implement the Amending Savings Directive.

Pursuant to the "*Terms and Conditions of the Perp-NC5.5 Bonds*" and the "*Terms and Conditions of the Perp-NC8.5 Bonds*", if a payment were to be made or collected through a Member State which has opted for a withholding system under the Savings Directive and an amount of, or in respect of, tax is withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Bond, as a result of the imposition of such withholding tax. The Issuer is only required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

Specific French insolvency law provision regarding the rights of holders of debt securities

Under French insolvency law, holders of debt securities are automatically grouped into a single assembly of holders (the "**Assembly**") in order to defend their common interests if a preservation procedure (*procédure de sauvegarde*), an accelerated preservation procedure (*procédure de sauvegarde accélérée*), an accelerated financial preservation procedure (*procédure de sauvegarde financière accélérée*) or a judicial reorganization procedure (*procédure de redressement judiciaire*) is opened in France with respect to the Issuer.

The Assembly comprises holders of all debt securities issued by the Issuer (including the Bonds), whether or not under a debt issuance programme and regardless of their governing law.

The Assembly deliberates on the proposed safeguard plan (*projet de plan de sauvegarde*), proposed accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*), proposed accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) or proposed judicial reorganisation plan (*projet de plan de redressement*) applicable to the Issuer and may agree to:

- increase the liabilities (charges) of holders of debt securities (including the Bondholders) by rescheduling due payments and/or partially or totally writing off receivables in form of debt securities;
- establish an unequal treatment between holders of debt securities (including the Bondholders) as appropriate under the circumstances; and/or
- decide to convert debt securities (including the Bonds) into shares or securities that give or may give right to share capital.

Decisions of the Assembly will be taken by a two-third majority (calculated as a proportion of the debt securities held by the holders attending such Assembly or represented thereat). No quorum is required to convoke the Assembly.

The receiver (*administrateur judiciaire*) is allowed to take into account the existence of voting or subordination agreements entered into by a holder of bonds, or the existence of an arrangement providing that a third party will pay the holder's claims, in full or in part, in order to reduce such holder's voting rights within the Assembly. The receiver must disclose the method for computing such voting rights and the interested bondholder may dispute such computation before the president of the competent commercial court.

For the avoidance of doubt, the provisions relating to the Representation of the Bondholders described in this Prospectus will not be applicable to the extent they are not in compliance with compulsory insolvency law provisions that apply in these circumstances.

As a result, Bondholders should be aware that they will generally have limited ability to influence the outcome of a safeguard procedure (*procédure de sauvegarde*), an accelerated preservation procedure (*procédure de sauvegarde accélérée*), an accelerated financial preservation procedure (*procédure de sauvegarde financière accélérée*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) of the Issuer in France, especially given the current capital structure of the Issuer.

The Bonds are the lowest ranking subordinated obligations of the Issuer

The Issuer's obligations under the Bonds are direct, unconditional, unsecured and deeply subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future deeply subordinated obligations (*titres subordonnés de dernier rang*) of the Issuer. In the event of any judgment rendered by any competent court declaring the judicial liquidation (*liquidation judiciaire*) of the Issuer, or in the event of a transfer of the whole of the business of the Issuer (*cession totale de l'entreprise*) subsequent to the opening of a judicial recovery procedure (*redressement judiciaire*), or if the Issuer is liquidated for any other reason, the rights of Bondholders to payment under the Bonds will be subordinated to the full payment of the unsubordinated creditors of the Issuer (including holders of Unsubordinated Obligations), of the ordinary subordinated creditors of the Issuer (including holders of Ordinary Subordinated Obligations), of lenders in relation to *prêts participatifs* granted to or to be granted to the Issuer, if and to the extent that there is still cash available for those payments. Thus, the Bondholders face a higher performance risk than holders of unsubordinated and ordinary subordinated obligations of the Issuer.

In the event of liquidation of the Issuer, the Bonds shall rank in priority only to any payments to holders of Share Capital Securities and Junior Securities. In the event of incomplete payment of creditors ranking senior to the Bondholders, the obligations of the Issuer and the relative interest will be terminated.

Belgian insolvency laws may adversely affect a recovery by the holders of amounts payable under the Subordinated Guarantee

Belgian insolvency laws which shall be applicable as the main residence and corporate seat of the Guarantor are located in Belgium may adversely affect a recovery by the holders of amounts payable under the Subordinated Guarantee. There are two types of insolvency procedures under Belgian law: (i) the judicial reorganisation (*réorganisation judiciaire/gerechtelijke reorganisatie*) procedure and (ii) bankruptcy (*faillite/faillissement*), each of which is described below.

The main purpose of a judicial restructuring procedure under Belgian law is to preserve the continuity of the business. This procedure initiated by the debtor will grant the debtor a suspension of payments for a specific period of time and will then impose a stay on unsecured creditors and certain secured creditors. Moreover, the debtor cannot be dissolved or declared bankrupt during the judicial restructuring procedure and any provision providing that an agreement would be terminated because the debtor entered into a judicial restructuring procedure will be ineffective, subject to certain limited exceptions set out in the Belgian Act of 15 December 2004 on financial collateral. A judicial restructuring procedure will be opened if the continuation of the debtor's business is, either immediately or in the future, at risk. The continuation of the debtor's business is in any event deemed to be at risk if, as a result of losses, the debtor's net assets have declined to less than 50 per cent. of the debtor's share capital. At the beginning of a judicial restructuring procedure, the court will set the duration of the initial suspension period. The initial suspension period has a maximum duration of six months. Upon the debtor's request, the initial suspension period can be extended. However, the total duration of the suspension period cannot exceed twelve months as from the court's ruling to open the judicial restructuring procedure. In exceptional circumstances (size of the company, complexity, maintenance of employment) and if it is in the creditors' interest, an additional extension of six months will be granted. The judicial restructuring procedure can be terminated if it becomes manifestly clear that the debtor will not be able to assure the continuity of a part or the whole of its business. Following early termination of the procedure, the debtor can be dissolved or declared bankrupt. During the suspension of payments, the debtor has three options: (i) agree a restructuring with some of its creditors; (ii) present a reorganisation plan to its creditors, which must subsequently be approved by these creditors with a double majority of 50% in number of creditors and 50% in value of the claims; and (iii) a court supervised transfer of (parts of) its business.

The reorganisation plan may involve the rescheduling or the reduction of certain claims. This may impact the recovery of Bondholders. The reduction may however not exceed 85% of the claim. In case of a court supervised transfer of (part of) the business of the Guarantor the rights of the Bondholders will extent to the proceeds of the transfer. In certain circumstances, this may impact the recovery of the Bondholders.

As a rule, creditors cannot enforce their rights against the debtor's assets during the period of preliminary suspension of payments, except in the following circumstances: (i) right of set-off in certain circumstances, (ii) failure by the debtor to pay any new debts (e.g. debts which have arisen after the date of the opening of a judicial restructuring procedure), or (iii) enforcement by a creditor of a pledge over receivables (other than cash and bank accounts except in case of default) or over financial instruments (or certain contractual set-off arrangements) pursuant to the Belgian Act of 15 December 2004 on financial collateral.

A company which, on a sustained basis, has ceased to make payments and whose credit is impaired will be deemed to be in a state of bankruptcy. The company must file for bankruptcy within one month after the cessation of payments. Following the court's decision to declare the company bankrupt, all the debt of the company that has not yet become due, will become immediately due. In general, the date on which the company sustainably ceased to make payments will coincide with the date of the court's decision to declare the company bankrupt. However, under certain conditions, the bankruptcy judgment can determine that the date on which the company ceased to make payments occurred already prior to the judgement. The court can in principle fix the date maximum six months prior to its bankruptcy judgment (the "**suspect period**") (*période suspecte/verdachte periode*), unless a decision to dissolve the company was made more than six months before the date of the bankruptcy judgment, in which case the date could be set on the date of the company's decision for dissolution. Payments made or other transactions executed (as listed below) by the company during the suspect period can be voided for the benefit of the bankrupt estate. The transactions which can or must be voided are (i) any transaction entered into by a bankrupt company during the suspect period if the value of the assets given by the company significantly exceeded the value of the assets that the company received in consideration, (ii) any payment made of due debt or any transaction entered into by a company during the suspect period if the counterparty to the payment or transaction was aware of the suspension of payments, (iii) security interests granted during the suspect period if they intend to secure a debt incurred prior to the suspect period, (iv) any payments (in whatever form), of any debt which was not yet due, as well as all payments other than money or monetary instruments (i.e. checks, promissory notes, etc.) of any due debt, and (v) any transaction or payment effected with fraudulent intent irrespective of its date. Following a judgment commencing a bankruptcy proceeding, enforcement rights of individual creditors are suspended (subject to exceptions set forth in the Belgian Act of 15 December 2004 on financial collateral). Creditors secured by rights *in rem* over movable assets, such as share pledges, will regain their ability to enforce their rights in rem only after the bankruptcy trustee has verified the creditors' claims.

Changes in rating methodologies may lead to the early redemption of the Bonds

S&P or Moody's may change their rating methodology and as a result the Bonds may be assigned a lower "equity credit" than the then highest respective "equity credit" assigned on or before November 30, 2015, or if "equity credit" is not assigned on or before November 30, 2015, at the date when the "equity credit" from such Rating Agency is assigned for the first time, or in the case of S&P, at the date when the highest "equity credit" was assigned during the period from November 30, 2015 to a date falling on or around the first date on which the Issuer may no longer exercise its right to call the Bonds in accordance with Condition 5(b)(v) (*Redemption for acquisition reasons*). In such case, the Issuer may redeem all of the Bonds (but not some only), as provided in Condition 5(b)(ii).

Any decline in the credit ratings of the Bonds or the Guarantor may affect the market value of the Bonds

The Bonds are expected to be assigned a rating by S&P and Moody's. The rating granted by each of S&P and Moody's or any other rating assigned to the Bonds may not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

On July 29, 2015, S&P placed Solvay SA on CreditWatch negative and stated that they expect to downgrade Solvay's long-term rating by up to two notches following the closing of the Acquisition, from BBB+ to BBB-. On November 18, 2015, S&P confirmed that they will likely proceed to a two notches downgrading following the closing of the Acquisition and stated that they concurrently expect to assign a stable outlook. On July 30, 2015, Moody's changed the outlook on Solvay's Baa2 rating to negative. See also Risk Factor "*The Acquisition and incurrence of related financial indebtedness could cause a downgrading of Solvay's or Cytec's credit ratings*". If the credit ratings assigned to the Guarantor were to be reduced or withdrawn for any reason, this may in turn lead to one or more of the credit ratings assigned to the Bonds being reduced or withdrawn, which could have a negative effect on the market value of the Bonds. In addition, each of S&P and Moody's or any other rating agency may change its methodologies for rating securities with features similar to the Bonds in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Bonds, sometimes called "notching". If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Bonds were to be subsequently lowered, this may have a negative impact on the trading price of the Bonds.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

(1) the audited unconsolidated annual financial statements of the Issuer for the year ended 31 December 2012 and the audit report from the auditors of the Issuer;

(2) the audited unconsolidated annual financial statements of the Issuer for the year ended 31 December 2013 and the audit report from the auditors of the Issuer;

(3) the audited unconsolidated annual financial statements of the Issuer for the year ended 31 December 2014 and the audit report from the auditors of the Issuer;

(4) the half year 2015 financial report of the Issuer containing (i) the unaudited unconsolidated interim financial statements of the Issuer for the period ended 30 June 2015 and (ii) the limited review report from the auditors; and

(5) the 2012 annual report of the Guarantor containing (i) the audited consolidated annual financial statements of the Guarantor for the year ended 31 December 2012 and (ii) the audit report from the auditors of the Guarantor,

the financial statements of the Issuer as drafted in French and the financial statements of the Guarantor as drafted in English, and each of them incorporated in, and forming part of, this Prospectus.

All documents incorporated by reference have been previously published or are published simultaneously with this Prospectus and have been filed with the CSSF for the purpose of the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg.

Any statement contained in a document or part of a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, be part of this Prospectus.

This Prospectus and the documents incorporated by reference in this Prospectus are available for viewing on the website of the Luxembourg Stock Exchange, www.bourse.lu.

The table below sets out the relevant page references for (i) the audited unconsolidated financial statements of the Issuer for the financial years ended 2012, 2013 and 2014, (ii) the unaudited unconsolidated six month financial statements of the Issuer for the period ended 30 June 2015 as set out in the half year 2015 financial report of the Issuer and (iii) the audited consolidated financial statements of the Guarantor for the financial year ending 2012 as set out in the 2012 annual report of the Guarantor.

Audited unconsolidated financial statements of the Issuer, audit report and explanatory notes of the Issuer for the financial year ended 31 December 2012.

Balance sheet	p. (v) – (vi)
Income statement	p. (vii) – (viii)
Notes and policies	p. 2-21
Statutory auditor’s report	p. (ii)-(iii)

Audited unconsolidated financial statements of the Issuer, audit report and explanatory notes of the Issuer for the financial year ended 31 December 2013.

Balance sheet	p. (ii)-(iii)
Income statement	p. (iv)-(v)
Notes and policies	p. 1- 18
Statutory auditor’s report	p. 19-20

Audited unconsolidated financial statements of the Issuer, audit report and explanatory notes of the Issuer for the financial year ended 31 December 2014.

Balance sheet	p. (ii)-(iii)
Income statement	p. (iv)-(v)
Notes and policies	p. 1-17
Statutory auditor’s report	p. 18-19

Half year 2015 financial report of the Issuer

Balance sheet	p. (ii)-(iii)
Income statement	p. (iv)
Notes and policies	p. 1-19
Auditor's limited review report	p. 20-22

2012 annual report of the Guarantor

Consolidated balance sheet	p. 52
Consolidated income statement	p. 49
Consolidated statement of comprehensive income	p. 50
Consolidated statement of cash flows	p. 51
Consolidated statement of changes in equity	p. 53
Notes	p. 54-123
Statutory auditor's report	p. 126-127

The information incorporated by reference that is not included in the above cross-reference list, is considered to be additional information and is not required by the relevant schedules of the Commission Regulation (EC) 809/2004 of 29 April 2004 implementing the Prospectus Directive, as amended.

GENERAL DESCRIPTION

*This general description must be read as an introduction to the Prospectus, prepared by the Issuer and the Guarantor in connection with the issue of Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC5.5 Bonds (the "**Perp-NC5.5 Bonds**") and Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC8.5 Bonds (the "**Perp-NC8.5 Bonds**" and together with the Perp-NC5.5 Bonds, "**Bonds**"). Any decision to invest in the Bonds should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference therein.*

Except as stated otherwise, words and expressions defined in the Prospectus, including the documents incorporated by reference in the Prospectus, shall have the same meanings in this general description.

Essential characteristics of the Bonds and the Subordinated Guarantee

Issuer:	Solvay Finance
Guarantor:	Solvay SA
Description:	Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC5.5 Bonds of Solvay Finance (the "**Perp-NC5.5 Bonds**") and Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC8.5 Bonds of Solvay Finance (the "**Perp-NC8.5 Bonds**", and together with the Perp-NC5.5 Bonds, the "**Bonds**") irrevocably guaranteed on a subordinated basis by Solvay SA
Structuring Advisers:	Credit Suisse Securities (Europe) Limited and Morgan Stanley & Co. International plc
Joint Global Coordinators:	Credit Suisse Securities (Europe) Limited, HSBC Bank plc and Morgan Stanley & Co. International plc
Joint Bookrunners:	BNP Paribas, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, HSBC Bank plc, ING Bank N.V., Belgian Branch and Morgan Stanley & Co. International plc
Amount of Perp-NC5.5 Bonds:	Euro 500,000,000
Amount of Perp-NC8.5 Bonds:	Euro 500,000,000
Issue Price of Perp-NC5.5 Bonds:	100 per cent.
Issue Price of Perp-NC8.5 Bonds:	100 per cent.
Fiscal Agent, Principal Paying Agent and Calculation Agent:	BNP Paribas Securities Services, Luxembourg Branch
Method of Issue:	The Bonds will be issued on a syndicated basis.
Issue Date of Perp-NC5.5 Bonds:	December 2, 2015
Issue Date of Perp-NC8.5 Bonds:	December 2, 2015
Currency of Perp-NC5.5 Bonds:	Euro
Currency of Perp-NC8.5 Bonds:	Euro
Denomination:	The Bonds will be issued in denominations of Euro 100,000 and integral multiples of Euro 1,000 in excess thereof.
Status of the Bonds:	The Bonds are Deeply Subordinated Bonds. The subordination provisions of the Bonds are governed by the provisions of Article L. 228-97 of the French Code de Commerce. The principal and interest on the Bonds constitute direct, unconditional, unsecured and deeply subordinated obligations of the Issuer and rank

	and will rank *pari passu* among themselves and *pari passu* with all other present and future Parity Securities of the Issuer, but shall be subordinated to *prêts participatifs* granted to the Issuer, to Ordinary Subordinated Obligations and to Unsubordinated Obligations of, or issued by, the Issuer.
Status of the Subordinated Guarantee:	The Guarantor has in the guarantee irrevocably guaranteed, on a subordinated basis, the due payment of all sums expressed to be payable from time to time by the Issuer under the Bonds. The obligations of the Guarantor under the Subordinated Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Parity Securities of the Guarantor but shall be subordinated to Ordinary Subordinated Obligations and to Unsubordinated Obligations of, or issued by, the Guarantor. The obligations of the Guarantor under the Subordinated Guarantee shall rank in priority to any Junior Securities and any classes of Share Capital Securities issued by the Guarantor.
Use of Proceeds:	The net proceeds of the issue of the Bonds will be on-lent to the Guarantor and used by the Guarantor to finance the acquisition of Cytec Industries, Inc. and for general corporate purposes of the Group.
Negative Pledge:	There is no negative pledge in respect of the Bonds.
Event of Default:	There are no events of default in respect of the Bonds.
Optional Redemption/Early Redemption:	The Bonds of each Series may be redeemed (in whole but not in part) at their principal amount together with any amounts outstanding thereon on the applicable First Call Date, the Second Reset Date and on any Interest Payment Date thereafter, at the option of the Issuer. The Issuer will also have the right (and in certain circumstances the obligation) to redeem the Bonds of each Series (in whole but not in part) at their principal amount or at the Early Redemption Amount, as applicable, for certain tax reasons, upon the liquidation or insolvency of the Issuer, upon an Accounting Event, upon a Rating Methodology Event, upon an Acquisition Event, upon a Change of Control Call Event or in the event that Bonds equal to or in excess of 90 per cent. of the aggregate principal amount of the Bonds initially issued in accordance with the Terms and Conditions of the Bonds have been purchased by the Issuer, the Guarantor or any of the Guarantor's subsidiaries (each as such terms are defined in "*Terms and Conditions of the Perp-NC5.5 Bonds – Definitions*" and "*Terms and Conditions of the Perp-NC8.5 Bonds – Definitions*").
Taxation:	The Bonds will, upon issue, benefit from an exemption from deduction of French withholding tax. If French law shall require any such deduction, the Issuer shall, to the extent permitted by law and subject to certain exceptions, pay additional amounts. Payments under the Subordinated Guarantee will not be subject to deduction of withholding tax. The Guarantor shall pay additional amounts in the event of any such deduction.

Interest:

The Perp-NC5.5 Bonds will bear interest (i) at the fixed rate of 5.118 per cent. *per annum* from (and including) December 2, 2015 (the "**Issue Date**") to (but excluding) June 2, 2021, payable annually in arrear on June 2 in each year and (ii) thereafter at a rate equal to the applicable mid swap rate for 5-Year Euro Mid Swaps as set out in the Terms and Conditions plus the Relevant Margin payable annually. The Perp-NC8.5 Bonds will bear interest (i) at the fixed rate of 5.869 per cent. *per annum* from (and including) the Issue Date to (but excluding) June 3, 2024, payable annually in arrear on June 3 in each year and (ii) thereafter at a rate equal to the applicable mid swap rate for 5-Year Euro Mid Swaps as set out in the Terms and Conditions plus the Relevant Margin payable annually (each as such terms are defined in "*Terms and Conditions of the Perp-NC5.5 Bonds – Definitions*" and "*Terms and Conditions of the Perp-NC8.5 Bonds – Definitions*").

Rate of interest if Shareholder Approval Requirement is not satisfied:

If the Shareholder Approval Requirement is not satisfied on or prior to the First Interest Payment Date, the Prevailing Rate will increase by 0.75 per cent. *per annum* with retroactive effect from the Issue Date. If the Shareholder Approval Requirement is satisfied after the First Interest Payment Date but no later than on or prior to the Second Interest Payment Date, the Prevailing Rate will decrease by 0.75 per cent. *per annum* with effect from the first day of the next Interest Period (as each such terms are defined in "*Terms and Conditions of the Perp-NC5.5 Bonds – Definitions*" and "*Terms and Conditions of the Perp-NC8.5 Bonds – Definitions*").

Rate of interest following a Change of Control:

If a Change of Control Call Event occurs, and provided that the Shareholder Approval Requirement has been satisfied at or prior to the giving of the Change of Control Call Event Notice, then if the Change of Control Call Event Notice specifies that the Issuer has elected not to exercise the Change of Control Call Option or the Issuer fails to publish a Change of Control Call Event Notice in accordance with Condition 5(b)(vi), the Prevailing Rate will be increased by an additional margin of 5 per cent., *per annum* which is applicable retroactively as from the date which is the later of (x) the immediately preceding Interest Payment Date and (y) the date of the Change of Control Call Event, to (but excluding) the date of the redemption of the Bonds (as each such terms are defined in "*Terms and Conditions of the Perp-NC5.5 Bonds – Definitions*" and "*Terms and Conditions of the Perp-NC8.5 Bonds – Definitions*").

Deferral of interest:

The Issuer may, at its option, elect not to pay interest in respect of the Bonds, in which case any such interest shall be deferred and constitute "Outstanding Amounts". Outstanding Amounts will bear interest at the rate of interest then applicable to the Bonds. Outstanding Amounts and interest accrued thereon shall be payable at any time at the Issuer's discretion and mandatorily upon the occurrence of an Outstanding Amount Payment Event (as such term is defined in "*Terms and Conditions of the Perp-NC5.5 Bonds – Definitions*" and "*Terms and Conditions of the Perp-NC8.5 Bonds – Definitions*").

Representation of Bondholders:

The Issuer or Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding may at any time convene a meeting of Bondholders in order to consider any matter affecting their interest. Such meetings shall have a quorum to be specified in relation to each matter to be discussed and any resolutions duly passed shall be binding on all Bondholders, whether or not they were present at such meeting.

Selling Restrictions: The Bonds have not been and will not be registered under the Securities Act and are being offered and sold only outside the United States in accordance with Regulation S thereunder. Selling restrictions apply in various jurisdictions.

Form of Bonds: The Bonds are issued in bearer form. Interests in the Bonds shall initially be represented by a temporary global bond ("**Temporary Global Bond**") deposited with a common depositary. The Temporary Global Bond shall be exchangeable in whole or in part for interests in a permanent global bond ("**Permanent Global Bond**"), on a date not earlier than 40 days after the date of issue of the Bonds.

Clearing and settlement: The Perp-NC5.5 Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg with the Common Code of 132389748. The International Securities Identification Number (ISIN) for the Perp-NC5.5 Bonds is XS1323897485. The Perp-NC8.5 Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg with the Common Code of 132389772. The International Securities Identification Number (ISIN) for the Perp-NC8.5 Bonds is XS1323897725. The common depositary for Euroclear and Clearstream, Luxembourg will be BNP Paribas Securities Services, Luxembourg Branch, the address of which is 33, rue de Gasperich, Howald – Hesperange, L-2085 Luxembourg, Luxembourg.

Listing/admission to trading: Application has been made to the Luxembourg Stock Exchange for the Bonds to be listed on the Official List and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange.

Governing Law: The Bonds and all matters arising from or connected with the Bonds are governed by, and shall be construed in accordance with, English law, except that the subordination provisions of the Bonds shall be governed by, and shall be construed in accordance with, French law.

The Subordinated Guarantee and all matters arising from or connected with the Subordinated Guarantee are governed by, and shall be construed in accordance with, English law, except that the subordination provisions of the Subordinated Guarantee shall be governed by, and shall be construed in accordance with, Belgian law.

Rating: The Bonds are expected to be assigned a rating of Ba1 (Neg) by Moody's Investors Service Ltd. ("**Moody's**") and a rating of BBB- (CW Neg) by Standard & Poor's Credit Market Services Europe Ltd. ("**S&P**"). S&P has stated that they are likely to downgrade Solvay's unsubordinated long-term rating by two notches following the closing of the Acquisition, from BBB+ to BBB- and concurrently expect to assign a stable outlook. Moody's has changed Solvay's Baa2 rating to negative from stable outlook. See also Risk Factor "*The Acquisition and incurrence of related financial indebtedness could cause a downgrading of Solvay's or Cytec's credit ratings*". A rating is not a recommendation to buy, sell or hold Bonds and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency.

TERMS AND CONDITIONS OF THE PERP-NC5.5 BONDS

The creation and issue outside the Republic of France of Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC5.5 Bonds of Solvay Finance (the "**Issuer**") irrevocably guaranteed on a subordinated basis by Solvay SA (the "**Guarantor**") has been authorized pursuant to a resolution of the *Conseil d'administration* of the Issuer dated November 13, 2015 and a decision of the *Président du Conseil d'administration* and *Directeur Général* of the Issuer dated November 25, 2015 acting pursuant to such resolution of the *Conseil d'administration* of the Issuer. The guarantee of the Bonds (the "**Subordinated Guarantee**") has been authorized pursuant to a resolution of the *Conseil d'administration* of the Guarantor dated October 28, 2015. The Bonds will be issued with the benefit of an agency agreement (the "**Agency Agreement**") dated December 2, 2015 (the "**Issue Date**") between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent and principal paying agent (the "**Fiscal Agent**", which expression shall, where the context so admits, include any successor for the time being as Fiscal Agent) and as calculation agent (the "**Calculation Agent**", which expression shall, where the context so admits, include any successor for the time being as Calculation Agent) and the other paying agents named therein (together, the "**Paying Agents**", which expression shall, where the context so admits, include the Fiscal Agent and any successors for the time being of the Paying Agents or any additional paying agents appointed thereunder from time to time). Reference below to the "**Agents**" shall be to the Fiscal Agent, the Paying Agents and/or the Calculation Agent, as the case may be. Certain provisions of these Conditions are summaries of the Agency Agreement and the Subordinated Guarantee and subject to their detailed provisions. The holders of the Bonds and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Subordinated Guarantee applicable to them. Copies of the Agency Agreement and the Subordinated Guarantee are available for inspection at the specified offices of the Paying Agents. References below to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs below.

1 DEFINITIONS

For the purposes of these Conditions:

"**2006 Hybrid Bonds**" means the EUR 500,000,000 Deeply Subordinated Fixed to Floating Rate Bonds due 2104 with ISIN XS0254808214 issued by the Issuer and irrevocably guaranteed on a subordinated basis by the Guarantor in 2006.

"**2013 Hybrid Bonds**" means the 2013 Perp-NC5.5 Bonds and the 2013 Perp-NC10 Bonds.

"**2013 Perp-NC5.5 Bonds**" means the EUR 700,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC5.5 Bonds with ISIN XS0992293570 issued by the Issuer and irrevocably guaranteed on a subordinated basis by the Guarantor in 2013.

"**2013 Perp-NC10 Bonds**" means the EUR 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC10 Bonds with ISIN XS0992293901 issued by the Issuer and irrevocably guaranteed on a subordinated basis by the Guarantor in 2013.

"**5-Year Euro Mid Swap Quotations**" means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) for a fixed-for-floating euro interest rate swap which (i) has a term of 5 years commencing on the first day of the relevant Reset Period, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis).

"**Accounting Event**" means that a recognized accountancy firm, acting upon instructions of the Guarantor or the Issuer, has delivered a letter or report to the Guarantor or the Issuer, stating that as a result of a change in accounting principles (or the application thereof) since November 30, 2015, the Bonds may not or may no longer be recorded as "equity" in full pursuant to IFRS or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Guarantor.

"**Acquisition Event**" shall occur if (i) the Guarantor has not completed and closed the acquisition of Cytec Industries Inc., a Delaware corporation as announced in the press release published by the Guarantor on July 29, 2015 and (ii) the Guarantor has publicly announced that it no longer intends to pursue such acquisition.

"**Actual/Actual-ICMA**" means the number of days in the Calculation Period divided by the number of days in the relevant Fixed Rate Interest Period.

"**Belgian Winding-Up**" means any *concursus creditorum* (*concours de créanciers/samenloop van schuldeisers*) on all or substantially all of the assets of the Guarantor, including bankruptcy (*faillite/faillissement*) and judicial or voluntary dissolution and liquidation (*dissolution et liquidation judiciaire ou volontaire/gerechtelijke of vrijwillige ontbinding en vereffening*), other than a voluntary dissolution in the context of solvent reorganisation whereby the surviving entity assumes all obligations of the Guarantor under the Subordinated Guarantee.

"**Bonds**" means the Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC5.5 Bonds issued by the Issuer and irrevocably guaranteed on a subordinated basis by the Guarantor.

"**Bondholders**" means the holders of the Bonds.

"**Broken Amount**" means Euro 25.59 per Euro 1,000 in principal amount of Bonds.

"**Calculation Period**" means any period of time (from and including the first day of such period to but excluding the last) in respect of the calculation of an amount of interest on any Bond.

"**Change of Control Call Event**" has the meaning ascribed to such term in Condition 5(b)(vi) (*Redemption following a Change of Control Call Event*).

"**Change of Control Call Event Notice**" has the meaning ascribed to such term in Condition 5(b)(vi) (*Redemption following a Change of Control Call Event*).

"**Change of Control Call Option**" has the meaning ascribed to such term in Condition 5(b)(vi) (*Redemption following a Change of Control Call Event*).

"**Deeply Subordinated Bonds**" means any bonds or notes of the Issuer (including the Bonds, the 2006 Hybrid Bonds, the 2013 Hybrid Bonds or the Perp-NC8.5 Bonds) which constitute direct, unsecured and lowest ranking subordinated Obligations (*engagements subordonnés de dernier rang*) of the Issuer and which rank and will rank, by their terms, by operation of law or otherwise, junior to *prêts participatifs* granted to the Issuer and junior to the Ordinary Subordinated Obligations and Unsubordinated Obligations of the Issuer, but in priority to any Junior Securities and any classes of Share Capital Securities issued by the Issuer.

"**Early Redemption Amount**" means an amount payable in respect of each Bond on the date set for redemption (the "**Early Redemption Date**"), which shall be (i) in the event that the Early Redemption Date takes place prior to the First Call Date, 101% of its principal amount together with any interest accrued to the Early Redemption Date including any Outstanding Amounts together with interest accrued thereon at the Prevailing Rate, or (ii) in the event that the Early Redemption Date takes place on or after the First Call Date, 100% of its principal amount together with any interest accrued to the Early Redemption Date including any Outstanding Amounts together with interest accrued thereon at the Prevailing Rate.

"**First Call Date**" means June 2, 2021.

"**First Interest Payment Date**" has the meaning ascribed to such term in Condition 4(a).

"**First Reset Date**" means June 2, 2021.

"**Initial Fixed Rate Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Fixed Rate Interest Payment Date (as defined in Condition 4(a)) and each successive period beginning on (and including) a Fixed Rate Interest Payment Date and ending on (but excluding) the next succeeding Fixed Rate Interest Payment Date until (but excluding) the First Call Date shall be a "**Fixed Rate Interest Period**".

"**Interest Payment Date**" means a Fixed Rate Interest Payment Date or a Reset Rate Interest Payment Date, as the case may be, both as defined in Condition 4(a).

"**Interest Period**" means a Fixed Rate Interest Period or a Reset Rate Interest Period, as the case may be.

"**Junior Securities**" means (i) any instruments issued, entered into or guaranteed by the Issuer, including any Share Capital Securities issued by the Issuer, which rank (or in relation to which the Issuer's payment obligations under the relevant guarantee rank), by their terms, by operation of law or otherwise, junior to the Bonds or to any Parity Security issued by the Issuer and (ii) any instruments issued, entered into or guaranteed by the Guarantor, including any Share Capital Securities issued by the Guarantor, which rank (or in relation to which the Guarantor's payment obligations under the relevant guarantee rank), by their terms, by operation of law or otherwise, junior to the obligations of the Guarantor under the Subordinated Guarantee or to any Parity Security issued by the Guarantor.

"**Liquidation Redemption Date**" has the meaning ascribed to such term in Condition 5(c) (*Liquidation*).

"**Obligations**" means, in respect of any person, any financial obligation expressed to be assumed by or imposed on it under or arising as a result of any contract, agreement, guarantee, document, instrument, conduct or relationship or directly by law.

"**Ordinary Subordinated Creditors**" means any person(s) to whom/which the Issuer or the Guarantor, as the case may be, owes an Ordinary Subordinated Obligation.

"**Ordinary Subordinated Obligations**" means any Obligations of the Issuer or the Guarantor, as the case may be, which constitute direct, unsecured and subordinated obligations of the Issuer or the Guarantor, as the case may be, and which in an insolvency rank and will rank, by their terms, by operation of law or otherwise, *pari passu* among themselves and *pari passu* with all other present and future Ordinary Subordinated Obligations, but in the case of the Issuer, in priority to *prêts participatifs* granted to the Issuer and in the case of the Issuer or the Guarantor, as the case may be, in priority to any Parity Securities.

"**Outstanding Amount**" means any amount deferred in accordance with Condition 4(e).

"**Outstanding Amount Payment Event**" means any one or more of the following events:

(a) the Issuer or the Guarantor has declared or paid a dividend (whether in cash, shares or any other form) or more generally declared or made a payment of any nature, on or in respect of any Share Capital Securities;

(b) the Guarantor or any of its Subsidiaries (including the Issuer) has declared or made a payment of any nature, on or in respect of any Parity Securities or Junior Securities issued by the Issuer or the Guarantor and/or guaranteed by the Guarantor;

(c) the Guarantor or any of its Subsidiaries (including the Issuer) has redeemed, repurchased or repaid any Parity Securities issued or entered into by it, any Junior Securities issued or entered into by it or any Share Capital Securities issued by it, or the Guarantor or any of its Subsidiaries (including the Issuer) has otherwise acquired any Parity Securities or any Junior Securities;

(d) the Issuer making a payment of interest on the Bonds (other than discretionary payments of deferred interest and associated amounts howsoever defined) on an Interest Payment Date, or

(e) the Bonds are redeemed,

save for, (i) in each case, any compulsory dividend, other payment, redemption, repurchase, repayment or other acquisition required by the terms of such securities, and (ii) in the case of Parity Securities only, (1) any redemption, repurchase, repayment or acquisition according to (c) above executed in whole or in part in the form of a public tender offer or public exchange offer at a consideration per Parity Security below its par value and (2) discretionary partial payments of deferred interest and associated amounts, howsoever defined.

"**Parity Securities**" means (i) any instruments issued, entered into or guaranteed by the Issuer which rank (or in relation to which the Issuer's payment obligations under the relevant guarantee rank), by their terms, by operation of law or otherwise, junior to *prêts participatifs* granted to the Issuer, to Ordinary Subordinated Obligations and to Unsubordinated Obligations of, or issued by, the Issuer and in priority to any Junior Securities and any classes of Share Capital Securities issued by the Issuer and (ii) any instruments issued, entered into or guaranteed by the Guarantor which rank (or in relation to which the Guarantor's payment obligations under the relevant guarantee rank), by their terms, by operation of law or otherwise, junior to Ordinary Subordinated Obligations and to Unsubordinated Obligations of, or issued by, the Guarantor and in priority to any Junior Securities and any classes of Share Capital Securities issued by the Guarantor.

For the avoidance of doubt, Parity Securities shall include the 2006 Hybrid Bonds, the 2013 Hybrid Bonds and the Perp-NC8.5 Bonds.

"**Perp-NC8.5 Bonds**" means the Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC8.5 Bonds with ISIN XS1323897725 issued by the Issuer and irrevocably guaranteed on a subordinated basis by the Guarantor on the Issue Date.

"**Prevailing Rate**" means the rate of interest which is from time to time applicable to the Bonds in accordance with Condition 4(a), as may be adjusted in accordance with Condition 4(e) (*Rate of interest if Shareholder Approval Requirement is not satisfied*) or 4(f) (*Rate of interest following a Change of Control Event*).

"**Rating Agency**" means any of Moody's Investors Service Ltd. ("**Moody's**"), Standard & Poor's Credit Market Services Europe Ltd. ("**S&P**") or any other rating agency of equivalent international standing solicited from time to time by the Guarantor to grant a rating to the Guarantor and in each case, any of their respective successors to the rating business thereof.

"**Rating Methodology Event**" means that the Guarantor or the Issuer have received written confirmation from any Rating Agency from whom the Guarantor is assigned solicited ratings either directly or via a publication by such agency, that an amendment, clarification or change has occurred in ratings methodology of such Rating Agency, which amendment, clarification or change results in a lower "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) for the Bonds than the then highest respective "equity credit" assigned on or before November 30, 2015, or if "equity credit" is not assigned on or before November 30, 2015, at the date when the "equity credit" from such Rating Agency is assigned for the first time, or in the case of S&P, at the date when the highest "equity credit" was assigned during the period from November 30, 2015 to a date falling on or around the first date on which the Issuer may no longer exercise its right to call the Bonds in accordance with Condition 5(b)(v) (*Redemption for acquisition reasons*).

"**Regulated Market of the Luxembourg Stock Exchange**" means the regulated market of the Bourse de Luxembourg which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC.

"**Relevant Margin**" means, (i) from and including the First Reset Date, to (but excluding) the Second Reset Date, 4.889 per cent., (ii) from and including the Second Reset Date to (but excluding) June 2, 2041 (the "**2041 Step Up Date**"), 5.139 per cent., or (iii) from and including the 2041 Step Up Date, 5.889 per cent.

"**Reset Rate Interest Period**" means the period beginning on (and including) the First Reset Date and ending on (but excluding) the Second Reset Date and each successive period beginning on (and including) a Reset Rate Interest Payment Date (as defined in Condition 4(a)) and ending on (but excluding) the Reset Rate Interest Payment Date falling on the 5th anniversary of such Reset Rate Interest Payment Date (each such date a "**Subsequent Reset Date**").

"**Second Reset Date**" means June 2, 2026.

"**Share Capital Securities**" means (i) any ordinary shares (*actions ordinaires*) issued by the Issuer or preference shares (*actions de préférence*) issued by the Issuer and (ii) any ordinary shares (*actions ordinaires*) issued by the Guarantor or preference shares (*actions de préférence*) issued by the Guarantor, or any profit-sharing certificates (*parts bénéficiaires*) issued by the Guarantor which rank or would rank, by their terms, by operation of law or otherwise, equally with any ordinary shares or preference shares, if any, issued by the Guarantor.

"**Shareholder Approval Requirement**" has the meaning ascribed to such term in Condition 4(e) (*Rate of interest if Shareholder Approval Requirement is not satisfied*).

"**Subsidiary**" means, in relation to any person or entity at any time, any other person or entity (whether or not now existing) (i) whose affairs and policies the first person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise or (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person.

"**Talon**" has the meaning ascribed to such term in Condition 2 (*Form, denomination and title*).

"**TARGET Business Day**" means a day on which the TARGET2 System is operating.

"**TARGET2 System**" means the Trans European Automated Real Time Gross Settlement Express Transfer System or any successor thereto.

"**Unsubordinated Creditors**" means any person(s) to whom/which the Issuer or the Guarantor, as the case may be, owes an Unsubordinated Obligation.

"**Unsubordinated Obligation**" means any Obligation of the Issuer or the Guarantor, as the case may be, which is unsubordinated.

2 FORM, DENOMINATION AND TITLE

The Bonds are in bearer form in the denomination of Euro 100,000 each and integral multiples of Euro 1,000 in excess thereof with Coupons and talons (each, a "**Talon**") for further Coupons attached at the time of issue. Title to the Bonds, the Coupons and the Talons will pass by delivery. The holder of any Bond, or

Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

3 STATUS OF THE BONDS AND SUBORDINATED GUARANTEE

(a) *Status of the Bonds*: The Bonds are Deeply Subordinated Bonds. The subordination provisions of the Bonds are governed by the provisions of Article L. 228-97 of the French Code de Commerce. The principal and interest on the Bonds constitute direct, unconditional, unsecured and deeply subordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Parity Securities of the Issuer, but shall be subordinated to *prêts participatifs* granted to the Issuer, to Ordinary Subordinated Obligations and to Unsubordinated Obligations of, or issued by, the Issuer.

If any judgment is issued by any competent court for the judicial liquidation (*liquidation judiciaire*) of the Issuer or, following an order of *redressement judiciaire*, the sale of the whole of the business (*cession totale de l'entreprise*) of the Issuer or in the event of the voluntary dissolution of the Issuer or if the Issuer has been liquidated for any other reason, the rights of the Bondholders will be calculated on the basis of the principal amount of the Bonds together with accrued interest on such principal amount, Outstanding Amounts and accrued interest on such Outstanding Amounts and to the extent that all other creditors of the Issuer (including Unsubordinated Creditors of the Issuer, Ordinary Subordinated Creditors of the Issuer, lenders in relation to *prêts participatifs* granted to the Issuer) ranking in priority to the Bondholders have been or will be fully reimbursed, as ascertained by the liquidator. On a liquidation of the Issuer, no payments will be made to holders of Junior Securities or Share Capital Securities before all amounts due, but unpaid, to all Bondholders under the Bonds have been paid by the Issuer.

(b) *Subordinated Guarantee*: The Guarantor has in the Subordinated Guarantee irrevocably guaranteed, on a subordinated basis, the due payment of all sums expressed to be payable from time to time by the Issuer under the Bonds. The obligations of the Guarantor under the Subordinated Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Parity Securities of the Guarantor but shall be subordinated to Ordinary Subordinated Obligations and to Unsubordinated Obligations of, or issued by, the Guarantor. The obligations of the Guarantor under the Subordinated Guarantee shall rank in priority to any Junior Securities and any classes of Share Capital Securities issued by the Guarantor. On a Belgian Winding-Up of the Guarantor, payments under the Subordinated Guarantee will be subject to the condition precedent that all claims of the creditors of the Guarantor other than holders of Parity Securities, Junior Securities and Share Capital Securities issued by the Guarantor will have been discharged in full.

4 INTEREST AND DEFERRAL OF INTEREST

(a) *General*: Each Bond bears interest on its principal amount at a fixed rate of 5.118 per cent. *per annum* (the "**Initial Fixed Rate of Interest**") from (and including) the Issue Date to (but excluding) June 2, 2021, payable annually in arrear on June 2 in each year (each a "**Fixed Rate Interest Payment Date**") commencing on June 2, 2016 (the "**First Interest Payment Date**"), and thereafter at the Reset Rate of Interest (as defined in Condition 4(d)(i) below), in each case payable annually in arrear on June 2, commencing on June 2, 2022 (each a "**Reset Rate Interest Payment Date**") in each case subject as provided in Condition 4(e) (*Deferral of Interest*).

(b) *Interest Payments*: Interest payments will be made subject to and in accordance with Condition 6 (*Payments and calculations*). In the case of redemption as provided in Condition 5 (*Redemption and purchase*), interest will cease to accrue on each Bond on the Early Redemption Date or, as the case may be, the *Liquidation* Redemption Date, unless, upon such date, payment of the principal amount, the relevant Early Redemption Amount or, as the case may be, the amount due on the Liquidation Redemption Date is improperly withheld or refused or if default is otherwise made in respect of payment thereof. In such event, such Bond shall continue to bear interest in accordance with this Condition 4 (*Interest and deferral of interest*) (as well after as before judgment) until the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder.

(c) *Initial Fixed Rate of Interest*: The amount of interest payable on the Bonds on each Fixed Rate Interest Payment Date will be an amount equal to the product of the principal amount of the Bonds multiplied by the Initial Fixed Rate of Interest. Interest will be calculated on an Actual/Actual-ICMA annual basis. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a day count fraction which will be calculated by taking the actual number of calendar days in the relevant period, from (and including) the date from which interest begins to accrue to (but excluding) the date on which it falls due, divided by the number of calendar days in the Fixed Rate Interest Period in which the relevant period falls (including the first such day but excluding the last). The first payment of interest, to be made on the First Interest Payment Date, will be in respect of the Initial Fixed Rate of Interest Period and will amount to the Broken Amount.

(d) *Reset Rate of Interest*

(i) Method of determination of the Reset Rate of Interest

The Reset Rate of Interest applicable in respect of the Bonds (the "**Reset Rate of Interest**") will be determined by the Calculation Agent on the following basis:

(A) On the second TARGET Business Day before the beginning of each Reset Rate Interest Period (the "**Interest Determination Date**") the Calculation Agent will obtain the mid swap rate for Euro swap transactions with a maturity of 5 years ("**5-Year Euro Mid Swaps**"), as published on Bloomberg Page ISDA4 (or such other page or service as may replace it for the purposes of displaying European swap rates of leading reference banks for swaps in euro) (the "**Mid Swaps Page**"), as at 11.00 am (Central European Time) on such Interest Determination Date. The Reset Rate of Interest for such Reset Rate Interest Period shall be the aggregate of the Relevant Margin and the rate which so appears as determined by the Calculation Agent.

(B) If for any reason, on any Interest Determination Date, no rate is calculated and is published on the Mid Swaps Page, the Calculation Agent will request any four major banks selected by it in the European inter-bank market (the "**Reference Banks**") to provide it with their respective 5-Year Euro Mid Swap Quotations offered by such banks at approximately 11.00 am (Central European time) on such Interest Determination Date, to prime banks in the European market for 5-year Euro Mid Swaps in an amount that is, in the reasonable opinion of the Calculation Agent, representative for a single transaction in the relevant market at the relevant time. The Reset Rate of Interest for such Reset Rate Interest Period shall be the aggregate of the Relevant Margin and the arithmetic mean (rounded if necessary, to the nearest second decimal place, with 0.005 being rounded upwards) of the rates so quoted.

(C) If only two or three rates are so quoted on any Interest Determination Date, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, to the nearest second decimal place, with 0.005 being rounded upwards) of the rates so quoted and the Reset Rate of Interest for such Reset Rate Interest Period shall be the aggregate of the Relevant Margin and such arithmetic mean. If fewer than two rates are so quoted on any Interest Determination Date, the Reset Rate of Interest in respect of such Reset Rate Interest Payment Date shall be the aggregate of the then applicable Relevant Margin and the 5-Year Euro Mid Swaps rate in effect for the immediately preceding Reset Rate Interest Period.

(ii) Determination of Reset Rate of Interest and Calculation of Reset Rate Interest Amount by the Calculation Agent

The Calculation Agent will, as soon as practicable after 11.00 a.m. (Central European time) on each Interest Determination Date, determine the Reset Rate of Interest and calculate the amount of interest payable in respect of each Bond (the "**Reset Rate Interest Amount**") for the relevant Reset Rate Interest Period. The Reset Rate Interest Amount in respect of the Bonds shall be calculated by applying the Reset Rate of Interest to the aggregate principal amount of the Bonds on an Actual/Actual-ICMA annual basis (rounded to the nearest half cent, with half a cent being rounded upwards).

(iii) Publication of Reset Rate of Interest and Reset Rate Interest Amount

The Calculation Agent will cause the Reset Rate of Interest and the Reset Rate Interest Amount for each Reset Rate Interest Period to be notified to the Issuer, the Fiscal Agent and the

Luxembourg Stock Exchange and any other stock exchange on which the Bonds may for the time being be listed and the Calculation Agent will cause publication thereof in accordance with Condition 11 (*Notices*) as soon as possible after their determination but in no event later than the fourth TARGET Business Day thereafter.

(e) *Rate of interest if Shareholder Approval Requirement is not satisfied*:

(i) The provisions of Conditions 4(f) (*Rate of interest following a Change of Control Call Event*) and 5(b)(vi) (*Redemption following a Change of Control Call Event*) will not be effective unless and until the Shareholder Approval Requirement is satisfied and, unless the Shareholder Approval Requirement is satisfied on or prior to the First Interest Payment Date, Condition 4(e)(iii) shall apply instead.

(ii) The Guarantor shall propose to its shareholders a resolution to approve Conditions 4(f) (*Rate of interest following a Change of Control Call Event*) and 5(b)(vi) (*Redemption following a Change of Control Call Event*) at the first annual general meeting after the Issue Date and shall propose such a resolution at each general meeting of the Guarantor thereafter until the earlier of (i) the interest payment date falling on June 2, 2017 (the "**Second Interest Payment Date**") or (ii) the date on which the Shareholder Approval Requirement is satisfied.

(iii) If the Shareholder Approval Requirement is not satisfied on or prior to the First Interest Payment Date, the Prevailing Rate will increase by 0.75 per cent. *per annum* with retroactive effect from the Issue Date. If the Shareholder Approval Requirement is satisfied after the First Interest Payment Date but no later than on or prior to the Second Interest Payment Date, the Prevailing Rate will decrease by 0.75 per cent. *per annum* with effect from the first day of the next Interest Period. For the avoidance of doubt, if the Shareholder Approval Requirement is satisfied after the Second Interest Payment Date, the Prevailing Rate will not decrease by 0.75 per cent. *per annum*. The Issuer shall notify the Fiscal Agent and the Bondholders of such events.

For the purposes of this Condition 4(e):

"**Shareholder Approval Requirement**" means (i) the terms of Conditions 4(f) (*Rate of interest following a Change of Control Call Event*) and 5(b)(vi) (*Redemption following a Change of Control Call Event*) have been approved by a shareholders' meeting of the Guarantor, and (ii) such resolution has been filed with the Clerk of the Commercial Court of Brussels (*griffie van de rechtbank van koophandel/greffe du tribunal de commerce*), and evidence of the filing of such resolution with the Clerk of the Commercial Court of Brussels (*griffie van de rechtbank van koophandel/greffe du tribunal de commerce*) has been provided to the Fiscal Agent by the Guarantor (and the date on which the Shareholder Approval Requirement shall be satisfied shall be date on which the Fiscal Agent has received such evidence).

(f) *Rate of interest following a Change of Control Call Event*: If a Change of Control Call Event occurs, and provided that the Shareholder Approval Requirement has been satisfied at or prior to the giving of the Change of Control Call Event Notice, then if the Change of Control Call Event Notice specifies that the Issuer has elected not to exercise the Change of Control Call Option or the Issuer fails to publish a Change of Control Call Event Notice in accordance with Condition 5(b)(vi), the Prevailing Rate will be increased by an additional margin of 5 per cent. *per annum* which is applicable retroactively as from the date which is the later of (x) the immediately preceding Interest Payment Date and (y) the date of the Change of Control Call Event, to (but excluding) the date of redemption of the Bonds.

(g) *Deferral of Interest*: On each Interest Payment Date (other than an Interest Payment Date falling on the date of redemption of the Bonds), the Issuer may, at its option, elect not to pay interest in respect of the Bonds which has, pursuant to the provisions of Condition 4(a), accrued to that date in respect of the Interest Period ending immediately prior to such Interest Payment Date, subject to such election and decision of deferral having been made by its *Conseil d'administration* and subject further to the giving of notice of election of deferral to the Bondholders as provided below. Any interest not paid pursuant to such an election shall be deferred.

Any amounts so deferred shall constitute "**Outstanding Amounts**". Such non-payment shall not constitute a default by the Issuer under the Bonds or for any other purpose. Notice of non-payment of any interest under the Bonds on any Interest Payment Date shall be given to the Bondholders in accordance with Condition 11 (*Notices*) at least ten (10) TARGET Business Days prior to such Interest

Payment Date. So long as the Bonds are listed on the Regulated Market of the Luxembourg Stock Exchange and the rules of such stock exchange so require, notice of any such non-payment shall be given by the Issuer as soon as reasonably practicable to such stock exchange.

(h) *Outstanding Amounts*: Outstanding Amounts will bear interest at the Prevailing Rate from and including the Interest Payment Date on which such Outstanding Amounts were deferred in accordance with Condition 4(g), to but excluding the date on which such Outstanding Amounts are paid, as the case may be, in accordance with this Condition. Such interest shall accrue and be calculated in accordance mutatis mutandis with Condition 4(a) and, depending on whether the Prevailing Rate is the Initial Fixed Rate of Interest or a Reset Rate of Interest, in accordance mutatis mutandis with Conditions 4(c) or 4(d). Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate (such amounts, the "**Additional Interest Amounts**"), in accordance with this Condition 4(h) shall be paid in cash in whole but not in part, upon the occurrence of any Outstanding Amount Payment Event or at any time, in whole or in part, at the option of the Issuer. Notice of any Outstanding Amount Payment Event or exercise by the Issuer of its option to pay all Outstanding Amounts, together with any Additional Interest Amount at the Prevailing Rate, shall be given to the Bondholders in accordance with Condition 11 (*Notices*) within ten (10) TARGET Business Days of such event or exercise. In the case of exercise of its option to pay by the Issuer, such exercise shall be deemed to have occurred on the date of giving of the notice in accordance with Condition 11 (*Notices*).

(i) *Partial Payment of Outstanding Amounts and Additional Interest Amounts*: If amounts in respect of Outstanding Amounts and Additional Interest Amounts are paid in part:

(i) all unpaid amounts of Outstanding Amounts shall be payable before any Additional Interest Amounts;

(ii) Outstanding Amounts accrued for any period shall not be payable until full payment has been made of all Outstanding Amounts that have accrued during any earlier period and the order of payment of Additional Interest Amounts shall follow that of the Outstanding Amounts to which they relate; and

(iii) the amount of Outstanding Amounts or Additional Interest Amounts payable in respect of any of the Bonds in respect of any period, shall be pro rata to the total amount of all unpaid Outstanding Amounts or, as the case may be, Additional Interest Amounts accrued on the Bonds in respect of that period to the date of payment.

In the event that the Issuer has elected to defer the payment of interest on any Interest Payment Date, if an Outstanding Amount Payment Event does not occur prior to the calendar day which is the fifth anniversary of the Interest Payment Date on which the relevant Outstanding Amount was first deferred, it is the intention, though not an obligation, of the Issuer to pay all Outstanding Amounts (in whole but not in part) no later than the next following Interest Payment Date.

5 REDEMPTION AND PURCHASE

(a) *No Fixed Maturity*: The Bonds are undated without fixed maturity, and may not be redeemed otherwise than in accordance with this Condition 5 (*Redemption and purchase*).

(b) *Call options*

(i) *General call option of the Issuer*

On the First Call Date, the Second Reset Date and on any Interest Payment Date thereafter, the Issuer, subject to having given not less than 30, and not more than 45, calendar days' prior notice to the Bondholders (which notice shall be irrevocable) in accordance with Condition 11 (*Notices*), may redeem all, but not some only, of the Bonds at their principal amount including any amount outstanding thereon (including an amount equal to any Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate). The Issuer will inform the Luxembourg Stock Exchange of any such redemption.

(ii) *Redemption for taxation reasons*

(A) If, by reason of a change in the laws or regulations of the Republic of France, or any political subdivision therein or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a judgment by a court of competent jurisdiction), becoming effective on or after November 30, 2015, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Bonds, not be able to make such payment without having to pay additional amounts as specified under Condition 7 (*Taxation*), the Issuer may, at any time subject to having given not more than 45 nor less than 30 days' prior notice to the Bondholders (which notice shall be irrevocable), in accordance with Condition 11 (*Notices*), redeem all, but not some only, of the Bonds outstanding at their principal amount together with amounts outstanding thereon including an amount equal to any Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate and with accrued interest to the date of redemption provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes or, if such date has passed, as soon as practicable thereafter;

(B) If, by reason of a change in the laws or regulations of the Kingdom of Belgium, or any political subdivision therein or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a judgment by a court of competent jurisdiction), becoming effective on or after November 30, 2015, the Guarantor would (if a demand was made under the Subordinated Guarantee of the Bonds) have to pay additional amounts as specified under Condition 7 (*Taxation*), the Issuer may, at any time subject to having given not more than 45 nor less than 30 days' prior notice to the Bondholders (which notice shall be irrevocable), in accordance with Condition 11 (*Notices*), redeem all, but not some only, of the Bonds outstanding at their principal amount together with amounts outstanding thereon including an amount equal to any Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate and with accrued interest to the date of redemption provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Guarantor could make a payment under the Subordinated Guarantee without withholding for Belgian taxes or, if such date has passed, as soon as practicable thereafter;

(C) If the Issuer would on the next payment of principal or interest in respect of the Bonds be prevented by French law from making payment to the Bondholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 7 (*Taxation*), then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven days' prior notice to the Bondholders in accordance with Condition 11 (*Notices*), redeem all, but not some only, of the Bonds then outstanding at their principal amount together with amounts outstanding thereon including an amount equal to any Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate and with accrued interest to the date of redemption provided that the due date for redemption of which notice hereunder shall be given shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of principal and interest payable without withholding for French taxes or, if such date has passed, as soon as practicable thereafter;

(D) If, an opinion of a recognized law firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that by reason of any change in the laws or regulations of the Republic of France, or any political subdivision therein or any authority thereof or therein having power to tax, any change in the application or official interpretation of such laws or regulations (including a judgment by a court of competent jurisdiction), or any other change in the tax treatment of the Bonds, becoming effective on or after November 30, 2015, interest payments under the Bonds were but are no longer tax-deductible by the Issuer for French corporate income tax (*impôts sur les bénéfices des sociétés*) purposes to the same extent as Unsubordinated Obligations of the Issuer would be, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 days' notice to Bondholders (which notice shall be irrevocable) in accordance with Condition 11 (*Notices*), redeem all, but not some only, of the Bonds at their Early Redemption Amount provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make such payment with interest payable being tax deductible for French corporate income tax (*impôts sur les bénéfices des sociétés*) purposes.

(iii) *Redemption for rating reasons*

If a Rating Methodology Event has occurred, then the Issuer may, subject to having given not more than 45 nor less than 30 days' notice to the Fiscal Agent and, in accordance with Condition 11 (*Notices*), the Bondholders (which notice shall be irrevocable) redeem all, but not some only, of the Bonds at any time at their Early Redemption Amount.

(iv) *Redemption for accounting reasons*

If an Accounting Event has occurred, then the Issuer may, subject to having given not more than 45 nor less than 30 days' notice to the Fiscal Agent and, in accordance with Condition 11 (*Notices*), the Bondholders (which notice shall be irrevocable) redeem all, but not some only, of the Bonds at any time at the Early Redemption Amount.

(v) *Redemption for acquisition reasons*

If an Acquisition Event occurs, and provided that the Guarantor has given notice to the Bondholders in accordance with Condition 11 (Notices) on or prior to June 2, 2016 of the occurrence of such Acquisition Event, then the Issuer may at any time within 60 days following such notice, subject to having given notice to the Fiscal Agent and, in accordance with Condition 11 (*Notices*), the Bondholders (which notice shall be irrevocable) not more than 45 nor less than 30 days before the redemption, redeem all, but not some only, of the Bonds at the Early Redemption Amount. The Issuer may waive its right to call the Bonds in accordance with this Condition 5(b)(v) by giving notice (which shall be irrevocable) pursuant to Condition 11 (*Notices*).

(vi) *Redemption following a Change of Control Call Event*

Provided that the Shareholder Approval Requirement is satisfied at or prior to the giving of the Change of Control Call Event Notice, if:

(A) a Change of Control occurs and at such time the long term unsecured and unsubordinated debt of the Guarantor is rated and, within the Change of Control Period, a Rating Downgrade resulting from that Change of Control occurs and is not remedied prior to the end of the Change of Control Period; or

(B) a Change of Control occurs and at such time the long term unsecured and unsubordinated debt of the Guarantor is not rated,

(each a "**Change of Control Call Event**"), then:

the Issuer may, at its option (the "**Change of Control Call Option**"), but in no circumstances before the expiry of each Put Option Period (as defined below), redeem or procure the purchase of all (but not some only) of the Bonds at 100% of their principal amount together with any interest accrued to the Early Redemption Date including any Outstanding Amounts together with interest accrued thereon at the Prevailing Rate.

For the purposes of this Condition 5(b)(vi):

"**Change of Control**" means any person or group of persons acting in concert, other than the Existing Reference Shareholder or a holding company whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Guarantor, acquiring direct or indirect ownership of more than 50% of the share capital with voting rights or similar rights of ownership of the Guarantor or the power to direct the management and the policies of the Guarantor whether through the ownership of voting capital, contract or otherwise.

"**Change of Control Announcement**" for these purposes means the first public announcement by the Guarantor or any actual purchaser relating to a Change of Control.

The "**Change of Control Period**" shall commence on the date of the Change of Control Announcement, but not later than on the date of the Change of Control, and shall end 90 days after the Change of Control (which period shall be extended with respect to a Rating Agency so long as the rating of the Bonds is under publicly announced consideration for possible downgrade by that Rating Agency, such extension not to exceed 60 days after the public announcement of such consideration).

"**Existing Reference Shareholder**" means Solvac SA or any successor company, together with any person with whom Solvac SA or such successor is acting in concert (as defined in Article 3, paragraph 1, 5° of the Belgian Law of 1 April 2007 on public takeover bids, as amended).

"**Investment Grade Rating**" means a rating of the Guarantor of Baa3/BBB-, or equivalent or higher, solicited by the Guarantor from Moody's and S&P or the equivalent of any of these ratings solicited by the Guarantor from another rating agency in the place of Moody's or S&P, as the case may be.

"**Non-Investment Grade Rating**" means a rating of the Guarantor of Ba1/BB+, or equivalent or lower, solicited by the Guarantor from Moody's or S&P or the equivalent of any of these ratings solicited by the Guarantor from another rating agency in the place of S&P or Moody's, as the case may be.

"**Put Option**" means the option given to the holder of any unsecured and unsubordinated debt securities issued or guaranteed by the Guarantor pursuant to the terms and conditions thereof, to require the relevant issuer of such debt securities to redeem such debt securities as a result of a Change of Control.

"**Put Option Period**" means the period given to the holder of any unsecured and unsubordinated debt securities issued or guaranteed by the Guarantor pursuant to the terms and conditions thereof, as a result of a Change of Control, during which the holder of such debt securities may exercise the Put Option.

A "**Rating Downgrade**" shall be deemed to have occurred in relation to the Guarantor if:

(A) the Guarantor has an Investment Grade Rating prior to the Change of Control Period (the "**Applicable Time**") and such Investment Grade Rating is withdrawn or reduced to a Non-Investment Grade Rating; or

(B) the Guarantor has a Non-Investment Grade Rating prior to the Applicable Time and such Non-Investment Grade Rating is withdrawn or lowered by one or more rating notches (for example, from "BB+" to "BB" if the relevant rating is provided by S&P or from "Ba1" to "Ba2" if the relevant rating is provided by Moody's, or such similar lowering).

"**Solvac SA**" means the company incorporated under the laws of Belgium under registered number 423.898.710 with registered address at Rue des Champs Elysées 43, 1050 Brussels, Belgium.

If a Change of Control Call Event occurs, as soon as practicable after the expiry of the Put Option Period and in no event later than thirty (30) calendar days thereafter, the Issuer shall give notice (a "**Change of Control Call Event Notice**") to the Bondholders in accordance with Condition 11 (*Notices*) specifying the nature of the Change of Control Call Event, and either the date on which the Bonds will be redeemed or the Issuer's election not to redeem the Bonds.

If the Issuer elects to redeem the Bonds, such redemption or purchase will take place not less than thirty (30), nor more than sixty (60) calendar days after the Change of Control Call Event Notice is given.

Before the publication of any notice of redemption pursuant to Conditions 5(b)(ii)(d), 5(b)(iii) or 5b(iv), the Issuer shall deliver to the Fiscal Agent a certificate signed by the *Président du Conseil d'administration* and *Directeur Général* of the Issuer, or, if a separate *Directeur Général* has been appointed, by either the *Président du Conseil d'administration* or the *Directeur Général* of the Issuer, stating that the Issuer is entitled to effect such redemption and setting forth a statement of the facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred which include, in the case of redemption in accordance with Condition 5(b)(ii)(d), an opinion of a recognized law firm of international standing referred to in such Condition, in the case of redemption in accordance with Condition 5(b)(iii), evidence of the written confirmation referred to in the definition of "Rating Methodology Event", and in the case of redemption in accordance with Condition 5(b)(iv), a copy of the letter or report referred to in the definition of "Accounting Event".

(c) *Liquidation*: In accordance with Condition 3 (*Status of the Bonds and Subordinated Guarantee*), if any judgment is issued by any competent court for the judicial liquidation (*liquidation judiciaire*) of the Issuer or, following an order of *redressement judiciaire*, the sale of the whole of the business (*cession totale de l'entreprise*) of the Issuer or in the event of the voluntary dissolution of the Issuer or if the

Issuer is liquidated for any other reason, or if the process for a Belgian Winding-Up of the Guarantor is commenced for any reason, then the Bonds will become immediately due and payable at their principal amount together with any amounts outstanding thereon including an amount equal to any Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate and with accrued interest to the date of redemption (the "**Liquidation Redemption Date**").

(d) *Purchases and cancellation*: The Issuer, the Guarantor or any of the Guarantor's subsidiaries, may at any time purchase Bonds in the open market or otherwise and at any price. Such acquired Bonds may be cancelled, held or resold, subject as provided below.

All Bonds which are purchased or redeemed by the Issuer and any unmatured Coupons or unexchanged Talons attached to or surrendered with them will cease to be considered to be outstanding and shall be cancelled and accordingly may not be reissued or sold save that any Bonds so purchased by the Issuer may be held and resold in accordance with applicable laws and regulations for the purpose of enhancing the liquidity of the Bonds.

In the event that the Issuer, the Guarantor or any of the Guarantor's subsidiaries, has purchased Bonds equal to or in excess of 90 per cent. of the aggregate principal amount of the Bonds initially issued pursuant to this Condition 5(d) (*Purchases and cancellation*), the Issuer may redeem the remaining Bonds (in whole but not in part) at their principal amount together with any amounts outstanding thereon including an amount equal to any Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate and with accrued interest to the date of redemption.

In the event of an exercise by the Issuer of any of its call options or repurchase rights pursuant to Condition 5, the Guarantor intends to raise, though does not have an obligation to do so, proceeds at least equal to the amount payable on redemption of the Bonds, within the 12 months preceding the redemption or repurchase becoming effective, from the issue of Parity Securities and/or Junior Securities, and/or ordinary shares or the sale of existing ordinary shares (save for shares purchased for cash consideration within a period of 12 months prior to the relevant date of sale of the relevant existing ordinary shares) with an aggregate "equity credit" from S&P that is at least equal to the aggregate "equity credit" of the Bonds, unless:

(a) the long-term corporate credit rating assigned by S&P to the Guarantor is the same or higher than the long-term corporate credit rating assigned to the Guarantor after S&P has resolved its credit watch following the closing of the acquisition of Cytec Industries, Inc. and the Issuer is content that such a rating would not fall below this level as a result of such redemption or repurchase, or

(b) the Bonds do not receive equity credit from S&P at the time of such redemption or repurchase, or

(c) in the case of a repurchase only, such repurchase is in respect of less than (x) 10 per cent. of the aggregate principal amount of the Bonds originally issued in any period of 12 consecutive months, or (y) 25 per cent. of the aggregate principal amount of the Bonds originally issued in any period of 10 consecutive years, or

(d) such redemption or repurchase occurs on or after the 2041 Step Up Date, or

(e) such redemption is pursuant to Conditions 5(b)(ii)(d), 5(b)(iii), 5b(iv) or 5b(v).

*In addition, for so long as the Bonds and the 2018 Senior Notes (as defined below) remain outstanding, if (i) a Change of Control Call Event occurs, and (ii) the Issuer elects to redeem the Bonds pursuant to the Change of Control Option in circumstances where it is entitled to do so, the Guarantor intends to launch a voluntary cash tender offer for its 4.625 per cent. senior unsecured notes due 2018 with ISIN BE0374557404 (the "**2018 Senior Notes**"). The 2018 Senior Notes do not contain a contractual right of the holders to require them to be redeemed or repurchased following a Change of Control Call Event. The relevant voluntary cash tender offer would be effected at a price at least equal to the aggregate principal amount of the 2018 Senior Notes plus an amount equal to accrued and unpaid interest and would be carried out as soon as reasonably practicable following the relevant election to redeem the Bonds pursuant to the Change of Control Option. Such voluntary cash tender offer will be effected in such a manner as to ensure that the repurchase of any 2018 Senior Notes, which are validly tendered pursuant to the cash tender offer, is completed prior to the redemption of the Bonds pursuant to the Issuer's Change of Control Call Option.*

6 PAYMENTS AND CALCULATIONS

(a) *Principal*: Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bonds at the specified office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET2 System.

(b) *Interest and Outstanding Amounts*: Payments of interest and/or, if applicable, Outstanding Amounts shall, *subject* to Condition 6(f) (Payments other than in respect of matured Coupons) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the specified office of any Paying Agent outside the United States in the manner described in Condition 6(a) (Principal) above.

(c) *Payment subject to fiscal laws*: All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Bondholders or Couponholders in *respect* of such payments.

(d) *Deduction for unmatured Coupons*: If a Bond is presented between the Issue Date and the First Call Date without all *unmatured* Coupons relating thereto, then:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; provided, however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 6(a) (*Principal*) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

(iii) No payments will be made in respect of void coupons. If a Bond is presented after the First Call Date without all unmatured Coupons relating thereto, then such missing Coupons shall become void.

(e) *Payments on business days*: If the due date for payment of any amount in respect of any Bond or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due *until* the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 6(e), "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, on which the TARGET2 System is open.

(f) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bonds at the specified office of any Paying Agent outside *the* United States.

(g) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bond or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(h) *Exchange of Talons*: On or after the Interest Payment Date of the final Coupon which is (or was at the time of issue) part of a coupon *sheet* relating to the Bonds (each, a "**Coupon Sheet**"), the Talon forming part of such Coupon Sheet may be exchanged at the specified office of the Fiscal Agent for a further Coupon Sheet (including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 12 (*Prescription*)). Upon the due date for redemption of any Bond, any unexchanged Talon relating to such Bond shall become void and no Coupon will be delivered in respect of such Talon.

(i) *Fiscal Agent, Paying Agents and Calculation Agent*: The name and specified office of the initial Fiscal Agent, Paying Agents *and* the Calculation Agent are as follows:

FISCAL AGENT, PRINCIPAL PAYING AGENT AND CALCULATION AGENT
BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich
Howald – Hesperange
L-2085 Luxembourg
Luxembourg

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, Paying Agent(s), Calculation Agent and/or appoint a substitute Fiscal Agent, Paying Agent, Calculation Agent and additional or other Paying Agents, provided that there will at all times be (i) a Fiscal Agent having a specified office in a European city, (ii) so long as the Bonds are listed on the Regulated Market of the Luxembourg Stock Exchange and the rules of that stock exchange so require, a Paying Agent having a specified office in Luxembourg (which may be the Fiscal Agent), (iii) so long as any Bond is outstanding, a Calculation Agent for the purposes of the Bonds having a specified office in a European city and (iv) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC, as amended, or any EU Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. If the Calculation Agent is unable or unwilling to continue to act as such or if the Calculation Agent fails to make any calculations in relation to the Bonds, the Issuer shall appoint some other leading European bank engaged in the Euro inter-bank market to act in its place, and will give notice to the Bondholders thereof in accordance with Condition 11 (*Notices*) as soon as possible after such appointment.

The Calculation Agent may not resign its duties without a successor having been so appointed. Any notice of a change in Fiscal Agent, Paying Agent, Calculation Agent or their specified office shall be given to Bondholders as specified in Condition 11 (*Notices*).

(j) *Certificates to be final*: All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, *made* or obtained for the purpose of the provisions of these Conditions whether by the Calculation Agent or the Reference Banks (or any of them) shall (in the absence of willful default or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents, the Fiscal Agent, the Reference Banks, and all the Bondholders. All calculations and determinations carried out by the Calculation Agent pursuant to these Conditions must be made in good faith. No Bondholder shall (in the absence as aforesaid) be entitled to proceed against the Calculation Agent or the Reference Banks or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions.

7 TAXATION

(a) *Withholding*: All payments in respect of the Bonds and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of France or the Kingdom of Belgium or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

(b) *Additional amounts*: If French law or Belgian law, as the case may be, should require that payments of principal or interest in respect of any Bond or Coupon by or on behalf of the Issuer or the Guarantor, as the case may be, be subject to deduction or withholding in respect of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the Republic of France or the Kingdom of Belgium, as the case may be, or any authority therein or thereof having power to tax, the Issuer or the Guarantor, as the case may be, shall, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that each Bondholder or Couponholder, after such deduction or withholding, will receive the full amount then due and payable thereon in the absence of such deduction or withholding; provided, however, that the Issuer or the Guarantor, as the case may be, shall not be liable to pay any such additional amounts in respect of any Bond to a Bondholder, or in respect of any Coupon to a Couponholder, (or beneficial owner (*ayant droit*)):

(i) who is subject to such taxes, duties, assessments or other governmental charges in respect of such Bond or Coupon by reason of his having some present or former connection with the Republic of France or the Kingdom of Belgium other than the mere holding of such Bond or Coupon; or

(ii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a member state of the European Union; or

(iii) when the relevant Bond or Coupon is presented for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to such additional amounts on the last day of such period of 30 days; or

(iv) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC of 3 June 2003, as amended, or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

For the purpose of this Condition 7 (*Taxation*), "**Relevant Date**" in relation to any Bond or Coupon means whichever is the later of (A) the date on which the payment in respect of such Bond or Coupon first becomes due and payable, and (B) if the full amount of the moneys payable on such date in respect of such Bond or Coupon has not been received by the Fiscal Agent on or prior to such date, the date on which notice is given in accordance with Condition 11 (*Notices*) to Bondholders that such moneys have been so received.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts which may be payable under the provisions of this Condition 7.

(c) *FATCA*: Notwithstanding any other provision of the Terms and Conditions, any amounts to be paid on the Bonds by or on behalf of the Issuer (or the Guarantor) will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer, nor the Guarantor, nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

8 NO EVENTS OF DEFAULT

There are no events of default in respect of the Bonds.

9 REPLACEMENT OF BONDS, COUPONS AND TALONS

If any Bond, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent and the Paying Agent having its specified office in Luxembourg, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Bonds, Coupons or Talons must be surrendered before replacements will be issued.

10 REPRESENTATION OF THE BONDHOLDERS

(a) *Meetings of Bondholders*: The Agency Agreement contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution (as defined in the Agency Agreement). Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; provided, however, that certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds, to amend the terms of the Subordinated Guarantee or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders, whether present or not. In addition, a resolution in writing signed by or on behalf of all Bondholders who for the time being are entitled to receive notice of a meeting of Bondholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) *Modification*: The Bonds, these Conditions and the Subordinated Guarantee may be amended without the consent of the Bondholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Bondholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Bondholders.

11 NOTICES

Any notice to the Bondholders will be valid if delivered to Bondholders through Euroclear or Clearstream, Luxembourg and, so long as the Bonds are listed on the Regulated Market of the Luxembourg Stock Exchange and the rules of that stock exchange so require, if published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort* or the *Tageblatt*) or on the website of the Luxembourg Stock Exchange, www.bourse.lu. If any such publication is not practicable, notice shall be validly given if published in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such delivery or publication or, if published more than once or on different dates, on the first date on which such publication is made.

12 PRESCRIPTION

Claims against the Issuer for the payment of principal and interest in respect of the Bonds shall become time-barred 10 years (in the case of principal) and 5 years (in the case of interest) from the due date for payment thereof.

13 FURTHER ISSUES

The Issuer may from time to time, without the consent of the Bondholders or the Couponholders, create and issue further bonds having the same terms and conditions as the Bond in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bond.

14 GOVERNING LAW AND JURISDICTION

(a) *Governing law*: The Bonds and all non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except that the provisions of Condition 3(a) shall be governed by, and shall be construed in accordance with, French law.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") (including a dispute relating to the existence, validity or termination of the Bonds or all non-contractual obligations arising out of or in connection with the Bonds) arising from or connected with the Bonds.

(c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Process agent*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered for the attention of the Company Secretary to Solvay UK Holding Company Limited at Solvay House, Baronet Road, Warrington, Cheshire WA4 6HA, England or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Bondholder addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Bondholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing in this Condition 14(d) shall affect the right of any Bondholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

(e) *Consent to enforcement*: The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

15 EXCHANGE AND VARIATION

If at any time the Issuer determines that it is entitled to, or obliged to, redeem the Bonds in accordance with Condition 5(b)(ii), 5(b)(iii), 5(b)(iv) or 5(b)(v), the Issuer may, as an alternative to such redemption, on any Interest Payment Date, without the consent of the Bondholders, (i) exchange the Bonds for new bonds whether issued by the Issuer or the Guarantor replacing the Bonds (the "**Exchanged Bonds**"), or (ii) vary the terms of the Bonds (the "**Varied Bonds**"), so that in either case (A) in the case of an event described in Condition 5 (b)(ii), payments of principal and interest in respect of the Exchanged Bonds or Varied Bonds (as the case may be) are not subject to withholding by reason of French or Belgian law or published regulations and/or payments of interest payable by the Issuer in respect of the Exchanged Bonds or Varied Bonds (as the case may be) are deductible to the same extent as Unsubordinated Obligations of the Issuer, (B) in the case of a Rating Methodology Event, the aggregate principal amount of the Exchanged Bonds or Varied Bonds (as the case may be) is assigned "equity credit" by the relevant Rating Agency that is at least the same as that which was assigned to the Bonds on or before the Issue Date, or if such equity credit was not assigned on or before the Issue Date, at the date when the equity credit was assigned for the first time, or in the case of S&P, at the date when the highest "equity credit" was assigned during the period from the Issue Date to a date falling on or around the first date on which the Issuer may no longer exercise its right to call the Bonds in accordance with Condition 5(b)(v) (*Redemption for acquisition reasons*), or (C) in the case of an Accounting Event, the aggregate principal amount of the Exchanged Bonds or Varied Bonds (as the case may be) is recorded as "equity" in the audited annual or the semi-annual consolidated financial statements of the Guarantor pursuant to IFRS or any other accounting standards that may replace IFRS for the purposes of preparing the annual audited consolidated financial statements of the Guarantor.

Any such exchange or variation is subject to the following conditions:

(a) the Issuer giving not more than 45 nor less than 30 days' notice to the Bondholders in accordance with Condition 11 (*Notices*);

(b) the Issuer complying with the rules of any stock exchange (or any other relevant authority) on which the Bonds are for the time being listed or admitted to trading, and (for so long as the rules of such exchange require) the publication of any appropriate supplement, listing particulars or offering circular in connection therewith, and the Exchanged or Varied Bonds continuing to be listed or admitted on the same stock exchange as the Bonds if they were listed immediately prior to the relevant exchange or variation;

(c) with respect to exchanges only, the Issuer paying any Outstanding Amounts together with interest accrued thereon at the Prevailing Rate in full prior to such exchange;

(d) the Exchanged or Varied Bonds shall maintain the same ranking in liquidation, the same interest rate applying from time to time to the Bonds and interest payment dates, to the extent they occur on a date falling after the relevant variation or exchange date, the same First Call Date, the same First Reset Date, Second Reset Date, Subsequent Reset Dates and early redemption rights (except that they may or may not include an early redemption right on an Acquisition Event), as applicable, (provided that the relevant exchange or variation may not itself trigger any early redemption right), the same rights to accrued or Outstanding Amounts together with any interest accrued thereon at the Prevailing Rate, and any other amounts payable under the Bonds which, in each case, has accrued to Bondholders and has not been paid, the same rights to principal and interest, and, if publicly rated by a Rating Agency immediately prior to such exchange or variation, at least the same credit rating immediately after such exchange or variation by such Rating Agency if the Bonds are publicly rated by any and all such Rating Agencies, as compared with the relevant rating(s) immediately prior to such exchange or variation (as determined by the Issuer using reasonable measures available to it including discussions with the Rating Agencies to the extent practicable) and shall not contain terms providing for the mandatory deferral of interest;

(e) the terms of the exchange or variation not being prejudicial to the interests of the Bondholders as a class (it being deemed not prejudicial if the Guarantor is substituted for the Issuer or another Subsidiary of the Guarantor incorporated in the European Union is substituted for the Issuer, provided that (i) in the event that a Subsidiary of the Guarantor incorporated in the European Union is substituted for the Issuer, a new Subordinated Guarantee is granted by the Guarantor and (ii) such substitution would not result in the occurrence of an event described in Condition 5(b)(ii), an Accounting Event or a Rating Methodology Event), including compliance with (d) above, as certified for the benefit of the Bondholders by a director of the Guarantor, having consulted with an independent investment bank of international standing (for the avoidance of doubt the Fiscal Agent shall accept the certificates of the Issuer as sufficient evidence of the occurrence of an event described in Condition 5(b)(ii), an Accounting Event or a Rating Methodology Event and that such exchange or variation to the Bonds are not prejudicial to the interest of the Bondholders); and

(f) the issue of legal opinions addressed to the Fiscal Agent from one or more international law firms of good reputation confirming (x) that the Issuer, or as the case may be, the Guarantor if substituted for the Issuer, has capacity to assume all rights and obligations under the Exchanged Bonds or Varied Bonds and has obtained all necessary corporate or governmental authorization to assume all such rights and obligations and (y) the legality, validity and enforceability of the Exchanged Bonds or Varied Bonds.

TERMS AND CONDITIONS OF THE PERP-NC8.5 BONDS

The creation and issue outside the Republic of France of Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC8.5 Bonds of Solvay Finance (the "**Issuer**") irrevocably guaranteed on a subordinated basis by Solvay SA (the "**Guarantor**") has been authorized pursuant to a resolution of the *Conseil d'administration* of the Issuer dated November 13, 2015 and a decision of the *Président du Conseil d'administration* and *Directeur Général* of the Issuer dated November 25, 2015 acting pursuant to such resolution of the *Conseil d'administration* of the Issuer. The guarantee of the Bonds (the "**Subordinated Guarantee**") has been authorized pursuant to a resolution of the *Conseil d'administration* of the Guarantor dated October 28, 2015. The Bonds will be issued with the benefit of an agency agreement (the "**Agency Agreement**") dated December 2, 2015 (the "**Issue Date**") between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent and principal paying agent (the "**Fiscal Agent**", which expression shall, where the context so admits, include any successor for the time being as Fiscal Agent) and as calculation agent (the "**Calculation Agent**", which expression shall, where the context so admits, include any successor for the time being as Calculation Agent) and the other paying agents named therein (together, the "**Paying Agents**", which expression shall, where the context so admits, include the Fiscal Agent and any successors for the time being of the Paying Agents or any additional paying agents appointed thereunder from time to time). Reference below to the "**Agents**" shall be to the Fiscal Agent, the Paying Agents and/or the Calculation Agent, as the case may be. Certain provisions of these Conditions are summaries of the Agency Agreement and the Subordinated Guarantee and subject to their detailed provisions. The holders of the Bonds and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Subordinated Guarantee applicable to them. Copies of the Agency Agreement and the Subordinated Guarantee are available for inspection at the specified offices of the Paying Agents. References below to "**Conditions**" are, unless the context otherwise requires, to the numbered paragraphs below.

1 DEFINITIONS

For the purposes of these Conditions:

"**2006 Hybrid Bonds**" means the EUR 500,000,000 Deeply Subordinated Fixed to Floating Rate Bonds due 2104 with ISIN XS0254808214 issued by the Issuer and irrevocably guaranteed on a subordinated basis by the Guarantor in 2006.

"**2013 Hybrid Bonds**" means the 2013 Perp-NC5.5 Bonds and the 2013 Perp-NC10 Bonds.

"**2013 Perp-NC5.5 Bonds**" means the EUR 700,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC5.5 Bonds with ISIN XS0992293570 issued by the Issuer and irrevocably guaranteed on a subordinated basis by the Guarantor in 2013.

"**2013 Perp-NC10 Bonds**" means the EUR 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC10 Bonds with ISIN XS0992293901 issued by the Issuer and irrevocably guaranteed on a subordinated basis by the Guarantor in 2013.

"**5-Year Euro Mid Swap Quotations**" means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) for a fixed-for-floating euro interest rate swap which (i) has a term of 5 years commencing on the first day of the relevant Reset Period, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis).

"**Accounting Event**" means that a recognized accountancy firm, acting upon instructions of the Guarantor or the Issuer, has delivered a letter or report to the Guarantor or the Issuer, stating that as a result of a change in accounting principles (or the application thereof) since November 30, 2015, the Bonds may not or may no longer be recorded as "equity" in full pursuant to IFRS or any other accounting standards that may replace IFRS for the purposes of the consolidated financial statements of the Guarantor.

"**Acquisition Event**" shall occur if (i) the Guarantor has not completed and closed the acquisition of Cytec Industries Inc., a Delaware corporation as announced in the press release published by the Guarantor on July 29, 2015 and (ii) the Guarantor has publicly announced that it no longer intends to pursue such acquisition.

"**Actual/Actual-ICMA**" means the number of days in the Calculation Period divided by the number of days in the relevant Fixed Rate Interest Period.

"**Belgian Winding-Up**" means any *concursus creditorum* (*concours de créanciers/samenloop van schuldeisers*) on all or substantially all of the assets of the Guarantor, including bankruptcy (*faillite/faillissement*) and judicial or voluntary dissolution and liquidation (*dissolution et liquidation judiciaire ou volontaire/gerechtelijke of vrijwillige ontbinding en vereffening*), other than a voluntary dissolution in the context of solvent reorganisation whereby the surviving entity assumes all obligations of the Guarantor under the Subordinated Guarantee.

"**Bonds**" means the Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC8.5 Bonds issued by the Issuer and irrevocably guaranteed on a subordinated basis by the Guarantor.

"**Bondholders**" means the holders of the Bonds.

"**Broken Amount**" means Euro 29.51 per Euro 1,000 in principal amount of Bonds.

"**Calculation Period**" means any period of time (from and including the first day of such period to but excluding the last) in respect of the calculation of an amount of interest on any Bond.

"**Change of Control Call Event**" has the meaning ascribed to such term in Condition 5(b)(vi) (*Redemption following a Change of Control Call Event*).

"**Change of Control Call Event Notice**" has the meaning ascribed to such term in Condition 5(b)(vi) (*Redemption following a Change of Control Call Event*).

"**Change of Control Call Option**" has the meaning ascribed to such term in Condition 5(b)(vi) (*Redemption following a Change of Control Call Event*).

"**Deeply Subordinated Bonds**" means any bonds or notes of the Issuer (including the Bonds, the 2006 Hybrid Bonds, the 2013 Hybrid Bonds or the Perp-NC5.5 Bonds) which constitute direct, unsecured and lowest ranking subordinated Obligations (*engagements subordonnés de dernier rang*) of the Issuer and which rank and will rank, by their terms, by operation of law or otherwise, junior to *prêts participatifs* granted to the Issuer and junior to the Ordinary Subordinated Obligations and Unsubordinated Obligations of the Issuer, but in priority to any Junior Securities and any classes of Share Capital Securities issued by the Issuer.

"**Early Redemption Amount**" means an amount payable in respect of each Bond on the date set for redemption (the "**Early Redemption Date**"), which shall be (i) in the event that the Early Redemption Date takes place prior to the First Call Date, 101% of its principal amount together with any interest accrued to the Early Redemption Date including any Outstanding Amounts together with interest accrued thereon at the Prevailing Rate, or (ii) in the event that the Early Redemption Date takes place on or after the First Call Date, 100% of its principal amount together with any interest accrued to the Early Redemption Date including any Outstanding Amounts together with interest accrued thereon at the Prevailing Rate.

"**First Call Date**" means June 3, 2024.

"**First Interest Payment Date**" has the meaning ascribed to such term in Condition 4(a).

"**First Reset Date**" means June 3, 2024.

"**Initial Fixed Rate Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Fixed Rate Interest Payment Date (as defined in Condition 4(a)) and each successive period beginning on (and including) a Fixed Rate Interest Payment Date and ending on (but excluding) the next succeeding Fixed Rate Interest Payment Date until (but excluding) the First Call Date shall be a "**Fixed Rate Interest Period**".

"**Interest Payment Date**" means a Fixed Rate Interest Payment Date or a Reset Rate Interest Payment Date, as the case may be, both as defined in Condition 4(a).

"**Interest Period**" means a Fixed Rate Interest Period or a Reset Rate Interest Period, as the case may be.

"**Junior Securities**" means (i) any instruments issued, entered into or guaranteed by the Issuer, including any Share Capital Securities issued by the Issuer, which rank (or in relation to which the Issuer's payment obligations under the relevant guarantee rank), by their terms, by operation of law or otherwise, junior to the Bonds or to any Parity Security issued by the Issuer and (ii) any instruments issued, entered into or guaranteed by the Guarantor, including any Share Capital Securities issued by the Guarantor, which rank (or in relation to which the Guarantor's payment obligations under the relevant guarantee rank), by their terms, by operation of law or otherwise, junior to the obligations of the Guarantor under the Subordinated Guarantee or to any Parity Security issued by the Guarantor.

"**Liquidation Redemption Date**" has the meaning ascribed to such term in Condition 5(c) (*Liquidation*).

"**Obligations**" means, in respect of any person, any financial obligation expressed to be assumed by or imposed on it under or arising as a result of any contract, agreement, guarantee, document, instrument, conduct or relationship or directly by law.

"**Ordinary Subordinated Creditors**" means any person(s) to whom/which the Issuer or the Guarantor, as the case may be, owes an Ordinary Subordinated Obligation.

"**Ordinary Subordinated Obligations**" means any Obligations of the Issuer or the Guarantor, as the case may be, which constitute direct, unsecured and subordinated obligations of the Issuer or the Guarantor, as the case may be, and which in an insolvency rank and will rank, by their terms, by operation of law or otherwise, *pari passu* among themselves and *pari passu* with all other present and future Ordinary Subordinated Obligations, but in the case of the Issuer, in priority to *prêts participatifs* granted to the Issuer and in the case of the Issuer or the Guarantor, as the case may be, in priority to any Parity Securities.

"**Outstanding Amount**" means any amount deferred in accordance with Condition 4(e).

"**Outstanding Amount Payment Event**" means any one or more of the following events:

(a) the Issuer or the Guarantor has declared or paid a dividend (whether in cash, shares or any other form) or more generally declared or made a payment of any nature, on or in respect of any Share Capital Securities;

(b) the Guarantor or any of its Subsidiaries (including the Issuer) has declared or made a payment of any nature, on or in respect of any Parity Securities or Junior Securities issued by the Issuer or the Guarantor and/or guaranteed by the Guarantor;

(c) the Guarantor or any of its Subsidiaries (including the Issuer) has redeemed, repurchased or repaid any Parity Securities issued or entered into by it, any Junior Securities issued or entered into by it or any Share Capital Securities issued by it, or the Guarantor or any of its Subsidiaries (including the Issuer) has otherwise acquired any Parity Securities or any Junior Securities;

(d) the Issuer making a payment of interest on the Bonds (other than discretionary payments of deferred interest and associated amounts howsoever defined) on an Interest Payment Date, or

(e) the Bonds are redeemed,

save for, (i) in each case, any compulsory dividend, other payment, redemption, repurchase, repayment or other acquisition required by the terms of such securities, and (ii) in the case of Parity Securities only, (1) any redemption, repurchase, repayment or acquisition according to (c) above executed in whole or in part in the form of a public tender offer or public exchange offer at a consideration per Parity Security below its par value and (2) discretionary partial payments of deferred interest and associated amounts, howsoever defined.

"**Parity Securities**" means (i) any instruments issued, entered into or guaranteed by the Issuer which rank (or in relation to which the Issuer's payment obligations under the relevant guarantee rank), by their terms, by operation of law or otherwise, junior to *prêts participatifs* granted to the Issuer, to Ordinary Subordinated Obligations and to Unsubordinated Obligations of, or issued by, the Issuer and in priority to any Junior Securities and any classes of Share Capital Securities issued by the Issuer and (ii) any instruments issued, entered into or guaranteed by the Guarantor which rank (or in relation to which the Guarantor's payment obligations under the relevant guarantee rank), by their terms, by operation of law or otherwise, junior to Ordinary Subordinated Obligations and to Unsubordinated Obligations of, or issued by, the Guarantor and in priority to any Junior Securities and any classes of Share Capital Securities issued by the Guarantor.

For the avoidance of doubt, Parity Securities shall include the 2006 Hybrid Bonds, the 2013 Hybrid Bonds and the Perp-NC5.5 Bonds.

"**Perp-NC5.5 Bonds**" means the Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC5.5 Bonds with ISIN XS1323897485 issued by the Issuer and irrevocably guaranteed on a subordinated basis by the Guarantor on the Issue Date.

"**Prevailing Rate**" means the rate of interest which is from time to time applicable to the Bonds in accordance with Condition 4(a), as may be adjusted in accordance with Condition 4(e) (*Rate of interest if Shareholder Approval Requirement is not satisfied*) or 4(f) (*Rate of interest following a Change of Control Event*).

"**Rating Agency**" means any of Moody's Investors Service Ltd. ("**Moody's**"), Standard & Poor's Credit Market Services Europe Ltd. ("**S&P**") or any other rating agency of equivalent international standing solicited from time to time by the Guarantor to grant a rating to the Guarantor and in each case, any of their respective successors to the rating business thereof.

"**Rating Methodology Event**" means that the Guarantor or the Issuer have received written confirmation from any Rating Agency from whom the Guarantor is assigned solicited ratings either directly or via a publication by such agency, that an amendment, clarification or change has occurred in ratings methodology of such Rating Agency, which amendment, clarification or change results in a lower "equity credit" (or such other nomenclature that the relevant Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) for the Bonds than the then highest respective "equity credit" assigned on or before November 30, 2015, or if "equity credit" is not assigned on or before November 30, 2015, at the date when the "equity credit" from such Rating Agency is assigned for the first time, or in the case of S&P, at the date when the highest "equity credit" was assigned during the period from November 30, 2015 to a date falling on or around the first date on which the Issuer may no longer exercise its right to call the Bonds in accordance with Condition 5(b)(v) (*Redemption for acquisition reasons*).

"**Regulated Market of the Luxembourg Stock Exchange**" means the regulated market of the *Bourse de Luxembourg* which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC.

"**Relevant Margin**" means, (i) from and including the First Reset Date, to (but excluding) the Second Reset Date, 5.223 per cent., (ii) from and including the Second Reset Date to (but excluding) June 3, 2044 (the "**2044 Step Up Date**"), 5.473 per cent., or (iii) from and including the 2044 Step Up Date, 6.223 per cent.

"**Reset Rate Interest Period**" means the period beginning on (and including) the First Reset Date and ending on (but excluding) the Second Reset Date and each successive period beginning on (and including) a Reset Rate Interest Payment Date (as defined in Condition 4(a)) and ending on (but excluding) the Reset Rate Interest Payment Date falling on the 5th anniversary of such Reset Rate Interest Payment Date (each such date a "**Subsequent Reset Date**").

"**Second Reset Date**" means June 3, 2029.

"**Share Capital Securities**" means (i) any ordinary shares (*actions ordinaires*) issued by the Issuer or preference shares (*actions de préférence*) issued by the Issuer and (ii) any ordinary shares (*actions ordinaires*) issued by the Guarantor or preference shares (*actions de préférence*) issued by the Guarantor, or any profit-sharing certificates (*parts bénéficiaires*) issued by the Guarantor which rank or would rank, by their terms, by operation of law or otherwise, equally with any ordinary shares or preference shares, if any, issued by the Guarantor.

"**Shareholder Approval Requirement**" has the meaning ascribed to such term in Condition 4(e) (*Rate of interest if Shareholder Approval Requirement is not satisfied*).

"**Subsidiary**" means, in relation to any person or entity at any time, any other person or entity (whether or not now existing) (i) whose affairs and policies the first person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise or (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person.

"**Talon**" has the meaning ascribed to such term in Condition 2 (*Form, denomination and title*).

"**TARGET Business Day**" means a day on which the TARGET2 System is operating.

"**TARGET2 System**" means the Trans European Automated Real Time Gross Settlement Express Transfer System or any successor thereto.

"**Unsubordinated Creditors**" means any person(s) to whom/which the Issuer or the Guarantor, as the case may be, owes an Unsubordinated Obligation.

"**Unsubordinated Obligation**" means any Obligation of the Issuer or the Guarantor, as the case may be, which is unsubordinated.

2 FORM, DENOMINATION AND TITLE

The Bonds are in bearer form in the denomination of Euro 100,000 each and integral multiples of Euro 1,000 in excess thereof with Coupons and talons (each, a "**Talon**") for further Coupons attached at the time of issue. Title to the Bonds, the Coupons and the Talons will pass by delivery. The holder of any Bond, or Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

3 STATUS OF THE BONDS AND SUBORDINATED GUARANTEE

(a) *Status of the Bonds*: The Bonds are Deeply Subordinated Bonds. The subordination provisions of the Bonds are governed by the provisions of Article L. 228-97 of the French *Code de Commerce*. The principal and interest on the Bonds constitute direct, unconditional, unsecured and deeply subordinated obligations of the Issuer and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Parity Securities of the Issuer, but shall be subordinated to *prêts participatifs* granted to the Issuer, to Ordinary Subordinated Obligations and to Unsubordinated Obligations of, or issued by, the Issuer.

If any judgment is issued by any competent court for the judicial liquidation (*liquidation judiciaire*) of the Issuer or, following an order of *redressement judiciaire*, the sale of the whole of the business (*cession totale de l'entreprise*) of the Issuer or in the event of the voluntary dissolution of the Issuer or if the Issuer has been liquidated for any other reason, the rights of the Bondholders will be calculated on the basis of the principal amount of the Bonds together with accrued interest on such principal amount, Outstanding Amounts and accrued interest on such Outstanding Amounts and to the extent that all other creditors of the Issuer (including Unsubordinated Creditors of the Issuer, Ordinary Subordinated Creditors of the Issuer, lenders in relation to *prêts participatifs* granted to the Issuer) ranking in priority to the Bondholders have been or will be fully reimbursed, as ascertained by the liquidator. On a liquidation of the Issuer, no payments will be made to holders of Junior Securities or Share Capital Securities before all amounts due, but unpaid, to all Bondholders under the Bonds have been paid by the Issuer.

(b) *Subordinated Guarantee*: The Guarantor has in the Subordinated Guarantee irrevocably guaranteed, on a subordinated basis, the due payment of all sums expressed to be payable from time to time by the Issuer under the Bonds. The obligations of the Guarantor under the Subordinated Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Parity Securities of the Guarantor but shall be subordinated to Ordinary Subordinated Obligations and to Unsubordinated Obligations of, or issued by, the Guarantor. The obligations of the Guarantor under the Subordinated Guarantee shall rank in priority to any Junior Securities and any classes of Share Capital Securities issued by the Guarantor. On a Belgian Winding-Up of the Guarantor, payments under the Subordinated Guarantee will be subject to the condition precedent that all claims of the creditors of the Guarantor other than holders of Parity Securities, Junior Securities and Share Capital Securities issued by the Guarantor will have been discharged in full.

4 INTEREST AND DEFERRAL OF INTEREST

(a) *General*: Each Bond bears interest on its principal amount at a fixed rate of 5.869 per cent. *per annum* (the "**Initial Fixed Rate of Interest**") from (and including) the Issue Date to (but excluding) June 3, 2024, payable annually in arrear on June 3 in each year (each a "**Fixed Rate Interest Payment Date**") commencing on June 3, 2016 (the "**First Interest Payment Date**"), and thereafter at the Reset Rate of Interest (as defined in Condition 4(d)(i) below), in each case payable annually in arrear on June 3, commencing on June 3, 2025 (each a "**Reset Rate Interest Payment Date**") in each case subject as provided in Condition 4(e) (*Deferral of Interest*).

(b) *Interest Payments*: Interest payments will be made subject to and in accordance with Condition 6 (*Payments and calculations*). In the case of redemption as provided in Condition 5 (*Redemption and purchase*), interest will cease to accrue on each Bond on the Early Redemption Date or, as the case may be, the *Liquidation* Redemption Date, unless, upon such date, payment of the principal amount, the relevant Early Redemption Amount or, as the case may be, the amount due on the Liquidation Redemption Date is improperly withheld or refused or if default is otherwise made in respect of payment thereof. In such event, such Bond shall continue to bear interest in accordance with this Condition 4 (*Interest and deferral of interest*) (as well after as before judgment) until the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder.

(c) *Initial Fixed Rate of Interest*: The amount of interest payable on the Bonds on each Fixed Rate Interest Payment Date will be an amount equal to the product of the principal amount of the Bonds multiplied by the Initial Fixed Rate of Interest. Interest will be calculated on an Actual/Actual-ICMA annual basis. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a day count fraction which will be calculated by taking the actual number of calendar days in the relevant period, from (and including) the date from which interest begins to accrue to (but excluding) the date on which it falls due, divided by the number of calendar days in the Fixed Rate Interest Period in which the relevant period falls (including the first such day but excluding the last). The first payment of interest, to be made on the First Interest Payment Date, will be in respect of the Initial Fixed Rate of Interest Period and will amount to the Broken Amount.

(d) *Reset Rate of Interest*

(i) Method of determination of the Reset Rate of Interest

The Reset Rate of Interest applicable in respect of the Bonds (the "**Reset Rate of Interest**") will be determined by the Calculation Agent on the following basis:

(A) On the second TARGET Business Day before the beginning of each Reset Rate Interest Period (the "**Interest Determination Date**") the Calculation Agent will obtain the mid swap rate for Euro swap transactions with a maturity of 5 years ("**5-Year Euro Mid Swaps**"), as published on Bloomberg Page ISDA4 (or such other page or service as may replace it for the purposes of displaying European swap rates of leading reference banks for swaps in euro) (the "**Mid Swaps Page**"), as at 11.00 am (Central European Time) on such Interest Determination Date. The Reset Rate of Interest for such Reset Rate Interest Period shall be the aggregate of the Relevant Margin and the rate which so appears as determined by the Calculation Agent.

(B) If for any reason, on any Interest Determination Date, no rate is calculated and is published on the Mid Swaps Page, the Calculation Agent will request any four major banks selected by it in the European inter-bank market (the "**Reference Banks**") to provide it with their respective 5-Year Euro Mid Swap Quotations offered by such banks at approximately 11.00 am (Central European time) on such Interest Determination Date, to prime banks in the European market for 5-year Euro Mid Swaps in an amount that is, in the reasonable opinion of the Calculation Agent, representative for a single transaction in the relevant market at the relevant time. The Reset Rate of Interest for such Reset Rate Interest Period shall be the aggregate of the Relevant Margin and the arithmetic mean (rounded if necessary, to the nearest second decimal place, with 0.005 being rounded upwards) of the rates so quoted.

(C) If only two or three rates are so quoted on any Interest Determination Date, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, to the nearest second decimal place, with 0.005 being rounded upwards) of the rates so quoted and the Reset Rate of Interest for such Reset Rate Interest Period shall be the aggregate of the Relevant Margin and such arithmetic mean. If fewer than two rates are so quoted on any Interest Determination Date, the Reset Rate of Interest in respect of such Reset Rate Interest Payment Date shall be the aggregate of the then applicable Relevant Margin and the 5-Year Euro Mid Swaps rate in effect for the immediately preceding Reset Rate Interest Period.

(ii) Determination of Reset Rate of Interest and Calculation of Reset Rate Interest Amount by the Calculation Agent

The Calculation Agent will, as soon as practicable after 11.00 a.m. (Central European time) on each Interest Determination Date, determine the Reset Rate of Interest and calculate the amount of interest payable in respect of each Bond (the "**Reset Rate Interest Amount**") for the relevant Reset Rate Interest Period. The Reset Rate Interest Amount in respect of the Bonds shall be calculated by applying the Reset Rate of Interest to the aggregate principal amount of the Bonds on an Actual/Actual-ICMA annual basis (rounded to the nearest half cent, with half a cent being rounded upwards).

(iii) Publication of Reset Rate of Interest and Reset Rate Interest Amount

The Calculation Agent will cause the Reset Rate of Interest and the Reset Rate Interest Amount for each Reset Rate Interest Period to be notified to the Issuer, the Fiscal Agent and the Luxembourg Stock Exchange and any other stock exchange on which the Bonds may for the time being be listed and the Calculation Agent will cause publication thereof in accordance with Condition 11 (*Notices*) as soon as possible after their determination but in no event later than the fourth TARGET Business Day thereafter.

(e) *Rate of interest if Shareholder Approval Requirement is not satisfied:*

(i) The provisions of Conditions 4(f) (*Rate of interest following a Change of Control Call Event*) and 5(b)(vi) (*Redemption following a Change of Control Call Event*) will not be effective unless and until the Shareholder Approval Requirement is satisfied and, unless the Shareholder Approval Requirement is satisfied on or prior to the First Interest Payment Date, Condition 4(e)(iii) shall apply instead.

(ii) The Guarantor shall propose to its shareholders a resolution to approve Conditions 4(f) (*Rate of interest following a Change of Control Call Event*) and 5(b)(vi) (*Redemption following a Change of Control Call Event*) at the first annual general meeting after the Issue Date and shall propose such a resolution at each general meeting of the Guarantor thereafter until the earlier of (i) the interest payment date falling on June 3, 2017 (the "**Second Interest Payment Date**") or (ii) the date on which the Shareholder Approval Requirement is satisfied.

(iii) If the Shareholder Approval Requirement is not satisfied on or prior to the First Interest Payment Date, the Prevailing Rate will increase by 0.75 per cent. *per annum* with retroactive effect from the Issue Date. If the Shareholder Approval Requirement is satisfied after the First Interest Payment Date but no later than on or prior to the Second Interest Payment Date, the Prevailing Rate will decrease by 0.75 per cent. *per annum* with effect from the first day of the next Interest Period. For the avoidance of doubt, if the Shareholder Approval Requirement is satisfied after the Second Interest Payment Date, the Prevailing Rate will not decrease by 0.75 per cent. *per annum*. The Issuer shall notify the Fiscal Agent and the Bondholders of such events.

For the purposes of this Condition 4(e):

"**Shareholder Approval Requirement**" means (i) the terms of Conditions 4(f) (*Rate of interest following a Change of Control Call Event*) and 5(b)(vi) (*Redemption following a Change of Control Call Event*) have been approved by a shareholders' meeting of the Guarantor, and (ii) such resolution has been filed with the Clerk of the Commercial Court of Brussels (*griffie van de rechtbank van koophandel/greffe du tribunal de commerce*), and evidence of the filing of such resolution with the Clerk of the Commercial Court of Brussels (*griffie van de rechtbank van koophandel/greffe du tribunal de commerce*) has been provided to the Fiscal Agent by the Guarantor (and the date on which the Shareholder Approval Requirement shall be satisfied shall be date on which the Fiscal Agent has received such evidence).

(f) *Rate of interest following a Change of Control Call Event:* If a Change of Control Call Event occurs, and provided that the Shareholder Approval Requirement has been satisfied at or prior to the giving of the Change of Control Call Event Notice, then if the Change of Control Call Event Notice specifies that the Issuer has elected not to exercise the Change of Control Call Option or the Issuer fails to publish a Change of Control Call Event Notice in accordance with Condition 5(b)(vi), the Prevailing Rate will be increased by an additional margin of 5 per cent. *per annum* which is applicable retroactively as from the date which is the later of (x) the immediately preceding Interest Payment Date and (y) the date of the Change of Control Call Event, to (but excluding) the date of redemption of the Bonds.

(g) *Deferral of Interest*: On each Interest Payment Date (other than an Interest Payment Date falling on the date of redemption of the Bonds), the Issuer may, at its option, elect not to pay interest in respect of the Bonds which has, pursuant to the provisions of Condition 4(a), accrued to that date in respect of the Interest Period ending immediately prior to such Interest Payment Date, subject to such election and decision of deferral having been made by its *Conseil d'administration* and subject further to the giving of notice of election of deferral to the Bondholders as provided below. Any interest not paid pursuant to such an election shall be deferred.

Any amounts so deferred shall constitute "**Outstanding Amounts**". Such non-payment shall not constitute a default by the Issuer under the Bonds or for any other purpose. Notice of non-payment of any interest under the Bonds on any Interest Payment Date shall be given to the Bondholders in accordance with Condition 11 (*Notices*) at least ten (10) TARGET Business Days prior to such Interest Payment Date. So long as the Bonds are listed on the Regulated Market of the Luxembourg Stock Exchange and the rules of such stock exchange so require, notice of any such non-payment shall be given by the Issuer as soon as reasonably practicable to such stock exchange.

(h) *Outstanding Amounts*: Outstanding Amounts will bear interest at the Prevailing Rate from and including the Interest Payment Date on which such Outstanding Amounts were deferred in accordance with Condition 4(g), to but excluding the date on which such Outstanding Amounts are paid, as the case may be, in accordance with this Condition. Such interest shall accrue and be calculated in accordance mutatis mutandis with Condition 4(a) and, depending on whether the Prevailing Rate is the Initial Fixed Rate of Interest or a Reset Rate of Interest, in accordance mutatis mutandis with Conditions 4(c) or 4(d). Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate (such amounts, the "**Additional Interest Amounts**"), in accordance with this Condition 4(h) shall be paid in cash in whole but not in part, upon the occurrence of any Outstanding Amount Payment Event or at any time, in whole or in part, at the option of the Issuer. Notice of any Outstanding Amount Payment Event or exercise by the Issuer of its option to pay all Outstanding Amounts, together with any Additional Interest Amount at the Prevailing Rate, shall be given to the Bondholders in accordance with Condition 11 (*Notices*) within ten (10) TARGET Business Days of such event or exercise. In the case of exercise of its option to pay by the Issuer, such exercise shall be deemed to have occurred on the date of giving of the notice in accordance with Condition 11 (*Notices*).

(i) *Partial Payment of Outstanding Amounts and Additional Interest Amounts:* If amounts in respect of Outstanding Amounts and Additional Interest Amounts are paid in part:

(i) all unpaid amounts of Outstanding Amounts shall be payable before any Additional Interest Amounts;

(ii) Outstanding Amounts accrued for any period shall not be payable until full payment has been made of all Outstanding Amounts that have accrued during any earlier period and the order of payment of Additional Interest Amounts shall follow that of the Outstanding Amounts to which they relate; and

(iii) the amount of Outstanding Amounts or Additional Interest Amounts payable in respect of any of the Bonds in respect of any period, shall be pro rata to the total amount of all unpaid Outstanding Amounts or, as the case may be, Additional Interest Amounts accrued on the Bonds in respect of that period to the date of payment.

In the event that the Issuer has elected to defer the payment of interest on any Interest Payment Date, if an Outstanding Amount Payment Event does not occur prior to the calendar day which is the fifth anniversary of the Interest Payment Date on which the relevant Outstanding Amount was first deferred, it is the intention, though not an obligation, of the Issuer to pay all Outstanding Amounts (in whole but not in part) no later than the next following Interest Payment Date.

5 REDEMPTION AND PURCHASE

(a) *No Fixed Maturity*: The Bonds are undated without fixed maturity, and may not be redeemed otherwise than in accordance with this Condition 5 (*Redemption and purchase*).

(b) *Call options*

(i) General call option of the Issuer

On the First Call Date, the Second Reset Date and on any Interest Payment Date thereafter, the Issuer, subject to having given not less than 30, and not more than 45, calendar days' prior notice to the Bondholders (which notice shall be irrevocable) in accordance with Condition 11 (*Notices*), may redeem all, but not some only, of the Bonds at their principal amount including any amount outstanding thereon (including an amount equal to any Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate). The Issuer will inform the Luxembourg Stock Exchange of any such redemption.

(ii) Redemption for taxation reasons

(A) If, by reason of a change in the laws or regulations of the Republic of France, or any political subdivision therein or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a judgment by a court of competent jurisdiction), becoming effective on or after November 30, 2015, the Issuer would on the occasion of the next payment of principal or interest due in respect of the Bonds, not be able to make such payment without having to pay additional amounts as specified under Condition 7 (*Taxation*), the Issuer may, at any time subject to having given not more than 45 nor less than 30 days' prior notice to the Bondholders (which notice shall be irrevocable), in accordance with Condition 11 (*Notices*), redeem all, but not some only, of the Bonds outstanding at their principal amount together with amounts outstanding thereon including an amount equal to any Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate and with accrued interest to the date of redemption provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for French taxes or, if such date has passed, as soon as practicable thereafter;

(B) If, by reason of a change in the laws or regulations of the Kingdom of Belgium, or any political subdivision therein or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a judgment by a court of competent jurisdiction), becoming effective on or after November 30, 2015, the Guarantor would (if a demand was made under the Subordinated Guarantee of the Bonds) have to pay additional amounts as specified under Condition 7 (*Taxation*), the Issuer may, at any time subject to having given not more than 45 nor less than 30 days' prior notice to the Bondholders (which notice shall be irrevocable), in accordance with Condition 11 (*Notices*), redeem all, but not some only, of the Bonds outstanding at their principal amount together with amounts outstanding thereon including an amount equal to any Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate and with accrued interest to the date of redemption provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Guarantor could make a payment under the Subordinated Guarantee without withholding for Belgian taxes or, if such date has passed, as soon as practicable thereafter;

(C) If the Issuer would on the next payment of principal or interest in respect of the Bonds be prevented by French law from making payment to the Bondholders of the full amount then due and payable, notwithstanding the undertaking to pay additional amounts contained in Condition 7 (*Taxation*), then the Issuer shall forthwith give notice of such fact to the Fiscal Agent and the Issuer shall upon giving not less than seven days' prior notice to the Bondholders in accordance with Condition 11 (*Notices*), redeem all, but not some only, of the Bonds then outstanding at their principal amount together with amounts outstanding thereon including an amount equal to any Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate and with accrued interest to the date of redemption provided that the due date for redemption of which notice hereunder shall be given shall be no earlier than the latest practicable date on which the Issuer could make payment of the full amount of principal and interest payable without withholding for French taxes or, if such date has passed, as soon as practicable thereafter;

(D) If, an opinion of a recognized law firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that by reason of any change in the laws or regulations of the Republic of France, or any political subdivision therein or any authority thereof or therein having power to tax, any change in the application or official interpretation of such laws or regulations (including a judgment by a court of competent jurisdiction), or any other change in the tax treatment of the Bonds, becoming effective on or after November 30, 2015, interest payments under the Bonds were but are no longer tax-deductible by the Issuer for French corporate income tax (*impôts sur les bénéfices des sociétés*) purposes to the same extent as Unsubordinated Obligations of the Issuer would be, the Issuer may, at its option, at any time, subject to having given not more than 45 nor less than 30 days' notice to Bondholders (which notice shall be irrevocable) in accordance with Condition 11 (*Notices*), redeem all, but not some only, of the Bonds at their Early Redemption Amount provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make such payment with interest payable being tax deductible for French corporate income tax (*impôts sur les bénéfices des sociétés*) purposes.

(iii) Redemption for rating reasons

If a Rating Methodology Event has occurred, then the Issuer may, subject to having given not more than 45 nor less than 30 days' notice to the Fiscal Agent and, in accordance with Condition 11 (*Notices*), the Bondholders (which notice shall be irrevocable) redeem all, but not some only, of the Bonds at any time at their Early Redemption Amount.

(iv) Redemption for accounting reasons

If an Accounting Event has occurred, then the Issuer may, subject to having given not more than 45 nor less than 30 days' notice to the Fiscal Agent and, in accordance with Condition 11 (*Notices*), the Bondholders (which notice shall be irrevocable) redeem all, but not some only, of the Bonds at any time at the Early Redemption Amount.

(v) Redemption for acquisition reasons

If an Acquisition Event occurs, and provided that the Guarantor has given notice to the Bondholders in accordance with Condition 11 (*Notices*) on or prior to June 2, 2016 of the occurrence of such Acquisition Event, then the Issuer may at any time within 60 days following such notice, subject to having given notice to the Fiscal Agent and, in accordance with Condition 11 (*Notices*), the Bondholders (which notice shall be irrevocable) not more than 45 nor less than 30 days before the redemption, redeem all, but not some only, of the Bonds at the Early Redemption Amount. The Issuer may waive its right to call the Bonds in accordance with this Condition 5(b)(v) by giving notice (which shall be irrevocable) pursuant to Condition 11 (*Notices*).

(vi) Redemption following a Change of Control Call Event

Provided that the Shareholder Approval Requirement is satisfied at or prior to the giving of the Change of Control Call Event Notice, if:

(A) a Change of Control occurs and at such time the long term unsecured and unsubordinated debt of the Guarantor is rated and, within the Change of Control Period, a Rating Downgrade resulting from that Change of Control occurs and is not remedied prior to the end of the Change of Control Period; or

(B) a Change of Control occurs and at such time the long term unsecured and unsubordinated debt of the Guarantor is not rated,

(each a "**Change of Control Call Event**"), then:

the Issuer may, at its option (the "**Change of Control Call Option**"), but in no circumstances before the expiry of each Put Option Period (as defined below), redeem or procure the purchase of all (but not some only) of the Bonds at 100% of their principal amount together with any interest accrued to the Early Redemption Date including any Outstanding Amounts together with interest accrued thereon at the Prevailing Rate.

For the purposes of this Condition 5(b)(vi):

"**Change of Control**" means any person or group of persons acting in concert, other than the Existing Reference Shareholder or a holding company whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Guarantor, acquiring direct or indirect ownership of more than 50% of the share capital with voting rights or similar rights of ownership of the Guarantor or the power to direct the management and the policies of the Guarantor whether through the ownership of voting capital, contract or otherwise.

"**Change of Control Announcement**" for these purposes means the first public announcement by the Guarantor or any actual purchaser relating to a Change of Control.

The "**Change of Control Period**" shall commence on the date of the Change of Control Announcement, but not later than on the date of the Change of Control, and shall end 90 days after the Change of Control (which period shall be extended with respect to a Rating Agency so long as the rating of the Bonds is under publicly announced consideration for possible downgrade by that Rating Agency, such extension not to exceed 60 days after the public announcement of such consideration).

"**Existing Reference Shareholder**" means Solvac SA or any successor company, together with any person with whom Solvac SA or such successor is acting in concert (as defined in Article 3, paragraph 1, 5° of the Belgian Law of 1 April 2007 on public takeover bids, as amended).

"**Investment Grade Rating**" means a rating of the Guarantor of Baa3/BBB-, or equivalent or higher, solicited by the Guarantor from Moody's and S&P or the equivalent of any of these ratings solicited by the Guarantor from another rating agency in the place of Moody's or S&P, as the case may be.

"**Non-Investment Grade Rating**" means a rating of the Guarantor of Ba1/BB+, or equivalent or lower, solicited by the Guarantor from Moody's or S&P or the equivalent of any of these ratings solicited by the Guarantor from another rating agency in the place of S&P or Moody's, as the case may be.

"**Put Option**" means the option given to the holder of any unsecured and unsubordinated debt securities issued or guaranteed by the Guarantor pursuant to the terms and conditions thereof, to require the relevant issuer of such debt securities to redeem such debt securities as a result of a Change of Control.

"**Put Option Period**" means the period given to the holder of any unsecured and unsubordinated debt securities issued or guaranteed by the Guarantor pursuant to the terms and conditions thereof, as a result of a Change of Control, during which the holder of such debt securities may exercise the Put Option.

A "**Rating Downgrade**" shall be deemed to have occurred in relation to the Guarantor if:

(A) the Guarantor has an Investment Grade Rating prior to the Change of Control Period (the "**Applicable Time**") and such Investment Grade Rating is withdrawn or reduced to a Non-Investment Grade Rating; or

(B) the Guarantor has a Non-Investment Grade Rating prior to the Applicable Time and such Non-Investment Grade Rating is withdrawn or lowered by one or more rating notches (for example, from "BB+" to "BB" if the relevant rating is provided by S&P or from "Ba1" to "Ba2" if the relevant rating is provided by Moody's, or such similar lowering).

"**Solvac SA**" means the company incorporated under the laws of Belgium under registered number 423.898.710 with registered address at Rue des Champs Elysées 43, 1050 Brussels, Belgium.

If a Change of Control Call Event occurs, as soon as practicable after the expiry of the Put Option Period and in no event later than thirty (30) calendar days thereafter, the Issuer shall give notice (a "**Change of Control Call Event Notice**") to the Bondholders in accordance with Condition 11 (*Notices*) specifying the nature of the Change of Control Call Event, and either the date on which the Bonds will be redeemed or the Issuer's election not to redeem the Bonds.

If the Issuer elects to redeem the Bonds, such redemption or purchase will take place not less than thirty (30), nor more than sixty (60) calendar days after the Change of Control Call Event Notice is given.

Before the publication of any notice of redemption pursuant to Conditions 5(b)(ii)(d), 5(b)(iii) or 5b(iv), the Issuer shall deliver to the Fiscal Agent a certificate signed by the *Président du Conseil d'administration* and *Directeur Général* of the Issuer, or, if a separate *Directeur Général* has been appointed, by either the *Président du Conseil d'administration* or the *Directeur Général* of the Issuer, stating that the Issuer is entitled to effect such redemption and setting forth a statement of the facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred which include, in the case of redemption in accordance with Condition 5(b)(ii)(d), an opinion of a recognized law firm of international standing referred to in such Condition, in the case of redemption in accordance with Condition 5(b)(iii), evidence of the written confirmation referred to in the definition of "Rating Methodology Event", and in the case of redemption in accordance with Condition 5(b)(iv), a copy of the letter or report referred to in the definition of "Accounting Event".

(c) *Liquidation*: In accordance with Condition 3 (*Status of the Bonds and Subordinated Guarantee*), if any judgment is issued by any competent court for the judicial liquidation (*liquidation judiciaire*) of the Issuer or, following an order of *redressement judiciaire*, the sale of the whole of the business (*cession totale de l'entreprise*) of the Issuer or in the event of the voluntary dissolution of the Issuer or if the Issuer is liquidated for any other reason, or if the process for a Belgian Winding-Up of the Guarantor is commenced for any reason, then the Bonds will become immediately due and payable at their principal amount together with any amounts outstanding thereon including an amount equal to any Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate and with accrued interest to the date of redemption (the "**Liquidation Redemption Date**").

(d) *Purchases and cancellation*: The Issuer, the Guarantor or any of the Guarantor's subsidiaries, may at any time purchase Bonds in the open market or otherwise and at any price. Such acquired Bonds may be cancelled, held or resold, subject as provided below.

All Bonds which are purchased or redeemed by the Issuer and any unmatured Coupons or unexchanged Talons attached to or surrendered with them will cease to be considered to be outstanding and shall be cancelled and accordingly may not be reissued or sold save that any Bonds so purchased by the Issuer may be held and resold in accordance with applicable laws and regulations for the purpose of enhancing the liquidity of the Bonds.

In the event that the Issuer, the Guarantor or any of the Guarantor's subsidiaries, has purchased Bonds equal to or in excess of 90 per cent. of the aggregate principal amount of the Bonds initially issued pursuant to this Condition 5(d) (*Purchases and cancellation*), the Issuer may redeem the remaining Bonds (in whole but not in part) at their principal amount together with any amounts outstanding thereon including an amount equal to any Outstanding Amounts, together with interest accrued thereon at the Prevailing Rate and with accrued interest to the date of redemption.

In the event of an exercise by the Issuer of any of its call options or repurchase rights pursuant to Condition 5, the Guarantor intends to raise, though does not have an obligation to do so, proceeds at least equal to the amount payable on redemption of the Bonds, within the 12 months preceding the redemption or repurchase becoming effective, from the issue of Parity Securities and/or Junior Securities, and/or ordinary shares or the sale of existing ordinary shares (save for shares purchased for cash consideration within a period of 12 months prior to the relevant date of sale of the relevant existing ordinary shares) with an aggregate "equity credit" from S&P that is at least equal to the aggregate "equity credit" of the Bonds, unless:

(i) *the long-term corporate credit rating assigned by S&P to the Guarantor is the same or higher than the long-term corporate credit rating assigned to the Guarantor after S&P has resolved its credit watch following the closing of the acquisition of Cytec Industries, Inc. and the Issuer is content that such a rating would not fall below this level as a result of such redemption or repurchase, or*

(ii) *the Bonds do not receive equity credit from S&P at the time of such redemption or repurchase, or*

(iii) *in the case of a repurchase only, such repurchase is in respect of less than (x) 10 per cent. of the aggregate principal amount of the Bonds originally issued in any period of 12 consecutive months, or (y) 25 per cent. of the aggregate principal amount of the Bonds originally issued in any period of 10 consecutive years, or*

(iv) *such redemption or repurchase occurs on or after the 2044 Step Up Date, or*

(v) *such redemption is pursuant to Conditions 5(b)(ii)(d), 5(b)(iii), 5b(iv) or 5b(v).*

*In addition, for so long as the Bonds and the 2018 Senior Notes (as defined below) remain outstanding, if (i) a Change of Control Call Event occurs, and (ii) the Issuer elects to redeem the Bonds pursuant to the Change of Control Option in circumstances where it is entitled to do so, the Guarantor intends to launch a voluntary cash tender offer for its 4.625 per cent. senior unsecured notes due 2018 with ISIN BE0374557404 (the "**2018 Senior Notes**"). The 2018 Senior Notes do not contain a contractual right of the holders to require them to be redeemed or repurchased following a Change of Control Call Event. The relevant voluntary cash tender offer would be effected at a price at least equal to the aggregate principal amount of the 2018 Senior Notes plus an amount equal to accrued and unpaid interest and would be carried out as soon as reasonably practicable following the relevant election to redeem the Bonds pursuant to the Change of Control Option. Such voluntary cash tender offer will be effected in such a manner as to ensure that the repurchase of any 2018 Senior Notes, which are validly tendered pursuant to the cash tender offer, is completed prior to the redemption of the Bonds pursuant to the Issuer's Change of Control Call Option.*

6 PAYMENTS AND CALCULATIONS

(a) *Principal*: Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bonds at the specified office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET2 System.

(b) *Interest and Outstanding Amounts:* Payments of interest and/or, if applicable, Outstanding Amounts shall, subject to Condition 6(f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the specified office of any Paying Agent outside the United States in the manner described in Condition 6(a) (*Principal*) above.

(c) *Payment subject to fiscal laws*: All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

(d) *Deduction for unmatured Coupons*: If a Bond is presented between the Issue Date and the First Call Date without all unmatured Coupons relating thereto, then:

(i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

(ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

(A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

(B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in Condition 6(a) (*Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons.

(iii) No payments will be made in respect of void coupons. If a Bond is presented after the First Call Date without all unmatured Coupons relating thereto, then such missing Coupons shall become void.

(e) *Payments on business days*: If the due date for payment of any amount in respect of any Bond or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 6(e), "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, on which the TARGET2 System is open.

(f) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bonds at the specified office of any Paying Agent outside the United States.

(g) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bond or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(h) *Exchange of Talons*: On or after the Interest Payment Date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Bonds (each, a "**Coupon Sheet**"), the Talon forming part of such Coupon Sheet may be exchanged at the specified office of the Fiscal Agent for a further Coupon Sheet (including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 12 (*Prescription*)). Upon the due date for redemption of any Bond, any unexchanged Talon relating to such Bond shall become void and no Coupon will be delivered in respect of such Talon.

(i) *Fiscal Agent, Paying Agents and Calculation Agent*: The name and specified office of the initial Fiscal Agent, Paying Agents and the Calculation Agent are as follows:

FISCAL AGENT, PRINCIPAL PAYING AGENT AND CALCULATION AGENT

BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich
Howald – Hesperange
L-2085 Luxembourg
Luxembourg

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, Paying Agent(s), Calculation Agent and/or appoint a substitute Fiscal Agent, Paying Agent, Calculation Agent and additional or other Paying Agents, provided that there will at all times be (i) a Fiscal Agent having a specified office in a European city, (ii) so long as the Bonds are listed on the Regulated Market of the Luxembourg Stock Exchange and the rules of that stock exchange so require, a Paying Agent having a specified office in Luxembourg (which may be the Fiscal Agent), (iii) so long as any Bond is outstanding, a Calculation Agent for the purposes of the Bonds having a specified office in a European city and (iv) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC, as amended, or any EU Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. If the Calculation Agent is unable or unwilling to continue to act as such or if the Calculation Agent fails to make any calculations in relation to the Bonds, the Issuer shall appoint some other leading European bank engaged in the Euro inter-bank market to act in its place, and will give notice to the Bondholders thereof in accordance with Condition 11 (*Notices*) as soon as possible after such appointment.

The Calculation Agent may not resign its duties without a successor having been so appointed. Any notice of a change in Fiscal Agent, Paying Agent, Calculation Agent or their specified office shall be given to Bondholders as specified in Condition 11 (*Notices*).

(j) *Certificates to be final*: All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purpose of the provisions of these Conditions whether by the Calculation Agent or the Reference Banks (or any of them) shall (in the absence of willful default or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents, the Fiscal Agent, the Reference Banks, and all the Bondholders. All calculations and determinations carried out by the Calculation Agent pursuant to these Conditions must be made in good faith. No Bondholder shall (in the absence as aforesaid) be entitled to proceed against the Calculation Agent or the Reference Banks or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions.

7 TAXATION

(a) *Withholding*: All payments in respect of the Bonds and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of France or the Kingdom of Belgium or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

(b) *Additional amounts*: If French law or Belgian law, as the case may be, should require that payments of principal or interest in respect of any Bond or Coupon by or on behalf of the Issuer or the Guarantor, as the case may be, be subject to deduction or withholding in respect of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the Republic of France or the Kingdom of Belgium, as the case may be, or any authority therein or thereof having power to tax, the Issuer or the Guarantor, as the case may be, shall, to the fullest extent then permitted by law, pay such additional amounts as may be necessary in order that each Bondholder or Couponholder, after such deduction or withholding, will receive the full amount then due and payable thereon in the absence of such deduction or withholding; provided, however, that the Issuer or the Guarantor, as the case may be, shall not be liable to pay any such additional amounts in respect of any Bond to a Bondholder, or in respect of any Coupon to a Couponholder, (or beneficial owner (*ayant droit*)):

(i) who is subject to such taxes, duties, assessments or other governmental charges in respect of such Bond or Coupon by reason of his having some present or former connection with the Republic of France or the Kingdom of Belgium other than the mere holding of such Bond or Coupon; or

(ii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Bond or Coupon to another Paying Agent in a member state of the European Union; or

(iii) when the relevant Bond or Coupon is presented for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to such additional amounts on the last day of such period of 30 days; or

(iv) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC of 3 June 2003, as amended, or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

For the purpose of this Condition 7 (*Taxation*), "**Relevant Date**" in relation to any Bond or Coupon means whichever is the later of (A) the date on which the payment in respect of such Bond or Coupon first becomes due and payable, and (B) if the full amount of the moneys payable on such date in respect of such Bond or Coupon has not been received by the Fiscal Agent on or prior to such date, the date on which notice is given in accordance with Condition 11 (*Notices*) to Bondholders that such moneys have been so received.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts which may be payable under the provisions of this Condition 7.

(c) *FATCA*: Notwithstanding any other provision of the Terms and Conditions, any amounts to be paid on the Bonds by or on behalf of the Issuer (or the Guarantor) will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer, nor the Guarantor, nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

8 NO EVENTS OF DEFAULT

There are no events of default in respect of the Bonds.

9 REPLACEMENT OF BONDS, COUPONS AND TALONS

If any Bond, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent and the Paying Agent having its specified office in Luxembourg, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Bonds, Coupons or Talons must be surrendered before replacements will be issued.

10 REPRESENTATION OF THE BONDHOLDERS

(a) *Meetings of Bondholders*: The Agency Agreement contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution (as defined in the Agency Agreement). Such a meeting may be convened by the Issuer and the Guarantor (acting together) and shall be convened by them upon the request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; provided, however, that certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to change the currency of payments under the Bonds, to amend the terms of the Subordinated Guarantee or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders, whether present or not. In addition, a resolution in writing signed by or on behalf of all Bondholders who for the time being are entitled to receive notice of a meeting of Bondholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) *Modification*: The Bonds, these Conditions and the Subordinated Guarantee may be amended without the consent of the Bondholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Bondholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Bondholders.

11 NOTICES

Any notice to the Bondholders will be valid if delivered to Bondholders through Euroclear or Clearstream, Luxembourg and, so long as the Bonds are listed on the Regulated Market of the Luxembourg Stock Exchange and the rules of that stock exchange so require, if published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort* or the *Tageblatt*) or on the website of the Luxembourg Stock Exchange, www.bourse.lu. If any such publication is not practicable, notice shall be validly given if published in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such delivery or publication or, if published more than once or on different dates, on the first date on which such publication is made.

12 PRESCRIPTION

Claims against the Issuer for the payment of principal and interest in respect of the Bonds shall become time-barred 10 years (in the case of principal) and 5 years (in the case of interest) from the due date for payment thereof.

13 FURTHER ISSUES

The Issuer may from time to time, without the consent of the Bondholders or the Couponholders, create and issue further bonds having the same terms and conditions as the Bond in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Bond.

14 GOVERNING LAW AND JURISDICTION

(a) *Governing law*: The Bonds and all non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except that the provisions of Condition 3(a) shall be governed by, and shall be construed in accordance with, French law.

(b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") (including a dispute relating to the existence, validity or termination of the Bonds or all non-contractual obligations arising out of or in connection with the Bonds) arising from or connected with the Bonds.

(c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Process agent*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered for the attention of the Company Secretary to Solvay UK Holding Company Limited at Solvay House, Baronet Road, Warrington, Cheshire WA4 6HA, England or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Bondholder addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Bondholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent. Nothing in this Condition 14(d) shall affect the right of any Bondholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

(e) *Consent to enforcement*: The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

15 EXCHANGE AND VARIATION

If at any time the Issuer determines that it is entitled to, or obliged to, redeem the Bonds in accordance with Condition 5(b)(ii), 5(b)(iii), 5(b)(iv) or 5(b)(v), the Issuer may, as an alternative to such redemption, on any Interest Payment Date, without the consent of the Bondholders, (i) exchange the Bonds for new bonds whether issued by the Issuer or the Guarantor replacing the Bonds (the "**Exchanged Bonds**"), or (ii) vary the terms of the Bonds (the "**Varied Bonds**"), so that in either case (A) in the case of an event described in Condition 5 (b)(ii), payments of principal and interest in respect of the Exchanged Bonds or Varied Bonds (as the case may be) are not subject to withholding by reason of French or Belgian law or published regulations and/or payments of interest payable by the Issuer in respect of the Exchanged Bonds or Varied Bonds (as the case may be) are deductible to the same extent as Unsubordinated Obligations of the Issuer, (B) in the case of a Rating Methodology Event, the aggregate principal amount of the Exchanged Bonds or Varied Bonds (as the case may be) is assigned "equity credit" by the relevant Rating Agency that is at least the same as that which was assigned to the Bonds on or before the Issue Date, or if such equity credit was not assigned on or before the Issue Date, at the date when the equity credit was assigned for the first time, or in the case of S&P, at the date when the highest "equity credit" was assigned during the period from the Issue Date to a date falling on or around the first date on which the Issuer may no longer exercise its right to call the Bonds in accordance with Condition 5(b)(v) (*Redemption for acquisition reasons*), or (C) in the case of an Accounting Event, the aggregate principal amount of the Exchanged Bonds or Varied Bonds (as the case may be) is recorded as "equity" in the audited annual or the semi-annual consolidated financial statements of the Guarantor pursuant to IFRS or any other accounting standards that may replace IFRS for the purposes of preparing the annual audited consolidated financial statements of the Guarantor.

Any such exchange or variation is subject to the following conditions:

(a) the Issuer giving not more than 45 nor less than 30 days' notice to the Bondholders in accordance with Condition 11 (*Notices*);

(b) the Issuer complying with the rules of any stock exchange (or any other relevant authority) on which the Bonds are for the time being listed or admitted to trading, and (for so long as the rules of such exchange require) the publication of any appropriate supplement, listing particulars or offering circular in connection therewith, and the Exchanged or Varied Bonds continuing to be listed or admitted on the same stock exchange as the Bonds if they were listed immediately prior to the relevant exchange or variation;

(c) with respect to exchanges only, the Issuer paying any Outstanding Amounts together with interest accrued thereon at the Prevailing Rate in full prior to such exchange;

(d) the Exchanged or Varied Bonds shall maintain the same ranking in liquidation, the same interest rate applying from time to time to the Bonds and interest payment dates, to the extent they occur on a date falling after the relevant variation or exchange date, the same First Call Date, the same First Reset Date, Second Reset Date, Subsequent Reset Dates and early redemption rights (except that they may or may not include an early redemption right on an Acquisition Event), as applicable, (provided that the relevant exchange or variation may not itself trigger any early redemption right), the same rights to accrued or Outstanding Amounts together with any interest accrued thereon at the Prevailing Rate, and any other amounts payable under the Bonds which, in each case, has accrued to Bondholders and has not been paid, the same rights to principal and interest, and, if publicly rated by a Rating Agency immediately prior to such exchange or variation, at least the same credit rating immediately after such exchange or variation by such Rating Agency if the Bonds are publicly rated by any and all such Rating Agencies, as compared with the relevant rating(s) immediately prior to such exchange or variation (as determined by the Issuer using reasonable measures available to it including discussions with the Rating Agencies to the extent practicable) and shall not contain terms providing for the mandatory deferral of interest;

(e) the terms of the exchange or variation not being prejudicial to the interests of the Bondholders as a class (it being deemed not prejudicial if the Guarantor is substituted for the Issuer or another Subsidiary of the Guarantor incorporated in the European Union is substituted for the Issuer, provided that (i) in the event that a Subsidiary of the Guarantor incorporated in the European Union is substituted for the Issuer, a new Subordinated Guarantee is granted by the Guarantor and (ii) such substitution would not result in the occurrence of an event described in Condition 5(b)(ii), an Accounting Event or a Rating Methodology Event), including compliance with (d) above, as certified for the benefit of the Bondholders by a director of the Guarantor, having consulted with an independent investment bank of international standing (for the avoidance of doubt the Fiscal Agent shall accept the certificates of the Issuer as sufficient evidence of the occurrence of an event described in Condition 5(b)(ii), an Accounting Event or a Rating Methodology Event and that such exchange or variation to the Bonds are not prejudicial to the interest of the Bondholders); and

(f) the issue of legal opinions addressed to the Fiscal Agent from one or more international law firms of good reputation confirming (x) that the Issuer, or as the case may be, the Guarantor if substituted for the Issuer, has capacity to assume all rights and obligations under the Exchanged Bonds or Varied Bonds and has obtained all necessary corporate or governmental authorization to assume all such rights and obligations and (y) the legality, validity and enforceability of the Exchanged Bonds or Varied Bonds.

OVERVIEW OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Bonds will initially be in the form of a temporary global bond ("**Temporary Global Bond**") which will be deposited on or around the date of issue of the Bonds (the "**Closing Date**") with a common depositary for Euroclear and Clearstream, Luxembourg. The Temporary Global Bond will be exchangeable in whole or in part for interests in a permanent global bond ("**Permanent Global Bond**") not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Bond unless exchange for interests in the Permanent Global Bond is improperly withheld or refused. In addition, interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Bond will become exchangeable in whole, but not in part, for Bonds in definitive form ("**Definitive Bonds**") in the denomination of Euro 100,000 each at the request of the bearer of the Permanent Global Bond if (i) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (ii) any of the events described in Condition 5(c) (*Liquidation*) occurs.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond at the specified office of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

(i) Definitive Bonds have not been delivered by 5.00 p.m. (Central European Time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Bond for Definitive Bonds; or

(ii) the Permanent Global Bond (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Bonds or the date for final redemption of the Bonds has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Bond on the due date for payment,

then the Permanent Global Bond (including the obligation to deliver Definitive Bond) will become void at 5.00 p.m. (Central European Time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (Central European Time) on such due date (in the case of (ii) above) and the bearer of the Permanent Global Bond will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Bond or others may have under a deed of covenant dated on or about the date of issue of the Bonds (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Bond will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Bond became void, they had been the holders of Definitive Bonds in an aggregate principal amount equal to the principal amount of Bonds they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Temporary Global Bond and the Permanent Global Bond will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Temporary Global Bond and the Permanent Global Bond. The following is an overview of certain of those provisions:

Payments

All payments in respect of the Temporary Global Bond and the Permanent Global Bond will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Bond or (as the case may be) the Permanent Global Bond at the specified office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bonds.

Notices

Notwithstanding Condition 11 (*Notices*), while all the Bonds are represented by the Permanent Global Bond (or by the Permanent Global Bond and/or the Temporary Global Bond) and the Permanent Global Bond is (or the

Permanent Global Bond and/or the Temporary Global Bond are) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Bondholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Bondholders in accordance with Condition 11 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg; *provided, however, that,* so long as the Bonds are listed on the Luxembourg Stock Exchange and its rules so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort* or the *Tageblatt*) or on the website of the Luxembourg Stock Exchange, www.bourse.lu.

Electronic Consent and Written Resolution

While any Temporary or Permanent Global Bond is held on behalf of a clearing system, then:

(a) approval of a resolution proposed by the Issuer, the Guarantor or the Fiscal Agent (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. of the aggregate nominal amount of a Series of Bonds outstanding (an "**Electronic Consent**" as defined in the Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution (as defined in the Agency Agreement) to be passed at a meeting for which a special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Bondholders of that Series duly convened and held, and shall be binding on all Bondholders of that Series and holders of Coupons and Talons of that Series whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement) has been validly passed, the Issuer, the Guarantor and the Fiscal Agent shall be entitled to rely on consent or instructions given in writing directly to the Issuer, the Guarantor and/or the Fiscal Agent, as the case may be, by (a) accountholders in the clearing system with entitlements to such Temporary or Permanent Global Bond and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer, the Guarantor and the Fiscal Agent shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Bondholders and Couponholders of that Series, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Bonds of the relevant Series is clearly identified together with the amount of such holding. Neither the Issuer nor the Guarantor nor the Fiscal Agent shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

SUBORDINATED GUARANTEE

The following is the form of the Subordinated Guarantee to be issued by the Guarantor on the date of this Prospectus.

This Deed of Guarantee is made on December 2, 2015

By

(1) **SOLVAY SA** (the "**Guarantor**")

In favor of

(2) **THE HOLDERS** for the time being and from time to time of the Bonds referred to below (each a "**Bondholder**" or the "**holder**" of a Bond); and

(3) **THE ACCOUNTHOLDERS** (as defined below) (together with the Bondholders, the "**Beneficiaries**")

Whereas

(A) Solvay Finance (the "**Issuer**") has authorized the issue of Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC5.5 Bonds (the "**Perp-NC5.5 Bonds**") and Euro 500,000,000 Undated Deeply Subordinated Fixed to Reset Rate Perp-NC8.5 Bonds (the "**Perp-NC8.5 Bonds**" and together with the Perp-NC5.5 Bonds, the "**Bonds**").

(B) The Bonds will be in bearer form and in the denomination of Euro 100,000 and integral multiples of Euro 1,000 in excess thereof. The Bonds will initially be represented by temporary global bonds (the "**Temporary Global Bonds**") which will be exchangeable for permanent global bonds (the "**Permanent Global Bonds**") in the circumstances specified in the Temporary Global Bonds. The Permanent Global Bonds will in turn be exchangeable for bonds in definitive form ("**Definitive Bonds**"), with interest coupons and a talon attached, in the circumstances specified in the Permanent Global Bonds.

(C) The Temporary Global Bonds and the Permanent Global Bonds will be delivered to a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearsteam, Luxembourg**").

(D) The Issuer will, in relation to the Bonds insofar as represented by the Permanent Global Bonds, enter into a deed of covenant (the "**Deed of Covenant**").

(E) The Issuer and the Guarantor will, in relation to the Bonds, enter into an agency agreement (the "**Agency Agreement**") with BNP Paribas Securities Services, Luxembourg Branch (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Bonds) and the other paying agents and the calculation agent named therein.

(F) The Guarantor has agreed to irrevocably guarantee, on a subordinated basis, the payment of all sums expressed to be payable from time to time by the Issuer to the Bondholders in respect of the Bonds and to the Accountholders under the Deed of Covenant.

Now this Deed of Guarantee witnesses as follows:

1 Interpretation

1.1 Definitions

In this Deed of Guarantee the following expressions have the following meanings:

"**Accountholder**" means any Accountholder with a Clearing System which at the Determination Date has credited to its securities account with such Clearing System one or more Entries in respect of the Permanent Global Bond, except for either Clearing System in its capacity as an Accountholder of the other Clearing System;

"**Belgian Winding-Up**" means any *concursus creditorum* (*concours de creanciers/samenloop van schuldeisers*) on all or substantially all of the assets of the Guarantor, including bankruptcy (*faillite/faillissement*) and judicial or voluntary dissolution and liquidation (*dissolution et liquidation judiciaire ou volontaire/gerechtelijke of vrijwillige ontbinding en vereffening*), other than a voluntary dissolution in the context of solvent reorganisation whereby the surviving entity assumes all obligations of the Guarantor under the Subordinated Guarantee;

"**Clearing System**" means each of Euroclear and Clearstream, Luxembourg;

"**Conditions**" means the terms and conditions of the Bonds (as scheduled to the Agency Agreement and as modified from time to time in accordance with their terms), and any reference to a numbered "**Condition**" is to the correspondingly numbered provision thereof;

"**Determination Date**" has the meaning ascribed to it in the Deed of Covenant;

"**Direct Rights**" means the rights referred to in Clause 2.1 of the Deed of Covenant;

"**Entry**" means any entry which is made in the securities account of any Accountholder with a Clearing System in respect of Bonds represented by the Permanent Global Bond; and

"**person**" means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having separate legal personality.

1.2 Other defined terms

Terms defined in the Conditions have the same meanings in this Deed of Guarantee.

1.3 Clauses

Any reference in this Deed of Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

1.4 Headings

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Deed of Guarantee.

2 Guarantee and Indemnity

2.1 Guarantee

The Guarantor hereby irrevocably guarantees:

2.1.1 to the holder of each Bond the due and punctual payment of all sums from time to time payable by the Issuer in respect of such Bond (including any Outstanding Amounts and any interest accrued thereon at the Prevailing Rate) as and when the same become due and payable and accordingly undertakes to pay to such Bondholder, in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of the Bonds, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Bond and which the Issuer has failed to pay; and

2.1.2 to each Accountholder the due and punctual payment of all sums from time to time payable by the Issuer to such Accountholder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay to such Accountholder, in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of the Bonds, any and every sum or sums which the Issuer is at any time liable to pay to such Accountholder in respect of the Bonds and which the Issuer has failed to pay.

2.2 Indemnity

The Guarantor irrevocably and unconditionally agrees as a primary obligation to indemnify each Beneficiary from time to time from and against any loss incurred by such Beneficiary as a result of any of the obligations of the Issuer under or pursuant to any Bond, the Deed of Covenant or any provision thereof being or becoming void, voidable, unenforceable or ineffective for any reason whatsoever, whether or not known to such Beneficiary or any other person, the amount of such loss being the amount which such Beneficiary would otherwise have been entitled to recover from the Issuer. Any amount payable pursuant to this indemnity shall be payable in the manner and currency prescribed by the Conditions for payments by the Issuer in respect of the Bonds. This indemnity constitutes a separate and independent obligation from the other obligations under this Deed of Guarantee and shall give rise to a separate and independent cause of action.

3 Status of the Guarantee

The obligations of the Guarantor under this Deed of Guarantee constitute direct, unsecured and subordinated obligations of the Guarantor and rank and will rank *pari passu* among themselves and *pari passu* with all other present and future Parity Securities of the Guarantor but shall be subordinated to Ordinary Subordinated Obligations and to Unsubordinated Obligations of, or issued by, the Guarantor. The obligations of the Guarantor under this Deed of Guarantee shall rank in priority to any Junior Securities and any classes of Share Capital Securities issued by the Guarantor. On a Belgian Winding-Up of the Guarantor, payments under this Deed of Guarantee will be subject to the condition precedent that all claims of the creditors of the Guarantor other than holders of Parity Securities, Junior Securities and Share Capital Securities issued by the Guarantor will have been discharged in full.

4 Undertaking

The Guarantor undertakes in favor of each Beneficiary that, so long as any interest or principal amount is due under or in respect of any Bond, it will not sell, charge or otherwise dispose of or in any way assign any of its rights in respect of the share capital of the Issuer.

5 Compliance with Conditions

The Guarantor covenants in favor of each Beneficiary that it will duly perform and comply with the obligations expressed to be undertaken by it in the Conditions (including without limitation under Condition 4(e) (*Rate of interest if Shareholder Approval Requirement is not satisfied*) and Condition 7 (*Taxation*)).

6 Preservation of Rights

6.1 Principal obligor

The obligations of the Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.

6.2 Continuing obligations

The obligations of the Guarantor herein contained shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer's obligations under or in respect of any Bond or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Bonds and under the Deed of Covenant have been paid, and all other actual or contingent obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.

6.3 Obligations not discharged

Neither the obligations of the Guarantor herein contained nor the rights, powers and remedies conferred upon the Accountholders by this Deed of Guarantee or by law shall be discharged, impaired or otherwise affected by:

6.3.1 *Winding up*

the winding up, dissolution, administration, re-organization or moratorium of the Issuer or any change in its status, function, control or ownership;

6.3.2 *Illegality*

any of the obligations of the Issuer under or in respect of the Bonds being or becoming illegal, invalid, unenforceable or ineffective in any respect;

6.3.3 *Indulgence*

time or other indulgence (including, for the avoidance of doubt, any composition) being granted or agreed to be granted to the Issuer in respect of any of its obligations under or in respect of the Bonds or the Deed of Covenant;

6.3.4 ***Amendment***

any amendment to, or any variation, waiver or release of, any obligation of the Issuer under or in respect of the Bonds or the Deed of Covenant or any security or other guarantee or indemnity in respect thereof, however fundamental; or

6.3.5 ***Analogous events***

any other act, event or omission which, but for this sub-clause, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Beneficiaries or any of them by this Deed of Guarantee or by law.

6.4 Settlement conditional

Any settlement or discharge between the Guarantor and the Beneficiaries or any of them shall be conditional upon no payment to the Beneficiaries or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Beneficiaries shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.

6.5 Exercise of rights

No Beneficiary shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Guarantee or by law:

6.5.1 ***Demand***

to make any demand of the Issuer, save for the presentation of the relevant Bond;

6.5.2 ***Take action***

to take any action or obtain judgment in any court against the Issuer; or

6.5.3 ***Claim or proof***

to make or file any claim or proof in a winding up or dissolution of the Issuer,

and (save as aforesaid) the Guarantor hereby expressly waives presentment, demand, protest and notice of dishonor in respect of each Bond.

6.6 Deferral of Guarantor's rights

The Guarantor agrees that, so long as any sums are or may be owed by the Issuer in respect of the Bonds or under the Deed of Covenant or the Issuer is under any other actual or contingent obligation thereunder or in respect thereof, the Guarantor will not exercise any rights which the Guarantor may at any time have by reason of the performance by the Guarantor of its obligations hereunder:

6.6.1 ***Indemnity***

to be indemnified by the Issuer;

6.6.2 ***Contribution***

to claim any contribution from any other guarantor of the Issuer's obligations under or in respect of the Bonds or the Deed of Covenant; or

6.6.3 ***Benefit of Security***

to take the benefit (in whole or in part) of any security enjoyed in connection with the Bonds or the Deed of Covenant by any Beneficiary; and/or

6.6.4 *Subrogation*

to be subrogated to the rights of any Beneficiary against the Issuer in respect of amounts paid by the Guarantor under this Deed of Guarantee.

7 Deposit of Deed of Guarantee

This Deed of Guarantee shall be deposited with and held by the Fiscal Agent until the date which is two years after all the obligations of the Issuer under or in respect of the Bonds and the Deed of Covenant have been discharged in full. The Guarantor hereby acknowledges the right of every Beneficiary to the production of this Deed of Guarantee.

8 Stamp Duties

The Guarantor shall pay all stamp, registration and other taxes and duties (including any interest and penalties thereon or in connection therewith) which are payable upon or in connection with the execution and delivery of this Deed of Guarantee, and shall indemnify each Beneficiary against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) which it incurs as a result or arising out of or in relation to any failure to pay or delay in paying any of the same.

9 Benefit of Deed of Guarantee

9.1 Deed poll

This Deed of Guarantee shall take effect as a deed poll for the benefit of the Beneficiaries from time to time.

9.2 Benefit

This Deed of Guarantee shall enure to the benefit of each Beneficiary and its (and any subsequent) successors and assigns, each of which shall be entitled severally to enforce this Deed of Guarantee against the Guarantor.

9.3 Assignment

The Guarantor shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder. Each Beneficiary shall be entitled to assign all or any of its rights and benefits hereunder.

10 Partial Invalidity

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

11 Notices

11.1 Address for notices

All notices and other communications to the Guarantor hereunder shall be made in writing (by letter or e-mail) and shall be sent to the Guarantor at:

Solvay SA
Rue de Ransbeek, 310
B-1120 Brussels
Belgium

E-mail: treso.cicc@solvay.com

Attention: Group Treasurer

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the Beneficiaries in the manner prescribed for the giving of notices in connection with the Bonds.

11.2 Effectiveness

Every notice or other communication sent in accordance with Clause 11.1 (*Address for notices*) shall be effective upon receipt by the Guarantor, *provided that* any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

12 Currency Indemnity

If any sum due from the Guarantor under this Deed of Guarantee or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under this Deed of Guarantee or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to this Deed of Guarantee, the Guarantor shall indemnify each Beneficiary on demand against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Beneficiary may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Guarantor and shall give rise to a separate and independent cause of action.

13 Law and Jurisdiction

13.1 Governing law

This Deed of Guarantee, other than Clause 3 (*Status of the Guarantee*), and all matters arising from or connected with it and all non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, English law.

Clause 3 (*Status of the Guarantee*) of this Deed of Guarantee and all matters arising from or connected with it and all non-contractual obligations arising out of or in connection with it are governed by, and shall be construed in accordance with, Belgian law.

13.2 English courts

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or connected with this Deed of Guarantee (including a dispute regarding the existence, validity or termination of this Deed of Guarantee or any non-contractual obligation arising out of or in connection with this Deed of Guarantee) or the consequences of its nullity.

13.3 Appropriate forum

The Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

13.4 Process agent

The Guarantor agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered for the attention of the Company Secretary to Solvay UK Holding Company Limited at Solvay House, Baronet Road, Warrington, Cheshire WA4 6HA, England or at any address of the Guarantor in Great Britain at which service of process may be served on it in accordance with Part 34 of the Companies Act 2006. Nothing in this paragraph shall affect the right of any Beneficiary to serve process in any other manner permitted by law. This clause applies to Proceedings in England and to Proceedings elsewhere.

13.5 Consent to enforcement

The Guarantor consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

14 Modification

The Agency Agreement contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of this Deed of Guarantee. Any such modification may be made by supplemental deed poll if sanctioned by an Extraordinary Resolution and shall be binding on all Beneficiaries.

In witness whereof this Deed of Guarantee has been executed by the Guarantor and is intended to be and is hereby delivered on the date first before written.

EXECUTED as a deed

by **SOLVAY SA**

acting by

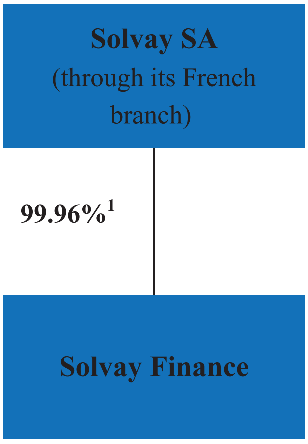
REASONS FOR THE OFFER AND USE OF PROCEEDS

The net proceeds of the issue of Bonds, of an amount of Euro 993,000,000, will be on-lent to the Guarantor and used by the Guarantor to finance the acquisition of Cytec Industries Inc. and for general corporate purposes of the Group. The total expenses for the admission to trading of the Bonds are estimated at Euro 9,170.

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer, a French corporation, is a wholly-owned subsidiary of the Guarantor[1]. The Guarantor holds its shares of the Issuer through its French branch office.



The Issuer was incorporated on 28 February 2006 until 27 February 2105 and is registered with the Registry of Commerce and Companies of Paris, France (n° SIREN: 488 825 191).

Its registered office is at 25, rue de Clichy, 75009 Paris, France (telephone n°: 33 1 40 75 80 00). Its directors are:

Name	Function Issuer	Solvay Group function	Relevant activities outside Solvay
	President and Chief Executive Officer		
Mr Pascal Hubinont	Member of the Board of Directors	Group Treasurer	None
Mr Jean-Michel Detournay	Member of the Board of Directors	Finance Officer Holdings Europe	None
Mr Xavier Betolaud du Colombier	Member of the Board of Directors	Head of Government & Public Affairs Country Manager France	None

The contact address of the directors is the same as the registered office of the Issuer.

The Issuer's purpose is to participate, in France and abroad, directly or indirectly, in any manner, in all real estate, industrial, commercial or financial transactions related to (i) the chemical industry and plastic materials in general, (ii) the processing of the aforementioned products and (iii) human health in general and, more specifically, (iv) the activities of the Group.

The aforementioned activities include, but are not restricted to:

- the incorporation of companies, partnerships, unions or consortia, or the holding of any interests in any such businesses; and
- subscribe for or otherwise acquire, hold and dispose of and deal with shares, debentures or other equity or debt securities of all kinds; and to participate in monetary and financial markets for the benefit of the Group.

The Issuer can enter into all industrial, financial, commercial, property (real or personal) or private transactions linked directly or indirectly with its purposes or that are likely to support the development and the growth of the interests of the Issuer.

[1] The remaining 0.04% of the shares of the Issuer is held by Solvay Participations France SAS, Solvay Finance France SAS, Mr. Pascal Hubinot, Mr. Jean-Michel Detournay, Mr. Guillaume Bucco and Mr. Antoine Pams, each holding one share.

The Issuer is a finance vehicle of the Group whose principal purpose is to raise debt to be on-lent to the Guarantor and other subsidiaries of the Guarantor. The Issuer raises debt by, amongst others, issuing securities including, but not limited to, bonds or similar or other types of debt instruments. The Issuer carries out no industrial or trade activities and its ability to perform its obligations under the Bonds depends essentially on the financial support that the Guarantor will provide to the Issuer as its principal shareholder.

Material contracts: In 2006, the Issuer issued deeply subordinated fixed to floating rate bonds for an aggregate nominal amount of EUR500 million which will mature in 2104. In 2013, the Issuer issued two series of undated deeply subordinated fixed to reset rate perpetual bonds for an aggregate nominal amount of EUR1,200,000,000.

DESCRIPTION OF THE GUARANTOR

General overview

Solvay is a leading international chemical group. As an innovation-driven company dedicated to building a model of sustainable chemistry, it assists its industrial clients in finding and implementing ever more responsible and value-creating solutions. It carries out its business under the name of Solvay. For information regarding Cytec, see Annex A attached to the Prospectus.

Solvay SA is a publicly traded company. In addition to being historically listed on Euronext Brussels under the symbol "**SOLB**" and forming part of the BEL20 index, Solvay has also been listed on Euronext Paris since 2012, where it is part of the CAC 40 index. This dual listing is fully consistent with the company's history and its significant presence in both Belgium and France.

Headquartered in Brussels, Belgium, Solvay had approximately 26,000 full-time equivalent employees in its continuing operations as of December 31, 2014, with 119 industrial sites and a presence in 52 countries across Latin America, North America, Europe, and Asia and the rest of the world. Solvay's consolidated net sales were €10,213 million in 2014 and €8,036 million in the nine months ended September 30, 2015 and its REBITDA was €1,783 million and €1,526 million in the same periods respectively. For 2014 this corresponded to a REBITDA margin of 17.5%.

Solvay's guiding strategy is to generate sustainable growth. Its value creation strategy seeks to align earnings growth, cash conversion and returns, with a focus on sustainability. In line with the transformation plan instituted in 2012, Solvay is currently undertaking an in-depth transformation along three specific levers: portfolio management, organic growth and excellence initiatives. Portfolio management involves a focus on areas that have potential for profitable growth. Organic growth is built on selective capital expenditures, supporting commercial or innovation-driven growth initiatives. Solvay aims, through the application of these levers, to participate in the reshaping of the global chemical industry and the development of a model of chemistry that addresses society's sustainability challenges while striving to become a high-growth, higher margin and less cyclical company.

Solvay is currently organized into five operating segments, each with a business model that responds to its specific growth dynamics and competitive challenges. These are further subdivided into Global Business Units (or GBUs) which are run as separate businesses directly responsible for delivering results, reflecting Solvay's decentralized management system. The five operating segments are:

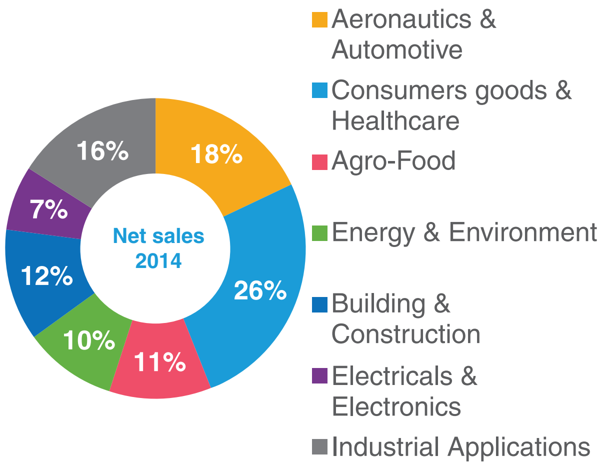
- *Advanced Formulations*: The Advanced Formulations operating segment includes the GBUs Novecare, Aroma Performance and Coatis. Novecare develops and produces formulations that alter the properties of liquids. It offers solutions to the oil and gas industry using the world's largest portfolio of chemicals. Novecare also provides specialty solutions for certain industrial applications and the agricultural, coatings, home and personal care markets. Aroma Performance is the world's number one producer of vanilla aromas for the food industry. Coatis primarily produces specialty phenols and solvents solutions mainly for the Latin American market. As one of Solvay's growth engines, the Advanced Formulations GBUs stand out for their applications- and customer-driven approach and relatively low capital intensity. Their offerings address major societal trends, meeting ever stricter requirements with respect to the environment and energy savings as well as the challenges of the mass consumer markets. Advanced Formulations had net sales of €2,854 million in 2014 and €2,038 million in the nine months ended September 30, 2015.
- *Advanced Materials*: Advanced Materials includes the GBUs Specialty Polymers, Silica and Special Chem. Specialty Polymers has the widest range of high-performance polymer offerings in the world, allowing tailor-made solutions such as pushing the limits of metal replacement in the electronics, automotive, aircraft and healthcare industries. Silica focuses on highly dispersible silica ("**HDS**"), primarily used in fuel-efficient and performance tires. Special Chem produces fluor and rare earths formulations for automotive, semi-conductor and lighting applications. A leader in markets with high entry barriers and strong returns on investment, the Advanced Materials segment is a major contributor to the Group's performance and growth. Innovation, combined with the segment's global presence and long-term partnerships with customers, provide a compelling competitive edge to industries seeking increased energy efficiency and use of less polluting alternatives. Advanced Materials had net sales of €2,762 million in 2014 and €2,522 million in the nine months ended September 30, 2015.
- *Performance Chemicals*: Performance Chemicals includes the GBUs Soda Ash & Derivatives, Peroxides, Acetow and Emerging Biochemicals. Soda Ash & Derivatives is the world's largest producer of soda ash and sodium bicarbonate, sold primarily to the flat and container glass industries but also used in detergents,

agro, feeds and food industries. The traditional market for Peroxides' competitive H_2O_2 technology is the wood pulp industry, but it is also finding new high-growth applications in disinfection and mainstream chemicals markets. Acetow is a global producer of cellulose acetate tow for cigarette filters. Emerging Biochemicals produces vinyls and caustic soda through its Thai subsidiary for the south east Asian markets. Operating in mature, resilient markets, this operating segment's success is based on economies of scale, competitiveness and quality of service. Solidly cash-generating, the Performance Chemicals businesses are engaged in programs of excellence to create additional sustainable value. Performance Chemicals had net sales of €2,944 million in 2014 and €2,313 million in the nine months ended September 30, 2015.

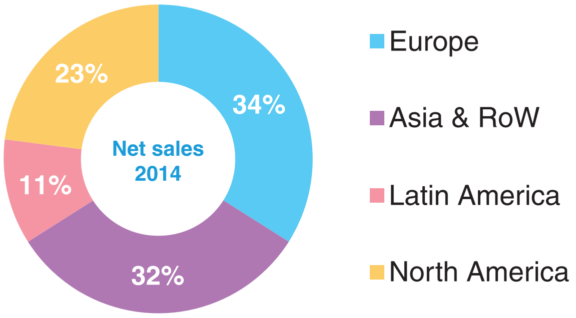
- *Functional Polymers*: Functional Polymers includes the polyamide-related businesses grouped under the Polyamide GBU, including Polyamides & Intermediates and Engineering Plastics, which produce polyamide compounds used in high-performance plastics, and Fibras, a leading Latin American producer of polyamide yarn. Functional Polymers also houses Solvay's participation in its chlorovinyls joint ventures RusVinyl (Russia) and Inovyn (Europe). The keys to success for this segment are continuous manufacturing optimization and innovation. Solvay is one of the only producers to operate across the entire polyamide 6.6 chain. Functional Polymers had net sales of €1,654 million in 2014 and €1,158 million in the nine months ended September 30, 2015.
- *Corporate & Business Services*: This segment includes the Solvay Energy Services business which delivers energy optimization programs within the Group as well as for third parties, and the corporate functions for the Group. Corporate & Business Services generated no sales in 2014 or in the nine months ended September 30, 2015.

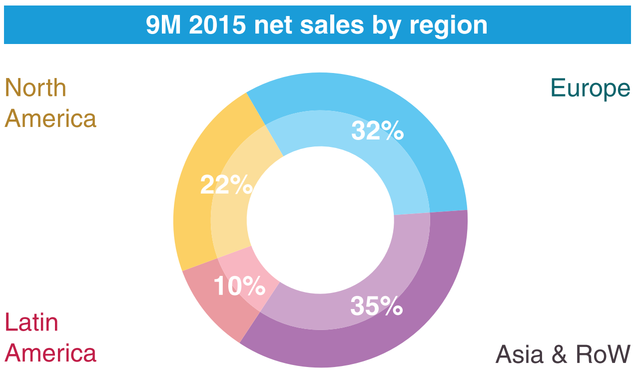
Each of the GBUs within an operating segment is responsible for its own business, including production, sales, and research and innovation ("**R&I**").

Solvay is present in diverse markets and supports industries along their value chains with a clear ambition and objective: to be a source of progress and competitiveness for its customers and consumers by providing them with innovative, efficient and sustainable solutions. 26% of its 2014 total net sales were generated in businesses supplying consumer goods and healthcare markets, while 18% addressed the automotive and aeronautics sector. Building and construction represented 12%; agro, feed and food markets 11%, energy and environment 10% and electrical and electronics markets were 7% of total net sales for the same period. The remaining 16% of net sales for the same period represent very diverse industrial applications.



The Group has balanced exposure to both the more mature markets of Europe (which accounted for 34% of Solvay's net sales by region in 2014 and 32% in the nine months ended September 30, 2015) and North America (which accounted for 23% of Solvay's net sales by region in 2014 and 22% in the nine months ended September 30, 2015) and the high potential growth emerging markets in Latin America (which accounted for 11% of Solvay's net sales by region in 2014 and 10% in the nine months ended September 30, 2015) and Asia and the rest of the world (which accounted for 32% of Solvay's net sales by region in 2014 and 35% in the nine months ended September 30, 2015).





Strengths & Strategy

Strengths

Leading market position

Solvay generates approximately 90% of its net sales in businesses in which it is a market leader (meaning it believes that it holds one of the top three positions worldwide in terms of sales). It is a leading producer of specialized solutions, adapting down-stream and up-stream integration of production in specific segments where integration provides tangible benefits to customer needs. Its market position provides greater leverage with suppliers and customers and makes it a partner of choice for joint ventures and other partnerships. The Cytec acquisition is expected to strengthen Solvay's position by adding a leading producer of composites with complementary technology and expertise in the aerospace and automotive sectors.

Growth engines and cash-generators

Solvay combines stability and growth potential across its four main operating segments. The Advanced Formulations and Advanced Materials operating segments are Solvay's growth engines, with several major high-potential growth projects expected to reach maturity in the next three to six years, including alkoxylation plants in the U.S. and Singapore, the specialty polymers plant in China, recent and upcoming polyetheretherketone ("**PEEK**") investments in the U.S. and India and new highly dispersible silica ("**HDS**") production in Poland. Within the growth engines, Advanced Formulations stands out for its customer- and applications-driven approach and relatively low capital intensity, while Advanced Materials is a leader in specialty markets with high entry barriers and strong returns on investment, including a project pipeline of over 150 current customer-specific projects in specialty polymers alone. Each GBU in each of the growth engines holds either the number one global market position or, in the case of regional businesses, the number one regional position in the main markets addressed. Innovation in the growth engines is strategically supported by the cash-generating power of the Performance Chemicals segment. This segment generates strong margins through its leading positions in GDP-growth markets, focusing on increasing competitiveness through continuous manufacturing optimization, while growth investments are limited. Within Performance Chemicals, Soda Ash & Derivatives and Peroxides hold the number one global market position in the main markets addressed, with Acetow holding a number four global position and Emerging Biochemicals a number two regional position. The Functional Polymers segment is similar in nature, although lower margins have meant that today Functional Polymers is focusing on restoring profitability through excellence programs. Polyamide holds the number one global market position, and Emerging Biochemicals' chlorovinyls business the number two regionals position, in the main markets addressed.

Broad diversity across all aspects of the business

Solvay has a well-balanced geographical presence as well as a broad product range and diversity of end markets.

With net sales roughly evenly split one third in each of Europe, the Americas, and Asia and rest of the world, Solvay pursues a balance across mature markets and developing markets that show potential for future growth. Investment is focused on high growth areas in targeted markets, such as the acquisition of Chemlogics in 2013, which doubled Advance Formulations' US oil and gas presence, the opening in 2015 of its new 100,000 ton per year sodium bicarbonate mega plant in Thailand, and its new hydrogen peroxide joint venture in Saudi Arabia.

Across these regions, Solvay's extremely broad range of products serves very diverse consumer goods and healthcare, automotive and aeronautics, and agro, feed and food industries, as well as energy and the environment, building and construction and electrical and electronics markets. Solvay provides personal care solutions and biomaterial for medical devices, produces food and agricultural products and packagings, and develops innovative sustainability-based solutions for participants in the oil and gas, automotive and aerospace industries. The broad range of useful product lives, from several months for smart device inputs to several decades for aerospace parts, provides additional diversity and offsets cyclicality. Further, Solvay benefits from the stabilizing effect of a diverse customer base, with the largest customer representing some 2% of 2014 net sales and the top 10 customers taken together not exceeding 15%.

The Cytec acquisition is expected to reinforce Solvay's footprint in North America in terms of research and production capacity and in terms of net sales. As an investment primarily in the aerospace industry, the Cytec acquisition represents a further diversification of end-markets, as Solvay's presence in aeronautics prior to the Acquisition represented less than 1% of net sales as compared with an expected 7% following the Acquisition. The Acquisition is expected to increase Solvay's exposure towards a growth industry characterized by long-term visibility, further balancing its portfolio of product lives, and is also expected to broaden Solvay's products offering through Cytec's complementary portfolio.

Performance-oriented management model

Solvay's decentralized management model, instituted in 2012, fosters entrepreneurship, accountability and a performance culture. Under this model, each operating segment is composed of GBUs, which are customer-focused and directly responsible for delivering results, determining resources and deploying value-creating strategies consistent with the Group's strategic vision. Decentralization extends to R&I, with 82% performed at the GBU level, thereby promoting "field-based" reactive innovation benefiting from direct customer interaction. As part of the acquisition process, Solvay invests in the integration of management teams and leverages the experience and knowledge of legacy managers to support its decentralized model.

To ensure operational effectiveness throughout this decentralized model, Executive Committee members closely supervise the GBUs or segments for which they are responsible. Further, Executive Committee members chair department boards composed of senior management from the business lines and departments.

Solvay's performance culture is reinforced by the alignment between remuneration and value creation. Senior management's remuneration balances short term performance and long-term returns: approximately one-third of the senior management remuneration is fixed, determined by a base salary, while two-thirds of it is variable, depending on performance. Short term performance encompasses REBITDA, cash flow and corporate social responsibility objectives for the current year, while long-term performance is structured as share-based payments as a function of the Group's economic performance measured by REBITDA and cash flow return on investment (CFROI) metrics.

Strong Executive Committee with successful track record of business integration

Solvay benefits from the international experience and industry know-how of its Executive Committee. The Executive Committee is led by Solvay's Chief Executive Officer, Mr. Jean-Pierre Clamadieu, who has been with Solvay since its acquisition of Rhodia in 2011, and has over 22 years of industry experience. The four other members of Solvay's Executive Committee bring over 100 combined years of experience in the chemicals industry, many of these years in the service of the Group or companies the Group has acquired. This executive team has succeeded in swiftly and effectively integrating significant recent acquisitions including the combination of Solvay and Rhodia and the integration of Chemlogics in the U.S. Solvay believes that the collective industry knowledge and leadership of its Executive Committee is a key asset for Solvay's business.

Strategy

Solvay aims to participate in the reshaping of the global chemical industry and the development of a model of chemistry that addresses society's sustainability challenges while striving to become a high-growth, higher margin and less cyclical company. Solvay believes that the keys to implementing its strategy are dynamic portfolio management, pursuit of excellence measures, and promotion of innovation and commercial and operational excellence.

Active portfolio management focused on growth areas

Solvay is transforming its business profile, consolidating its positions in markets identified as having high potential for sustainable growth and investing selectively to strengthen its offerings. Solvay manages its business portfolio in accordance with each business's distinct growth and competitiveness dynamics. Thus, the Group is investing to enhance its high-end solutions offerings in its two growth engines: Advanced Materials and Advanced Formulations.

Over the last two years, Solvay has made significant changes in the structure of its portfolio by redeploying resources in line with its strategy. The Group is reducing its exposure to activities that no longer meet its criteria on sustainable growth and returns, including through the three year deferred exit from its European chlorovinyls activities and the ongoing divestiture of Latin American chlorovinyls activities. In 2014, Solvay sold its sulfuric acid regeneration business Eco Services.

The Group invests in external growth where appropriate, redeploying resources to pursue acquisitions in recent years as well as making selective increases in production capacity. Solvay integrated the U.S. company Chemlogics in 2013, extending its product and service offerings to the American oil and gas exploration industry. It acquired Ryton® PPS in the United States, complementing its portfolio of specialty polymers, and Flux Schweiß und Lötstoffe GmbH in Germany, reinforcing its aluminum brazing fluxes portfolio used in the automotive industry. Small acquisitions include Erca Quimica and Dhaymers in Brazil, which strengthened its positions in surfactants in the highly dynamic home and personal care markets, and Erca Emery B.V. in the Netherlands, enhancing its upstream surfactant activities in Europe. In 2015, Solvay expects nine new production units to come on-stream around the world, principally in high growth regions: in Asia, in North America, in Eastern Europe and in the Middle East. Solvay is also developing research facilities in Asia, having inaugurated two new R&I centers in Asia in 2014, and new marketing and sales facilities.

Innovation

Innovation plays a key role in the Group's strategy of leadership and value creation. In 2014, Solvay invested €287 million in R&I and its 1,950 employees working in R&I filed 259 new patents. In 2014, 21% of its net sales were generated by products developed in the last five years. The Group has 15 major R&I centers around the world and four joint research units with universities in France, the United States and China.

Solvay's GBUs and its research teams have demonstrated their ability to deliver innovative solutions based on detailed knowledge of customers and markets. Solvay has brought innovation closer to its customers through its decentralized management model, resulting in a more rapid industrialization and commercialization of innovations. In 2014, the business launched more than 50 new products, enabling it to expand its positions in highly dynamic markets like smartphones, aeronautics, and energy. In some instances, Solvay is also pooling its research and innovation resources to serve several GBUs together.

Facilitating sustainable development is the major focus of the Group's R&I. New projects are evaluated at a very early stage against the criteria of the Sustainable Portfolio Management ("**SPM**") methodology. Solvay seeks in particular to provide solutions to the issue of energy transition, for example through its Solwatt® energy efficiency program. All projects must seek to address the problems posed by major social trends: the development of products or substitute materials with improved environmental footprints (lightweight materials, "green" solvents), the development of new energy-efficient processes (for example, batteries and bioenergy), and the design of formulations and technologies that extend the life of products and enhance their performance.

Operational excellence

Founded from the outset on an entrepreneurial model, the Group's organization promotes a culture of excellence. The continuous improvement of its operations at all levels spans from manufacturing to logistics and purchasing, as well as energy efficiency programs.

The search for manufacturing excellence has taken concrete form in efforts to reduce variable costs such as fuel consumption and fixed costs (improved maintenance). The Solwatt® energy excellence program in turn aims to improve the competitiveness of production, and it reduced the Group's energy costs by almost 10% in 2014. A €100 million program in Soda Ash & Derivatives is focused on reducing maintenance and variable costs and increasing energy efficiency.

Through operational excellence, Solvay is successfully strengthening the competitiveness of activities in highly competitive markets, such as soda ash and polyamides. The improved productivity of the Polyamide & Intermediates business, and the commercial excellence initiatives undertaken by Engineering Plastics have contributed to the resilience of the business.

Commercial excellence

The commercial excellence programs strive to maximize value creation for the customer, including pricing, contract management and management of key accounts. Solvay encourage cross-fertilization and, in particular, the sharing of practices and clients. This is, for example, the purpose of Tech Days, at which a number of GBUs jointly present their offering to a common or potential client. This approach is systematized in activities related to the automotive world: a Tech Day was organized at a Korean manufacturer and, in May 2014, Specialty Polymers and Engineering Plastics partnered to introduce the wide range of Solvay plastics and elastomers to global automotive systems supplier. Similar initiatives were undertaken in the aeronautics sector.

Overall, excellence programs contributed to €300 million to Group REBITDA in 2014 and have the potential to generate a total €800 million of annual REBITDA by 2016 as compared to the Group's 2013 reference base. The contribution of excellence programs to Group REBITDA for 2015 and 2016 constitute forward-looking statements. This information reflects potential savings and synergies identified by Solvay and may not be representative of the actual cost savings attributable to excellence programs. See Section "*Forward-Looking Statements*".

History

Solvay was founded in 1863 and has been growing organically and through targeted acquisitions and divestments since then. Solvay SA was first listed on the Brussels stock exchange (now Euronext Brussels) in 1967. Major corporate events in the last five years are described below.

In 2010, the Group took the decision to divest its pharmaceuticals branch to focus on the chemicals industry, in particular on two areas: chemicals and plastics. In 2011, it launched a friendly takeover bid for the French chemical company Rhodia S.A. ("**Rhodia**"), successfully completing the acquisition for US$4.84 billion in September 2011 and swiftly integrating Rhodia's business lines and adopting elements of its corporate culture into what became the Solvay Way, Solvay's approach to corporate social responsibility.

In 2012, the Group instituted its transformation plan, pursuant to which it continued to pursue its focus on the chemicals industry. In October 2013, Solvay acquired the privately-held U.S. company Chemlogics for US$1.3 billion, doubling Solvay's U.S.-based oil and gas market capacity.

On July 31, 2014, Solvay announced the signature of a binding agreement to sell its sulfuric acid virgin production and regeneration business Eco Services to affiliates of CCMP Capital Advisors, LLC. The transaction terms corresponded to an enterprise value of US$890 million (€660 million at the then-effective exchange rate). The Eco Services business was sold on December 1, 2014, resulting in proceeds of €721 million.

On December 31, 2014, Solvay completed the acquisition of the Ryton® PPS (polyphenylene sulphide) business from U.S.-based petrochemical company Chevron Phillips Chemical Company for US$220 million, expanding its offering of high-performance polymers and entering a solid growth market. This acquisition is part of Solvay's strategic development into a more specialized solutions provider, delivering higher growth and greater returns while reducing cyclicality.

In July 2015, Solvay announced the creation of Inovyn, its joint venture with Ineos, with a view to exit within three years, consistent with its strategic divestment of the European chlorovinyls business. In addition, Solvay continues to consider divestment options for its 70.59% stake in Solvay Indupa, classified since 2012 as discontinued.

On July 28, 2015, Cytec and Solvay reached an agreement for the acquisition by Solvay of Cytec for US$75.25 per share, or approximately US$5.5 billion, as further described in the Section "*The Acquisition*".

Operating Segments

Advanced Formulations

Among Solvay's growth engines, Advanced Formulations' activities are characterized by their high customer- and applications-driven approach and relatively low capital intensity. In line with major societal trends, their offerings primarily support the consumer, environmental and energy markets. The three GBUs in this operating segment are Novecare, Coatis and Aroma Performance.

Novecare

Novecare excels in innovation within targeted sub-segments of the surface chemistry business, pursuing a strategy of customer intimacy, innovation and competitiveness and regional proximity. Net sales were €2,033 million in 2014 and €1,452 million in the nine months ended September 30, 2015, representing 71% of the Advanced Formulations total for each of these periods. Novecare employs approximately 4,000 people and has 33 production sites supported by 22 R&I and technical centers.

Products

Novecare is a formulations business organized around surface chemistry and the most significant GBU in the Advanced Formulations operating segment. Novecare develops leading-edge technologies that affect the behavior of fluids to give them cleansing, softening, moisturizing, hydrating, gelling, texturizing, penetrating or dispersing properties. It produces surfactants, amines, synthetic and natural polymers for uses as binders, performance additives, friction reducers, aluminum functional additives, high-performance pigment dispersants and chemical inputs for pesticides, fertilizers and seeds. Products are brought to market in order to answer specific, individualized customer requirements through the innovative use of chemical properties.

Raw materials for Novecare's surfactants business include ethylene oxide and other oil-derived chemicals, and guar gum. The Company recently invested in upstream surfactant production facilities with on-pipe ethylene oxide access for a more economical supply. Guar gum is a bio-based material derived from the guar bean, mainly produced in India. Solvay is vertically integrated in guar processing through its joint-venture in India.

Markets

Surface chemistry is a global market in which all leading specialty chemical companies are active. As a result, Novecare focuses on specific segments and sub-segments within the surface chemistry market, including oil and gas, home and personal care, agricultural applications, coatings and various industrial applications. Novecare's products are found in shampoos, detergents, paints, lubricants, plant protection, pesticides, fertilizers, mining and oil extraction. In agriculture, Solvay focuses on chemical inputs for fertilizer and seeds and the reduction of the consumption of water and chemical products for increased sustainability. In industrial applications, Solvay focuses on lubricants for the steel and electronics industries and mining activities for the steel and electronics industries. Solvay is pioneering the "lab to well" customer-intimacy model developed in the oil and gas industry for these industries. Following the acquisition of Chemlogics, this GBU is today able to offer a full range of innovative products and technologies for extracting oil and gas more competitively and sustainably, with enhanced water management. The majority of the oil and gas business of this GBU is linked to exploration, with the remainder used in production, and demand is therefore linked to the health of the markets for those commodities.

Strategy

Novecare's strategy is to go downstream in the value chain, moving towards tailor-made solutions for each customer and pursuing a strategy of investment in niche markets with a range of high-added-value specialties. As a result, Novecare's industrial sites are reactive to customer demand, with a focus on flexibility and development of individualized chemical formulations. Novecare considers its speed of innovation with sustainability as a differentiator from competitors, and is evolving towards large focused projects in each of its end-markets. During the recent downturn in oil and gas markets, Novecare's strategy has been to remain committed to oil & shale gas while continuing to focus on the development of other Novecare business lines. Solvay anticipates that Cytec's phosphine activities will provide topline synergies due to complementary business lines with existing Novecare products.

Production Facilities

Novecare's business is global in scope but regional in execution. The R&I and technical centers are located all around the world, as regional proximity and customer intimacy are important due to the cost and potential danger of shipping liquid products and the tailor-made nature of Novecare's individualized solutions. Novecare has invested in Asia, which it considers a key growth area. The U.S. market for its products is heavily linked to shale oil and gas activities there.

Novecare strengthened its position in the home and personal care markets in Latin America by acquiring the specialty chemicals assets of Brazil's Erca Quimica Ltda group in 2013 and Dhaymers in 2014. To better support its customers in Central and Eastern Europe, Novecare completed construction of a new specialty surfactants plant at Genthin (Germany) in 2014 in addition to existing European sites. Novecare has begun operating its new alkoxylation facility in Singapore and is nearing completion of a similar facility in Texas (USA) which will allow it to optimize its upstream surfactant manufacturing business.

The following table sets out the product types, applications, markets, trademarks and competitors of the Novecare GBU.

Novecare Products	Applications	Markets	Trademarks	Competitors
Surfactants	Dispersion, foaming, conditioning, surface modification, intermediate, gelling, rheology	Agro, Feed & Food Consumer Goods & Healthcare Industrial Applications Energy & Environment	AGRHO®, STARGUAR®, AGHRO® N PROTECT®, SOPROPHOR®, RHODOLINE®	AKZO Nobel, BASF, Clariant, Croda, Dow, Koch, Huntsman, Lamberti Grp Oxiteno, Stepan
Amines			RHODIASOLV®	
Synthetic and natural polymers			SIPOMER®, MIRACARE®, RHEOMER®, JAGUAR®	
Phosphorous chemistry			MACKAM®, PROBAN®, TIGUAR®, TOLCIDE®	

Coatis

Coatis is the number one solvents solutions provider in Latin America. Net sales were €484 million in 2014 and €318 million in the nine months ended September 30, 2015, representing 17% and 16%, respectively, of the Advanced Formulations total. Coatis employs approximately 600 people working in one production site and two R&I centers.

Products

Coatis is a provider of sustainable solvents solutions such as oxygenated solvents, as well as a producer of phenol and phenol derivatives, primarily for the Latin American market. The key raw materials for Coatis include cumene, acetic acid and ethanol.

Markets

Inside the Group, Coatis produces phenol for use in its polyamide businesses grouped under the Polyamide GBU. Outside the Group, phenol is used for production of polycarbonate and epoxy resins, including wide application in plywood and laminated woods, a growing activity in Latin America, which represented 79% of this GBU's net sales for 2014. Solvay is a leading producer in Brazil and Latin America of phenol and oxygenated solvents. Phenol and derivatives produced are used in the production of synthetic resins employed in foundries, construction and abrasives. Solvents are used in the inks industry and in paints and coatings. Coatis' oxygenated solvents are used as a substitute for harmful solvents, due to their low toxicity, their biodegradability and their high solvent power.

Strategy

Phenol is a commodity-based product, used by variety of industries including inside the Group for the polyamide business and sold to outside parties for use in plywood and laminated woods. The oxygenated solvents business is more specialized and more innovation-driven.

Production Facilities

Coatis' production site is located in Paulínia in southeast Brazil.

The following table sets out the product types, applications, markets, trademarks and competitors of the Coatis GBU.

<table>
<tr><th>Coatis Products</th><th>Applications</th><th>Markets</th><th>Trademarks</th><th>Competitors</th></tr>
<tr><td>Phenol and derivatives</td><td>Synthetic resins & molding compounds (Epoxy, policarbonate, polyamide, phenolic MMA resins)</td><td rowspan="5">Consumer Goods & Healthcare
Automotive & Aeronautics
Building & Construction
Industrial Applications
Agro, Feed & Food</td><td rowspan="3"></td><td>Dow, Ineos, Shell</td></tr>
<tr><td>Oxygenated solvents, of which:</td><td rowspan="4">Adhesives, cosmetics, mining, coating, Print Inks, wood coating, oilfield, cleaners, automotive, industrial paints, pharma, solubilization of actives and resins</td><td rowspan="4">Arkema, Sasol, Halterman Celanese, Ineos, Eastman, Dow, Shell</td></tr>
<tr><td>Ketonic solvents</td></tr>
<tr><td>Acetic solvents</td><td>RHODIASOLV™</td></tr>
<tr><td>Glycerin-based solvents</td><td>AUGEO™</td></tr>
</table>

Aroma Performance

Aroma Performance's strength lies in the vanillin market and its leading status as a producer of diphenol intermediates, consistent with its strategy of focusing on these niche markets. Net sales were €337 million in 2014 and €268 million in the nine months ended September 30, 2015, representing 12% and 13%, respectively, of the Advanced Formulations total. Aroma Performance employs approximately 800 people working in five production sites and three R&I centers.

Products

Aroma Performance is the world's largest producer of diphenols and derivatives, with two main product types: vanillin and monomer inhibitors.

Vanillin is the chemical substance inside vanilla widely used in the food and fragrance industries. Monomer inhibitors prevent monomers from polymerizing and stabilize products while in storage. The main raw material for the production of these chemicals is phenol. Solvay is also active in natural vanillin production based on ferulic acid.

Markets

It is the world's number one producer of vanilla aromas for food industries, of diphenol intermediates for monomers with petrochemicals applications and of diphenols.

Aroma Performance designs vanilla flavors for the food industry and synthetic intermediates used in perfumery and plastics.

Main markets for the diphenol product branch include synthesis of aromas and olfactory notes for the food industry, fine perfumes, cosmetics and detergents, as well as performance products for industry such as polymerization inhibitors, agrochemicals and argentic photography. Solvay also has specific agricultural industry or pharmaceuticals industry uses for specific compounds of its diphenol products.

Strategy

Aroma Performance's growth strategy is based on a strong global presence, staying very close to its customers, and maximizing the potential of its fully integrated production chains for diphenols and fluoroaliphatic derivatives. Vanillin is a key niche market, with good profitability. While Solvay represents a limited part of the wider food aromas industry, it produces approximately 40% of the worldwide consumption of vanillin, of which it is the leading producer. Aroma Performance's leadership in this business rests on its ability to meet strict food safety and environmental conservation regulations. Aroma Performance is the partner of choice for aroma and fragrance producers.

Production Facilities

Aroma Performance stands out as the most global diversified player in its sector, with fully integrated production platforms in North America and Europe and by the end of 2015 also in Asia. Solvay is in the process of building a new vanillin production site in Zhenjiang (China) to serve the Asian markets, in addition to its current site in the U.S. and its site in St Fons (France). These investments will increase Solvay's overall vanillin production capacity by 40%. In support of this project, a center of expertise dedicated to the development and application of vanilla flavors, the Vanil' expert center, is being created in Asia, at the R&I facility in Shanghai. Another R&I center opened in Singapore in 2014 to support the needs of customers in the region.

The following table sets out the product types, applications, markets, trademarks and competitors of the Aroma Performance GBU.

Aroma Performance Products	Applications	Markets	Trademarks	Competitors
Natural vanillin	Flavors	Agro, Feed & Food	RHOVANIL® NATURAL	Shanghai apple, Bestally, Safisis, Symrise
Vanillin & ethyl-vanillin, and flavors	Flavors, fragrances, food, crop protection	Agro, Feed & Food Consumer Goods & Healthcare	RHOVANIL®, RHOVEA®, RHODIAROME®, VANILTEK™, GOVANIL™, GOVANIL™ INTENSE, Vanifolia™, Vanifolia™Bean	Borregaard, Jiaxing, Thrive, Wanglong, Shixing, Camlin, Anhui bayi, F&F, Prova
Hydroquinone	Monomers inhibitors, photography reagents, building blocks for dyes, agrochemicals, polymers, rubber anti-oxidants and food anti-oxidants	Industrial Applications, Agro, Feed & Food		Camlin, Eastman, Mitsui, Ube, Sanjili, Goodyear, Sanjili
MeHQ,	Building block for agrochemicals	Agro, Feed & Food		CST
	Monomers inhibitors	Industrial Applications		CST, Seiko, Kawagushi
TBC	Monomers inhibitors	Industrial Applications	Original TBC, TBC Optima	Camlin, KKPunja, DIC
Veratrole	Building block for agrochemicals	Agro, Feed & Food		
	Building block for drugs synthesis	Consumer Goods & Healthcare		

Advanced Materials

With their innovative capacity, their global presence, and their long-term partnerships with customers, the GBUs grouped under Advanced Materials provide a competitive advantage to manufacturers searching for ever less energy-intensive and less polluting alternatives. The operating segment's activities are growth drivers that contribute to the Group's performance through their leadership in markets with high entry barriers and their high return on investment.

The GBUs in this operating segment are Specialty Polymers, Silica and Special Chem.

Specialty Polymers

Specialty Polymers is a global high-end polymer company with unmatched portfolio breadth and a focus on innovation and speed of delivery to key customers. Net sales were €1,490 million in 2014 and €1,445 million in the nine months ended September 30, 2015, representing 54% and 57%, respectively, of the Advanced Materials total. Specialty Polymers employs approximately 3,000 people working in 17 production sites and 10 R&I centers and labs on three continents.

Products

With over 1,500 products, Specialty Polymers offers the widest range of specialty polymers in the world, spanning products across the value chain from polymer precursors to downstream applications. Its solutions derive from four technologies in which the GBU boasts unparalleled expertise:

- aromatic polymers, covering the full spectrum of high-performance polymer applications,
- high barrier polymers,
- fluoropolymers; and
- high-performance cross-linkable compounds.

To produce these it uses a wide range of oil-based derivatives, such as benzene, as well as fluor, chlorine, sulphur and nitrogen precursors.

Markets

Specialty Polymer's biggest market is for high-strength, temperature- and chemical-resistant polymers that are used in multiple high-end applications such as smart mobile telecoms devices, healthcare and sustainability-driven sectors including clean transportation, water purification and batteries.

Solvay's high-performance polymers support the sustainability-driven trend in the automotive industry, where high-performance polymers replace metal pieces to reduce weight, and thereby reduce toxic and CO_2 emissions. Aging populations and increasing standards of well-being has also led to the need for high-performance polymers in healthcare, for example for use in hemodialysis membranes. High-performance polymers are also responsive to the increasing consumer demand for mobile communication and electronics devices and the growing performance required from these devices.

Approximately one-third of Specialty Polymer's net sales are attributable to each of Asia, the Americas and Europe.

Strategy

Specialty Polymers aims to touch the high end of many end-markets with a focus on customer intimacy, long-term customer relationships and innovation. In 2014 the GBU generated 32% of its sales with products and applications that are under five years old and held over 3,300 patents. Anticipating increasing worldwide demand for "clean" technologies and energy, Specialty Polymers is focusing its development on highly dynamic sectors like aerospace and automotive, water treatment, smart devices, energy and healthcare, which are driven by sustainability and digitalization trends. Innovation is key due the speed of change in these industries, leading to product lifespans that are quite short in, for example, smart devices, or up to 30 years for aerospace interiors. To maintain a constant flow of new products and technologies, Specialty Polymers partners with its customers to design specific solutions.

To capitalize further on global demand for ever more lightweight, durable and recyclable materials, the GBU took a minority stake in 2014 in Aonix Advanced Materials, expanding its expertise in thermoplastics. The acquisition of Cytec, a leader in composite material, is expected to complement Solvay's existing fiber-reinforced polymers business, expanding Solvay's market in structural applications through Cytec's composites business. With this partner, Specialty Polymers intends to develop new thermoplastic compounds for sale around the world.

Production Facilities

Solvay has specialty polymers production sites spread round the world, although primarily concentrated in North America (eight sites) and Europe (seven sites). It currently has two facilities in Asia, one in each of India and China. Each production site produces only part of the polymer portfolio of Solvay. A local production base is less critical for the high-end market that Solvay Specialty Polymers serves; instead its proximity with R&I centers that better serves Specialty Polymers' customers. Solvay has two R&I centers in North America, 4 in Europe and 4 in Asia. Solvay is however diversifying its production base, increasing its presence in Asia, including through a joint venture based in Jiangu Province in China. It also has expanded its ultrapolymer PEEK capacity in India and is building a new plant in the U.S. expected to open in 2016.

The following table sets out the product types, applications, markets, trademarks and competitors of the Specialty Polymers GBU.

Specialty Polymers Products	Applications	Markets	Trademarks	Competitors
Biomaterials for implantable devices, sulfone polymers, aromatic polyamides, aromatic polyketones	Healthcare	Consumer Goods & Healthcare	Solviva® Biomaterials, Radel® PPSU, Udel® PSU, Ixef® PARA, KetaSpire® PEEK	Invibio, Evonik, Victrex, BASF, Sabic
Sulfone polymers, aromatic polyamides	Consumer goods	Consumer Goods & Healthcare	Radel® PPSU, Veradel® PESU, Amodel® PPA, Ixef® PARA	BASF, Sabic
Aromatic polyamides, fluorinated elastomers, aromatic polyketones, fluorinated fluids	Automotive	Automotive & Aeronautics	Amodel® PPA, Ixef® PARA, Tecnoflon® FKM, Tecnoflon® PFR FFKM, KetaSpire® PEEK, Torlon® PAI, Fomblin® PFPE	Dupont, Dyneon, EMS, Victrex, Evonik, Mitsui, Kuraray
Sulfone polymers, fluoropolymers, aromatic polyamides, aromatic polyketones	Aircraft	Automotive & Aeronautics	Radel® PPSU and Solef® PVDF Foams, Radel® PPSU, Virantage® PESU, Ajedium™ Films, Ixef® PARA, AvaSPire® PAEK, KetaSpire® PEEK, Torlon® PAI	Sabic, Victrex, Evonik, Arkema
Aromatic polyamides, sulfone polymers, aromatic polyketones	Mobile electronics	Electrical & Electronics	Ixef® PARA, Amodel® PPA, Kalix® HPPA, Radel® PPSU, KetaSpire® PEEK, AvaSpire® PAEK, Xydar® LCP	Dupont, EMS, Evonik

Specialty Polymers Products	Applications	Markets	Trademarks	Competitors
Fluoropolymers, cross-linkable compounds	Wire & cables	Electrical & Electronics	Halar® ECTFE, Hyflon® PFA/ MFA®, Solef® PVDF, Polidan® PEX, Cogegum® XLPO-HFFR	DuPont, Daikin, Dyneon, Polyone, AEI, Arkema
Aromatic polyketones, polyvinylidene chloride, fluoropolymers	Industrial and protective coatings	Industrial Applications	Torlon® AI, Diofan® PVDC, Halar® ECTFE, Solef® PVDF, Hyflon® PFA/ MFA®, KetaSpire® PEEK	DSM, Lubrizol, Arkema, 3M, Dyneon, Victrex
Fluoropolymers, fluorinated fluids	Industrial equipment	Industrial Applications	Halar® ECTFE, Solef® PVDF, Hyflon® PFA/ MFA®, Fomblin® PFPE	Dupont, Arkema, Dyneon, Daikin
Fluorinated fluids, fluoropolymers, aromatic polyketones	Semiconductor	Industrial Applications	Galden® PFPE, Solef® PVDF, Halar® ECTFE, KetaSpire® PEEK	3M, Victrex, Arkema, Dupont
Cross-Linkable compounds, fluoropolymers, sulfone polymers	Plumbing	Building & Construction	Polidan® PEX, Solef® PVDF, Halar® ECTFE, Radel® PPSU, Acudel® modified PPSU, Udel® PSU	Basf, Dyneon, Arkema, EMS
Fluoropolymers, fluorinated elastomers, cross-linkable compounds, aromatic polyketones	Oil and gas	Energy & Environment	Solef® PVDF, Hyflon® PFA/ MFA®, Tecnoflon® FKM, Tecnoflon® PFR FFKM, Polidan® PEX, KetaSpire® PEEK	Arkema, Dupont, Daikin, Victrex, Basell
Fluoropolymers	Li-Ion batteries	Energy & Environment	Solef® PVDF	Kureha, Arkema
Specialty Materials	Fuel cells	Energy & Environment	Aquivion® PFSA	
Fluoropolymers	Photovoltaics	Energy & Environment	Solef® PVDF, Halar® ECTFE	Dyneon, AGC, Dupont, Arkema
Sulfone polymers, fluoropolymers	Membranes	Energy & Environment	Radel® PPSU, Udel® PSU, Veradel® PESU, Solef® PVDF	BASF, Arkema, Kureha

Silica

Silica is a global business with worldwide production focused on the uses of highly dispersible silica ("**HDS**") for fuel-efficient and performance tires. Net sales were €451 million in 2014 and €388 million in the nine months ended September 30, 2015, representing 16% and 15%, respectively, of the Advanced Materials total. Silica employs approximately 700 people working in nine production sites and four R&I centers.

Products

Silica produces silicates and precipitated silica, in particular high dispersible silica ("**HDS**") used primarily in tires. The relatively energy-intensive production of silicates and precipitated silica uses sand as the main raw material.

Markets

Silica provides innovative solutions for tire manufacturers. Main markets include energy-efficient, winter and sport tires with the increasing emergence of heavy truck tires using a majority of silica instead of carbon black. HDS is used in the tire industry, especially for energy-saving tires, as it reduces tires' rolling resistance resulting in a reduction in fuel consumption of around 5-7%. The international development of the HDS technology is supported by the stringent demands of the many government standards governing the automotive and tire industries.

Other than the tire industry, precipitated silica is used in rubber technical parts, industrial products, elastomers and silicones, rubber goods sports shoes, animal food and the nutrition and toothpaste markets.

Strategy

The GBU develops its activity in close partnership with its customers, drawing on innovation and a strong global presence.

Production Facilities

The GBU has production sites all over the world. It is well positioned to support the growth of its customers in Central and Eastern Europe and in Russia, with a plant in Poland that began operating in July 2015 and increased production capacity of its Qingdao (China) site. With a capacity of 85,000 tons, the Silica plant in Poland will produce several ranges of a new generation of highly dispersible silica for improving tire energy efficiency and performance. These investments are expected to enable the Silica GBU to double its production capacity for highly dispersible silica as compared with 2009. Solvay has also begun construction of a new facility in Korea to serve the growing Korean and Japanese tire industry with the latest technology.

The following table sets out the product types, applications, markets, trademarks and competitors of the Silica GBU.

Silica Products	Applications	Markets	Trademarks	Competitors
Highly dispersible silica (HDS)	Energy-efficient tires	Automotive & Aeronautics	Zeosil®, Zeosil® PREMIUM EFFICIUM®	Evonik, PPG, OSC
Precipitated silica (conventional)	Polymer reinforcement	Automotive & Aeronautics Industrial Applications	Zeosil®	Evonik, PPG, OSC
	Oral care (toothpaste)	Consumer Goods & Healthcare	Tixosil®	JM Huber, PQ Corporation, WR Grace, Evonik, OSC
	Nutrition	Agro, Feed & Food	Tixosil®	JM Huber, PQ Corporation, WR Grace, Evonik, OSC

Special Chem

With its industrial know-how, global presence and R&I proximity, Special Chem has positioned itself as a strategic partner for the automotive sector as a producer of materials used in emission control catalysis and aluminum brazing, and as a producer of cleaning and polishing materials for electronics. Net sales were €820 million in 2014 and €689 million in the nine months ended September 30, 2015, representing 30% and 27%, respectively, of the Advanced Materials total. Special Chem employs approximately 3,000 people working in 28 production sites and 10 R&I centers.

Products

Special Chem consists of two main businesses: Fluor-based and rare-earth based.

In its fluor-based business, Special Chem manufactures fluorine and other ultrapure chemical solutions. Its flagship Nocolok® brazing flux is recognized as a benchmark in the industry, and it also produces blowing agents (Solkane®). It also produces ultra-pure chemical compounds such as H_2O_2 or F2 formulations. It has a flexible supply strategy with respect to the main raw material, fluorspar, obtaining fluor either through integrated production or external purchase.

In its rare earth formulations, business, Special Chem has a global market share of over 25%. Rare earth is the generic term for 17 natural non-ferrous elements present as ores in the earth's crust. These are particularly prized for their exceptional catalytic, magnetic, luminescent or abrasive qualities. Solvay is a world leader in rare earth oxides used in automotive catalysts and also produces cerium-based abrasives for semiconductors. Solvay is not active in rare earth mining, but buys concentrates and is also active in the recycling of rare earths.

Through a joint-venture, Solvay also produces barium- and strontium-based compounds used in the electronics and building industry.

Markets

Special Chem's biggest end-markets are automotive and electronics, followed by the energy and agricultural industries.

Solvay's rare earth oxides are mainly used in automotive catalysts that assist in compliance with emissions regulations regimes. As pollution becomes an increasing societal concern, regulation increases over time, driving automotive catalysts to become more efficient and thereby driving the need for more and more advanced rare earth oxides. As a result, growth in automotive uses for rare earths is expected to outpace growth in automotive production.

Further, the Nocolok® brazing flux is used in manufacturing aluminum heat exchangers for the automotive industry, for residential air conditioning systems and industrial heat exchangers. As aluminum is increasingly used in these applications, for example to replace copper in industrial heat exchangers, growth in the market for aluminum brazing fluxes is expected to outpace GDP growth.

Solvay's polishing materials are used in the production of semiconductors, a growing industry with increasing consumer demand for mobile telecoms and electronics devices. As standards of purity and cleanliness increase as the industry miniaturizes, demand for efficient cleaning techniques rises, for which Solvay provides e-grade H_2O_2 and high-throughput F2 formulations.

Strategy

The GBU takes a global approach to providing high-added-value solutions to niche markets: automotive, electronics, high-performance materials, energy conservation and storage. Its fluor-based activities benefit from industrial expertise and technology innovation. Its rare earth systems business benefits from unique expertise in rare earth separation and formulation technologies and process and HSE expertise.

Production Facilities

Special Chem has 28 production sites supported by 10 R&I centers. Headquartered in South Korea, in 2014 a new research lab was opened in South Korea, bringing together and further developing Solvay's battery expertise.

The following table sets out the product types, applications, markets, trademarks and competitors of the Special Chem GBU.

Special Chem Products	Applications	Markets	Trademarks	Competitors
Fluor-based compounds	High voltage engineering (SF6), High purity gas (eHF, e-F2, e-IF5, e-C4F6) for chip etching and cleaning, chemicals for Li-batteries (Li-TA, Li-TFSi)	Electrical & Electronics	SIFREN® (C4F6)	Kemeite, Liming, Henan Huaneng Fluoride and others, HaloPolymer, Asahi Glass, Kanto Denka, Show Denko, Cental Glas, Linde, AirProducts
	Insulation, energy saving	Building & Construction	SOLKANE®, IXOL®	Honeywell, Arkema, DuPont, Albarnali, Chemtura
	Aluminum Brazing for Heat Exchanger manufacturing	Automotive & Aeronautics Industrial Applications	NOCOLOK®	Morita, Honeywell
Fluorinated organic compounds, TFAC, TFA, TFAH, TFAEt, TFK, ETFBO, Other CF3	Building blocks for active ingredients	Agro & Pharma		Halocarbon, SRF, Sinochem, Blue Star
Electronic grade H_2O_2	Semiconductors, displays, photovoltaic, wet chemicals for chip etching and cleaning	Electrical & Electronics	INTEROX® PICO, INTEROX® EG-1, INTEROX® EG10, INTEROX® EG-ST	BASF, MIGAS, Santoku, PeroxChem, Changchun, Dongwoo Finechem
Rare earth oxide formulations	Automotive catalysts	Automotive & Aeronautics	ACTALYS® , ACTALYS® HSA, EOLYS® POWERFLEX®, E-SIS® OPTALYS®, STABILYS®	DKK, MEL Chemicals, Sasol
	High performance polishing for glass and semiconductors	Electrical & Electronics	CEROX®, ZENUS®	OST, Treibacher, Ferro, Nikki

Performance Chemicals

The activities of Performance Chemicals are solidly cash-generating, and the operating segment is engaged in new excellence programs to create sustainable value. Beginning on January 1, 2014, Performance Chemicals was split into four GBUs: Soda Ash & Derivatives, Peroxides, Acetow and Emerging Biochemicals.

Soda Ash & Derivatives

As the largest soda ash & bicarbonate producer worldwide addressing over 50% of the global market, Soda Ash & Derivatives is a resilient cash-generator for Solvay. Net sales were €1,377 million in 2014 and €1,172 million in the nine months ended September 30, 2015, representing 47% and 51%, respectively, of the Performance Chemicals total. Soda Ash & Derivatives employs approximately 3,500 people working in 10 production sites and three R&I centers.

Products

Solvay uses both available major processes to produce soda ash, and also produces sodium bicarbonate. The more widely used is the so-called synthetic or “Solvay” process, which the founder of the company developed 150 years ago, using limestone and salt brine. The second one is the natural or “trona” process, intrinsically more cost-effective but limited to those places were trona mineral deposits can be found.

Markets

The production of soda ash and sodium bicarbonate, Solvay's historical activity, has grown continuously worldwide for 150 years, directly linked to population growth and increasing purchasing power. Soda ash is used mainly by the glass, detergents and chemicals markets, with glass representing 50% of the market for soda ash. Glass uses include flat glass for example in the automotive sector, tableware, window glass for construction including replacement construction, and container glass. It is also the basis for certain chemical and metallurgical applications for industry.

Sodium bicarbonate, a derivative of soda ash, serves primarily the food and feed markets and the pharmaceutical sector, and is also used to neutralize acid flue gases. For example, the Solvair Solutions® range of flue gas treatment solutions helps manufacturers control their own air emissions. Solvay's sodium bicarbonate business also serves the healthcare, feed and food markets.

Strategy

Soda ash, a highly commoditized product for use in non-cyclical GDP growth driven markets, is a business operated by Solvay for cash-generation. Vertical integration of its own mines for both natural (trona mineral) and synthetic (limestone, salt brine) production processes is a key component of Solvay's cost-optimization strategy in soda ash. Solvay does not expect large capacity expansions and has recently closed less competitive assets to reduce overcapacity and create more competitive market conditions.

Solvay also anticipates good growth in sodium bicarbonate, driven by sustainability-related drivers such as emissions control solutions, healthcare and food. Solvay actively develops additional innovative bicarbonate uses in high-value applications, investing additional capacity where demand rises.

Production Facilities

The soda ash market is global, with regional supply and demand dynamics. There are three main production regions: Europe, North America and northeast Asia (China). Solvay produces and sells only in the two first ones and exports to the so-called seaborne market (Latin America, Africa, Middle-East, south and southeast Asia and the Pacific). It has 10 production sites worldwide, including the sodium bicarbonate production plant in Thailand in operation as of July 2015. Solvay has 66% "world class" assets, competitive locally and on the export markets, including Solvay's production in the Green River Basin in Wyoming, (USA) as well as in Devnya (Bulgaria) and Torrelavega (Spain). The remaining 34% are considered local assets addressing local markets. Solvay's soda ash capacity represents 36% of total European and 20% of North American production.

The following table sets out the product types, applications, markets, trademarks and competitors of the Soda Ash & Derivatives GBU.

Soda Ash & Derivatives Products	Applications	Markets	Trademarks	Competitors
Na_2CO_3 soda ash	Flux in flat glass	Building & Construction Automotive & Aeronautics Energy & Environment	SODA SOLVAY® DENSE	Tata Chemicals, Tronox, Ciech, Sisecam, Nirma, Bashkim, OCI, Eti-Soda, Novacarb
	Flux in container glass	Agro, Food & Feed Consumer Goods & Healthcare	SODA SOLVAY® DENSE	
	Water softener in detergents	Consumer Goods & Healthcare	SODA SOLVAY® LIGHT	
	Metallurgy	Industrial Applications	SODA SOLVAY® DENSE	
	Healthcare	Consumer Goods & Healthcare		

Soda Ash & Derivatives Products	Applications	Markets	Trademarks	Competitors
Na_2CO_3, $NaHCO_3$, $2H_2O$ trona	Flue gas cleaning agent	Energy & Environment	SOLVAir®SELECT 200 SOLVAir®SELECT 150	Natronx
	Supplement in animal feed, supplement in food	Agro, Food & Feed		
$NaHCO_3$ sodium bicarbonate	Supplement in animal feed, supplement in food	Agro, Food & Feed	BICAR®Z, BICAR® Food, BI-PROTEC®	Church & Dwight, FMC, Natural Soda, Tata Chemicals, Sisecam, Ciech, Bashkim, Eti-Soda, Novacarb
	Flue gas cleaning agent	Energy & Environment Industrial Applications	BICAR®TEC SOLVAIR®SB0/3 SOLVAir® S300, SOLVAir® S350	
	Active ingredients(API), excipient in effervescent formulations, electrolyte in hemodialysis	Consumer Goods & Healthcare	BICAR® PHARMA	
$CaCl_2.nH_2O$ calcium chloride	Supplement in food, supplement in animal feed, road treatment (de-icing and de-dusting), de-humidification	Agro, Food & Feed Industrial Applications	CASO®	Tetra, Nedmag, Zirax
Na_2SO_3 sodium sulfite	Flue gas cleaning agent	Energy & Environment Industrial Applications		INDSPEC

Peroxides

Solvay is a market leader in hydrogen peroxide ("$\mathbf{H_2O_2}$") with a competitive production technology and a global footprint. Solvay pursues a strategy of balance between commodity and specialty approaches to the hydrogen peroxide applications markets. Net sales were €512 million in 2014 and €422 million in the nine months ended September 30, 2015, representing 17% and 18%, respectively, of the Performance Chemicals total. Peroxides employs approximately 870 people working in 17 production sites and four R&I centers.

Products

The Peroxides GBU produces hydrogen peroxide in large volumes at mega-plants that are integrated with propylene oxide production units as well as merchant market capacity (35-180 kilotons per year) addressing relevant markets. This GBU also produces peroxide derivatives such as sodium percarbonate, peracetic acid and inorganic peroxides. They key raw material for peroxides is hydrogen, either pure or derived from natural gas, as well as reactive agents such as quinone and certain solvents.

Markets

The traditional market for Peroxides' competitive H_2O_2 technology is the wood pulp industry, where it is used as a bleaching agent for end-markets in the paper, household and hygienic applications industries and in high quality cardboard. The Peroxides GBU also develops innovative applications and processes for new markets segments such as aquaculture, packaging disinfection, food production facilities and water treatment. The growth rate in these new applications generally outperforms GDP.

Growing industrial demand for propylene oxide is another growth driver. The GBU is leveraging its unique expertise in building mega plants producing H_2O_2 as a key raw material for propylene oxide production in the framework of Hydrogen Peroxide to Propylene Oxide ("**HPPO**") partnerships. Propylene oxide is an intermediate in the manufacture of polyurethane, a polymer widely used in many consumer products and industrial applications. However, given the number of new propylene oxide plants that use the HPPO technology, the market for hydrogen peroxide is growing more quickly than that for propylene oxide.

Strategy

Solvay believes that its high-productivity process technology in H_2O_2 and ability to adapt processes for tailor-made solutions is a competitive advantage in the capital-intensive hydrogen peroxides business that is largely consolidating in North America, Latin America and Europe. A resilient and non-cyclical business for Solvay, Peroxides is also a very local product due to the difficulty of safe shipping, resulting in regional price dynamics and local competitors. Solvay's strategy involves selective investments, including joint ventures with other large international chemical groups, representing continuing capital investment in capacity.

Production Facilities

Solvay operates 17 plants worldwide, varying in size depending on local needs. Solvay's latest investment is a high-end unit in China to address the high-end market as well as to supply Solvay, electronic-grade H_2O_2 production.

A significant part of the business is carried out through mega-plants operated as joint ventures. The joint venture in Saudi Arabia with Sadara Chemical Company is the third such mega-plant operated by Solvay in partnerships, after the world's largest plant, operated as a joint venture with Dow, at Map Ta Phut (Thailand), and that of Antwerp, operated as a joint venture with BASF/Dow in Belgium. In the mega plant approach, Solvay consolidates its global leadership in a technology adapted to high-volume markets.

The following table sets out the product types, applications, markets, trademarks and competitors of the Peroxides GBU.

Peroxides Products	Applications	Markets	Trademarks	Competitors
Hydrogen peroxides	Pulp (bleaching function)	Consumer Goods & Healthcare	INTEROX® MyH$_2$O$_2$	Arkema, Evonik, Peroxychem, Eka, Kemira, OCI
	Chemical intermediates synthesis (HPPO, caprolactam, caprolactone, ESBO, etc.) & mining	Industrial Applications	INTEROX®	
Sodium percarbonate and hydrogen peroxides	Home care (bleached powder detergent) & personal care (oral & hair care)	Consumer Goods & Healthcare	OXYPER® INTEROX®	Evonik, Kemira, Peroxychem, OCI
Hydrogen peroxides and peracetic acid	Aquaculture, food safety	Agro, Food & Feed	Paramove® INTEROX®, Proxitane®	Eka
	Water treatment	Energy & Environment	INTEROX®, Proxitane®, Oxystrong®	Evonik, Kemira, Peroxychem
Inorganic peroxides and peracetic acid	Oil and gas	Energy & Environment	Ixper® Proxitane®	Evonik, Kemira, Peroxychem

Acetow

Acetow, run as a cash-generating GBU for Solvay, is a one of the four top players by sales in the consolidated market for cellulose acetate tow used in cigarette filters. Net sales were €641 million in 2014 and €395 million in the nine months ended September 30, 2015, representing 22% and 17%, respectively, of the Performance Chemicals total. Acetow employs approximately 1,300 people working in four production sites and one R&I center.

Products

Acetow's cellulose acetate is produced from bio-sourced raw material in the form of wood pulp from sustainable forests in a process requiring acetic acid. Acetow produces primarily cellulose acetate tow and its intermediate product, cellulose acetate flakes. Acetow also produces acetate derivatives for use in bio-plastics, amongst other uses. Acetow is in the top four global producers by capacity of cellulose acetate tow and cellulose acetate flakes by capacity, along with two American competitors and one Japanese competitor.

Markets

Acetow primarily produces cellulose acetate tow for cigarette filters. Although the market for acetate tow shows limited to no growth, it is evolving. In the East, conversion of the markets to the use of filters as in Western cigarettes is a key driver. In the United States and Europe, the industry is subject to a rationalization of capacity and shift to China keeping an overall balance in terms of supply and demand globally. A recent destocking wave in the competitive acetate tow market lead to reduced margins in 2014, followed by market rationalization including capacity reductions in the Western world resulting in recent market improvement.

Acetow also produces cellulose acetate flakes for textiles and plastics production. It is a licensee of the Accoya® acetylation technology for the production of acetylated wood, which increases the resistance of wood in outdoor applications. Acetow intends to start marketing acetylated wood in relevant European countries. Its new Ocalio® bioplastic will serve the cosmetics and food packaging markets with bio-based products.

Strategy

The GBU's growth strategy has two main pillars: maintaining the dynamism of its traditional activities and winning new markets by offering products that meet the challenges of sustainable development. As the traditional cigarette market faces low to negative longer-term prospects, Solvay operates the Acetow GBU as a cash-generating business with a focus on returns. For this reason, it did not participate in recent waives of plant investments in China. Acetow does however continue to invest in innovation for the traditional market such as the Rhodia De-TowTM range with enhanced degrading properties compared to standard cellulose acetate. This innovation exploits photo- and bio-degradation synergies to significantly accelerate the degradation process of cigarette filters. A resilient business in a consolidated industry, Acetow is also seeking new application (outdoor wood, spectacle frames) for its products.

Production Facilities

Solvay's flagship export plant is located in Freiburg, Germany, and local production capacity exists also in Brazil for Latin America markets and in Russia for local markets, as well as a production joint venture for acetate tow flakes in the U.S. Solvay Acetow is streamlining its acetate tow capacity to enhance production efficiency and returns, closing two of its smaller, less competitive workshops in Germany and in Brazil.

The following table sets out the product types, applications, markets, trademarks and competitors of the Acetow GBU.

<table>
<tr><th>Acetow Products</th><th>Applications</th><th>Markets</th><th>Trademarks</th><th>Competitors</th></tr>
<tr><td>Cellulose acetate tow</td><td rowspan="3">Cigarette filters</td><td rowspan="4">Consumer Goods & Healthcare</td><td>Rhodia® FilterTow</td><td>Celanese, Eastman, Daicel/Mitsubishi, Chinese companies (Jinan, Henan, Xinyang)</td></tr>
<tr><td>Cellulose acetate tow</td><td>RHODIA DE-TOW® RHODIA COLOURED TOW®</td><td rowspan="2"></td></tr>
<tr><td>Cellulose acetate flakes/Silica</td><td>RHODIA FILTERSORB®</td></tr>
<tr><td>Cellulose acetate flakes</td><td>Filter tow, yarn, pharma, plastics and cut and tear films</td><td>Rhodia Acetol®</td><td>Celanese, Eastman, Daicel/Mitsubishi, Pacetati, Fergana</td></tr>
</table>

Acetow Products	Applications	Markets	Trademarks	Competitors
Nitric Acid	Foams, fertilizers, laundry cleaning & bleaching, disinfectant, coatings, adhesives & elastomers, metal treatment, explosives and blasting agents, cetane improver	Consumer Goods Automotive & Aeronautics Agro, Feed & Food Industrial Applications	Taranis™	Yara, Borealis, BASF, Radici, Maxam
Cellulose acetate compound	Packaging for cosmetics as well as hair accessories, toys, eyeglass frames, handling tools and consumer electronics	Consumer Goods Electrical & Electronics	Ocalio™	Eastman, DuPont, Braskem, Daicel, Pacetati, Mazzucchelli
Acetylated wood	Outdoor applications like window frames, exterior doors and shutters, decking, exterior cladding and façades etc. as well as for construction work	Building & Construction	Accoya®(1)	No direct competition in acetylated wood but competing with other materials.

Note:
(1) Accoya® is a registered trademark of Accsys Technologies which is licensed to Solvay. Solvay is currently seeking to extend the term of their license.

Emerging Biochemicals

Emerging Biochemicals is a leading PVC and caustic soda producer with state of the art facilities in south-east Asia, as well as a producer of epichlorohydrine from bio-based glycine, commercialized as Epicerol®. Net sales were €413 million in 2014 and €325 million in the nine months ended September 30, 2015, representing 14% of the Performance Chemicals total for each of these periods. Emerging Biochemicals employs approximately 500 people and has one combined industrial and R&I site.

Products

Emerging Biochemicals provides PVC resins sold under the Siamvic® brand, along with caustic soda in the form of a solid water-soluble base. Key raw materials for PVC and caustic soda are ethylene and salt. Emerging Biochemicals also produces bio-sourced epichlorohydrine under the tradename Epicerol®. Competitive and with a low carbon footprint, this technology offers an alternative to the conventional epichlorohydrin production method. The key raw material for Epicerol® epichlorohydrin is glycerin.

Markets

Applications for PVC include pipes and fittings, wires and cables for the building and construction industries, and film and sheets for the consumer goods, healthcare and industrial applications end-markets. Epichlorohydrin is used in epoxy resins, and caustic soda has applications in the consumer goods and healthcare, industrial applications and the agro, feed and food industries.

Strategy

Emerging Biochemicals is a regional cash-generating business, with a leadership position in PVC and caustic soda focused on extracting benefits from the rapidly-growing south east Asian markets. In 2012 Solvay launched the production of bio-based epichlorohydrin, which uses natural glycerin obtained as a by-product from the production of biofuels as raw material, under the brand name Epicerol®. While Epicerol results in 60% less CO_2

emissions than traditional epichlorohydrin production, the price of glycerin, driven by slower than expected growth in the biofuels that produce glycerin, has limited Epicerol®'s growth potential.

Production Facilities

Created to develop environmentally-friendly chlor-alkali chemistry, Emerging Biochemicals operates via the Thai subsidiary Vinythai Public Company Ltd., with one production plant in Map Ta Phut, Thailand. Vinythai is publicly traded on the Bangkok stock exchange. Solvay holds a 58.5% stake in Vinythai while PTT Global Chemical Public Company Ltd. holds 25%.

The following table sets out the product types, applications, markets, trademarks and competitors of the Emerging Biochemicals GBU.

Emerging Biochemicals Products	Applications	Markets	Trademarks	Competitors
PVC	Pipe, fittings, profiles, wires, cables	Building & Construction	SIAMVIC®	Thai Plastic & Chemical PCL
	Film, sheets	Consumer Goods & Healthcare Industrial Applications		
NaOH caustic soda	Multiple applications	Consumer Goods & Healthcare Industrial Applications Agro, Feed & Food		AGC Chemicals (Thailand)
Bio-based epichlorohydrin	Epoxy resins	Building & Construction Electrical & Electronics Consumer Goods & Healthcare Automotive & Aeronautics	EPICEROL®	Samsung Fine Chemicals, Dow

Functional Polymers

As part of its portfolio optimization strategy within its transformation plan, the Group has refocused the Functional Polymers operating segment on the polyamide chain, in line with its optimization strategies and focus on industrial innovation at this operating segment. Functional Polymers now groups all of Solvay's commoditized polymers businesses relating to polyamide and its remaining PVC activities, operated through the joint ventures RusVinyl and Inovyn, other than the Thai operations grouped under Special Chemicals. Solvay intends to exit the newly-created PVC joint venture Inovyn mid-year 2018, consistent with its progressive divestment of PVC businesses as part of the portfolio optimization strategy.

Polyamide

Solvay is one of the only producers to operate across the entire polyamide 6.6 chain. Polyamide regroups, as of October 1, 2015, the three smaller business units Polyamide & Intermediates ("**P&I**"), Engineering Plastics and Fibras. P&I and Engineering Plastics were combined into an integrated Polyamide GBU with a view to simplifying the Group structure and better aligning the overall polyamide chain, with the objective of continuously improving the profitability of the overall business while pursuing the respective strategies at the individual business level. Fibras constitutes a separate GBU. Together, the Polyamide group of businesses had net sales of €1,536 million in 2014 and €1,126 million in the nine months ended September 30, 2015, representing 93% and 97%, respectively, of the Functional Polymer segment's total. At the end of 2014, it employed approximately 3,600 people working in 14 production sites and nine R&I centers.

Polyamide & Intermediates

Products

P&I produces polyamide 6.6 monomers and polymers, as well as the intermediate adipic acid. Production of polyamide 6.6 requires adipic acid and hexamethylenediamine (HMDA), an intermediate produced from the hydrogenation of adiponitrile ("**ADN**"), a key intermediate in the production of polyamide 6.6, while the production of adipic acide requires either cyclohexane or phenol, depending on the process used.

Markets

The P&I business is integrated with Engineering Plastics and Fibras, its main customers in terms of volume, with P&I producing polymer 6.6 (or nylon salt) for Engineering Plastics' and Fibras' use in end products. P&I supplies polyamide 6.6 monomers and polymers as well as intermediates to a variety of external customers for use in a wide variety of applications including plastic parts and textiles.

Strategy

Upstream polyamide is a commodity-chemicals business where efficiency plays a major role. To achieve its objective of profitable growth, P&I is looking to its mastery of the production process and optimization of cost structures through excellence programs such as energy efficiency at its adipic acid production site in Chalampé (France) in order to reduce energy costs.

Production Facilities

The GBU's footprint is mainly in Europe, although there is also a Korean and Latin America presence. It has seven industrial sites, including Butachimie, Solvay's ADN joint venture with Invista, a polyamide 6.6 market leader. The Butachimie joint venture, recently renewed for a term of 99 years, is Solvay's largest production site, and benefits from its scale and access to markets.

The following table sets out the product types, applications, markets, trademarks and competitors of the Polyamide & Intermediates GBU.

Polyamide & Intermediates Products	Applications	Markets	Trademarks	Competitors
Adipic acid	Polyamide 6.6, other products for polyurethane and coating applications, plasticizers	Industrial Applications Automotive & Aeronautics Consumer Goods & Healthcare Building & Construction Electrical & Electronics	RHODIACID®	Invista, Ascend, CSM-CPEC, CNPC, BASF, Radici, Asahi, Lanxess
Hexamethylenediamine			RHODIAMINE®	Invista, Ascend, BASF, Radici, CPEC
Polyamide resin: • PA 6.6 • PA 6.10 • PA HT • PA 6.6 SD • PA 6.6 FD	Plastic compounds for engineering, plastics, industrial yarns, textile and fibers applications, tire cords, airbags, textile	Industrial Applications Automotive & Aeronautics Consumer Goods & Healthcare Building & Construction Electrical & Electronics Consumer Goods & Healthcare	STABAMID®	Invista, Ascend, BASF, Radici, Asahi
Polyamide fibers and polyamide tow	Yarn for textile and carpet markets, flock for clothing and furnishing, automotive, decoration and packaging	Automotive & Aeronautics Consumer Goods & Healthcare	PASSOREA® RHODIA® TOW	Ascend, Jiaxing

Engineering Plastics

Products

Engineering Plastics produces a polyamide compounds across the entire polyamide 6.6 chain from polyamide 6.6 monomers or polymers supplied by P&I as well as polyamide 6 monomers and polymers from external sources.

Markets

Engineering Plastics is a downstream polyamide business that develops high-performance engineering plastics for the automotive, transportation, electrical, electronics, construction, industrial goods and consumer sectors, including metal replacement, fire protection, and 3D printing applications, amongst others. It takes the basic material, polyamide 6.6, and creates functionalized final products for market. Engineering Plastics designs, manufactures and sells, under the Technyl® brand, a full range of high-performance materials. Applications include powders for laser prototyping for complex 3D parts.

Strategy

The polyamide downstream business focuses on custom-mixed compounds and customer intimacy, leveraging its unique expertise in advanced simulation and prototyping, dedicated application testing and certified laboratories.

Production Facilities

Engineering Plastics has six industrial sites throughout Europe, Asia and Latin America.

The following table sets out the product types, applications, markets, trademarks and competitors of the Engineering Plastics GBU.

Engineering Plastics Products	Applications	Markets	Trademarks	Competitors
Polyamide 6.6 compounds	Metal replacement, fire protection, thermal management, fluid barrier	Automotive & Aeronautics Electrical & Electronics Consumer Goods & Healthcare Energy & Environment Building & Construction Industrial Applications	Technyl® TECHNYL STAR®	DuPont, BASF, Radici, Ascend, Invista
Polyamide 6 compounds			Technyl® Technyl Star®	BASF, Lanxess, DSM, DuPont, Radici
Long Chain Polyamide compounds			Technyl eXten®	Arkema, Evonik, EMS, UBE
High temperature Polyamide compounds			Technyl® One	DuPont, EMS, DSM
Recycled Polyamide compounds			Technyl® R Technyl® ECO 4Earth®	Very fragmented competition
Polyamide powders	3D Printing – Laser sintering		SINTERLINE® Technyl® Powders	Evonik, Arkema
Design, simulation services	Metal replacement, fire protection, thermal management, fluid barrier		MMI Technyl® Design	BASF

Fibras

Products

Fibras manufactures polyamide yarns for the Latin American textile markets.

Markets

Fibras produces polyamide 6.6-based yarns and fibers used in many textile and industrial applications including lingerie, leisure clothing and swim and sportswear. With a strong focus on innovation, Fibras has developed specific expertise in designing yarns for smart textiles, marketed under the Amni® and Emana® brands. The Emana® fibre includes bio-crystals that interact with body heat. Emana® is particularly appreciated by textiles manufacturers for its beneficial cosmetics effects on skin and improvement of athletic performance.

Strategy

Fibras' current strategic focus is reestablishing profitability in light of the relatively poor market conditions in Latin America.

Production Facilities

Fibras has one industrial site in Brazil.

The following table sets out the products types, applications, markets, trademarks and competitors of the Fibras GBU.

Fibras Products	Applications	Markets	Trademarks	Competitors
Textile yarns, flat and textured	Apparel	Consumer Goods & Healthcare	AMNI® EMANA®	Hyosung, Taekwang, Nilit, Acelon, LeaLea, Fujian
Staple fiber	Abrasives	Consumer Goods & Healthcare		Invista
Industrial yarns	Sewing threads, MRG	Consumer Goods & Healthcare Automotive & Aeronautics Industrial Applications		Kordsa, Enka, CSM, SRF

Chlorovinyls

Solvay's strategic goals call for the progressive divestment of its chlor-based chemicals and PVC chlorovinyls businesses, previously grouped under the chlorovinyls GBU. The only major activities remaining within the scope of the Chlorovinyls GBU are Solvay's 50% stake in the RusVinyl joint venture and its 50% stake in the Inovyn joint venture.

Latin American activities: Indupa

Following rejection in 2014 by the Brazilian regulator of a proposed sale to Braskem, Solvay is analyzing other divestment options for its 69.9% stake in Indupa, the Buenos Aires-listed Latin America chlorovinyls business. Indupa is presented as "assets held for sale" on the Group's statement of financial position and balance sheet and as "discontinued operations" in the income statement. Indupa has a production site in each of Argentina and Brazil, producing PVC primarily for the Latin American construction and building markets currently impacted by weak regional economic conditions.

European activities: Inovyn

Solvay's decision to divest its European chlorovinyl activities dates back to May 2013, when it signed a letter of intent to create a 50/50 chlorovinyls joint venture with Ineos, its main PVC competitor in Europe. Following antitrust decisions, on July 1, 2015, Solvay and Ineos announced the start-up of the joint venture Inovyn. Upon closing of the transaction, Solvay received an upfront cash payment of €150 million subject to customary adjustments for elements such as actual working capital levels. In addition to contributing its entire European chlorovinyls business, Solvay has transferred liabilities estimated at €260 million to the joint venture. The agreement between the parties provides for Solvay to exit the Inovyn joint venture in 2018 and to receive an additional, performance-based payment targeted to be €280 million, with a minimum payment of €95 million. Thereafter, Ineos will be the sole owner of the business.

The contribution that this joint venture will make to Solvay's earnings in these three years will be limited to a mark-to-market valuation of the exit value. Inovyn is mainly exposed to the European construction and building market. This industry is currently benefiting from a moderate recovery and the lower euro has favorably impacted Solvay's position in the European PVC market as compared to the North American PVC market, which draws an advantage from lower raw material prices, particularly ethylene prices.

Russian activities: RusVinyl

In 2007 Solvay and Sibur, a Russian partner, established a joint venture to build a PVC and caustic soda plant in Russia. This plant was opened in the second half of 2014 and has been increasing operating capacity since then. RusVinyl is one of the largest PVC producers in Russia with an annual production capacity of 330 kilotons of PVC and 225 kilotons of caustic soda, representing approximately 30 to 35% and 15 to 17% of these markets, respectively. Focused on the domestic Russian market with a strategy of replacing imports, it has a very competitive position, benefiting from the nearby supply of ethylene, a key raw material for PVC, from Sibur's steam cracker.

Corporate & Business Services

This Segment includes the Energy Services GBU, which provides energy optimization programs for the Group and for third parties. It also includes the corporate functions of the Group in the GBU Business Services.

Solvay Energy Services

Solvay Energy Services ("**SES**") delivers innovative and sustainable tailor-made services designed to improve energy performance and reduce the CO_2 footprint of the Solvay Group and energy-intensive third-party industrial clients. These services range from energy sourcing and energy efficiency to price risk management and operation of co-generation plants. Energy costs are an important part of the Group's cost structure, with net energy costs representing about €0.9 billon in 2014. In 2014, energy sources were spread over electricity and gas (approximately 75%), coke, coal and anthracite (approximately 20%) and steam and others. Within the Group, this GBU's goal is to optimize energy purchases and to roll out the Solwatt® energy efficiency program on Group sites. It operates the Group's installed global energy self-production capacity of 1,000 MW.

SES is a key example of the Group's excellence initiatives at work, and is instrumental in meeting the Group's energy-efficiency and CO_2 reduction objectives. In 2011, SES launched Solwatt®, an important operating energy efficiency excellence initiative, to assist Solvay's industrial sites in reducing their energy consumption. The continuous improvement plans, covering processes, production and maintenance being implemented under the program, are comprehensive in their coverages of all employees at each site. The objective is to reduce the Group's energy bill by more than €100 million by 2016 as compared to 2013 and to create a sustainable culture of energy efficiency.

SES offers expertise developed for Solvay to third-party industrial enterprises. Its Energy & CO_2 Management Services ("**ECMS**") offers manufacturers overall energy costs reduction, through competitive access to energy and to CO_2 management and energy efficiency services. In 2013, Solvay began marketing Solwatt® to third parties.

In 2013, SES and CDC Climat and Marubeni launched a joint-venture to finance energy efficiency projects in the Euro zone. The first investment by this joint venture was made at Solvay's rare earth plant in La Rochelle (France).

Anticipating future trends in the energy market, SES is also actively developing clean technologies to promote innovative alternative energy sources. In 2014, SES pioneered industrial-scale production of torrefied biomass in Quitman, Mississippi (United States), through Solvay Biomass Energy, a joint-venture between SES and New Biomass Energy.

Business Services

Business Services covers, in a global shared services organization, all the Group's IT services and its main administrative departments (accounting, credit, customer service, customs, payroll and personnel administration and procurement). Business Services serves thousands of Solvay customers and employees around the world daily. In 2013, Business Services initiated its transformation into a global shared services organization, with the goal of making the Group a benchmark for quality service, process efficiency, cost optimization and value creation.

Principal Markets

The group has seven principal end markets:

- Consumer goods & healthcare (which represented 26% of net sales in 2014);
- Automotive & aeronautics (which represented 18% of net sales in 2014);
- Industrial applications (which represented 16% of net sales in 2014);
- Agro, feed & food (which represented 11% of net sales in 2014);
- Energy & environment (which represented 10% of net sales in 2014);
- Building & construction (which represented 12% of net sales in 2014); and
- Electrical & electronics (which represented 7% of net sales in 2014).

Consumer Goods & Healthcare

Solvay's solutions based on specialty surfactants, its polymers and its fluorinated fluids contribute to the effectiveness of detergents and hygiene products. Its polymers, polyamide and intelligent fibers are used by the textile industry to create high-performance clothing. The range of cellulose acetates serves the cigarette filters market. For health professionals, the Group develops a wide range of products including specialty polymers for biocompatible medical implants, synthesis intermediates and sodium bicarbonate for effervescent tablets.

Automotive & Aeronautics

Solvay offers the automotive market polyamides, specialty polymers and composites that improve performance and contribute significantly to lighter vehicles. Fluorinated electrolytes and lithium salts improve the efficiency of batteries. Solvay's solutions enable automakers to meet rising regulatory standards such as rare earth oxides for catalysis and silicas for energy-efficient tires. On the aeronautics market, the chemical, mechanical and thermal resistance properties of Solvay advanced solutions contribute to the performance and safety of airplanes.

Building & Construction

Solvay products are used in the production of flat glass and double or triple glazing window structures to stringent environmental requirements. Fluorinated products permit the production of high quality insulating foams. Biodegradable solvents are used in paints and "green" coatings. Finally, fluoropolymers and engineering plastics increase the fire resistance of electrical components and cabling.

Electrical & Electronics

Solvay Specialty Polymers develops products used in tablets and smartphones, OLED technology, rigid and flexible displays, computer processors and memories and semi-conductors based on rare earths. For the electrical connectors industry, Solvay develops specific products and fluorinated polyamides with circuit breaker and flame-retardant properties. It also offers eco-responsible solutions including the recycling of rare earths and bio-based polyamides.

Agro, Feed & Food

Solvay products and solutions respond to the needs of players along the food chain. Upstream, its guar derivatives, its fluorinated compounds and its solvents protect crops and improve their productivity, while respecting the environment. Downstream, its range of vanillin products contributes to healthier diets, for example by contributing to reducing fats and sugars in processed foods. Sodium bicarbonate promotes a balanced diet and preserves animal health. Finally, cellulose acetate is used to produce environmentally responsible food packaging.

Energy & Environment

Solvay supports energy markets in their quest for improved performance and lower costs. Guar or surfactants provide solutions for oil and gas extraction. PVDF films improve the performance and durability of solar panels, while lithium salts increase battery performance.

Solvay processes and solutions are used to produce energy from biomass. Solvay offers its industrial customers its expertise in energy optimization. Elsewhere, Solvay proposes solutions for reducing air, water and soil pollution.

Industrial Applications

Solvay provides industries with agents and intermediaries to meet their challenges of competitiveness and environmental performance, through a diversified offering including biodegradable solvents, additives and components for inks, 3D printing polymers, and metal and surface treatments:

Global Presence

The following table shows the geographic distribution of the Group's net sales in 2014, its approximate number of full-time equivalent employees, its industrial sites and its R&I centers.

	% of Net Sales	Employees	Industrial Sites	R&I Centers
Europe	34	13,500	52	8
Asia Pacific	32	6,000	29	4
North America	23	3,400	28	2
Latin America	11	3,050	10	1

Intellectual Property

To protect the value of its portfolio of products and processes and manage legal risk Solvay maintains in-house legal, intellectual property and regulatory resources, and relies on additional external professional resources as appropriate. In the chemical industry, technological know-how can remain protected by way of trade secrets, which are often a good substitute for patent protection. However, Solvay patents new products and processes when appropriate and maintains continuous efforts to protect its proprietary information and its position as leader in technological know-how for its production processes. Solvay implements a policy to protect its innovations and know-how, including taking specific precautions in its choice of partners in R&I and the locations of its research operations. A new intellectual-property information management system has been designed and is under implementation to improve the management and control of strategic R&I, industrial and patented information.

The Group is convinced that open innovation is a key way to achieve faster progress. It has four laboratories where Solvay researchers work alongside those from the academic world (with mixed Solvay-CNRS units at the ENS in Lyon, the Universities of Bordeaux, Lyon I and Lille I in France, of Pennsylvania in the USA, and of Fudan and with the East China University in China). It participates in investment funds (venturing) and invests directly in start-ups such as, in 2014, Aonix, a specialist developer of advanced composite materials, in particular for the aircraft industry. Finally, its decentralized organization, geographically close to markets, promotes industry-focused collaborative innovation with its customers.

Supporting operational R&I in the Group's Global Business Units, its innovation structure includes 15 major Research and Innovation centers across four continents, including nine multi-activity centers, all interconnected and conducive to cross-fertilization. These resources and the expertise of its staff give the Group the capacity for both incremental innovation and longer-term breakthrough projects. Overall, 1,950 employees work in R&I at Solvay and in 2014 there were 259 new patents filed and €287 million invested in R&I.

Properties

The following tables provide an overview of Solvay's most important production facilities by numbers of full-time equivalent employees, each of which is wholly-owned by Solvay or is joint-owned by the joint arrangement between Solvay and a partner, set out by GBU or joint arrangement, as applicable, location, number of employees and products:

Site	Location	GBU or Joint Arrangement	Number of Employees	Products
Tavaux	France	Specialty Polymers Inovyn (JV)	1,380	Caustic Soda, Chloro methane, E, PVC, VDC-PVDC, VF2-PVDF, 140s, 365mfc, Allyl chloride, Epichlorohydrin
Chalampé	France	Polyamide & Intermediates Butachimie (JV)	1,000	Polyamide Intermediates ADN and HMD(JV), Adipic Acid
Rheinberg	Germany	Soda Ash (main) Inovyn (JV)	760	Sodium carbonate & bicarbonate, caustic soda, PVC, Polyary amide (IXEF), Allyl chloride, Epichlorohydrin, di- and polypgycerol, hydrochloric acid
Rosignano	Italy	Soda Ash	745	Sodium carbonate & bicarbonate, peroxide, caustic soda, hydrochloric acid
Paulinia	Brazil	Coatis (main) Polyamide & Intermediates Silica Solvay Energy Services	880	Phenol; Acetone; Bisphenol; Cyclohexanol; Alfamethylstirene; Silicas; Adipic Acid; Nitric Acid; Hexamethylenediamine; Nylon salt; Ethyl Acetate; Butyl Acetate; Diacetone Alcohol; Methyl-Isobutyl-Ketone; Methyl-Isobutyl-Isopropyl Alcohol; IsoPropyl-Alcohol; N-Propyl Acetate; Hexilene-Glicol; Acetophenone; Ammonium Bicarbonate; Salicilyc Acid.
Spinetta-Marengo	Italy	Specialty Polymers	590	Fluorinated polymers (Algoflon, Technoflon), fluorinated fluids
Freiburg	Germany	Acetow (main) Engineering Plastics	850	cellulose acetate, Filter tow, Acetic acid anhydride, polyamide
Marietta	Ohio, USA	Specialty Polymers	302	polysulfone, polyphenylsulfone
Belle-Etoile	France	Polyamide & Intermediates	600	Hexamethylenediamine (HMD) , polyamide 6,6 (nylon)
Devnya(1)	Bulgaria	Soda Ash	509	Sodium carbonate & bicarbonate
Zhangjiagang	Jiangsu, China	Novecare	714	Surfactants (specialty amines)
Green River(2)	Wyoming, USA	Soda Ash	465	Sodium carbonate

Notes:

(1) The site in Devnya is 75% owned by Solvay and 25% owned by SISECAM.

(2) The site in Green River is 80% owned by Solvay and 20% owned by Asahi.

Health, Safety, Environmental and Security Regulations Affecting Solvay's Business

General

The Group's operations in various countries are subject to supranational, national, state and local laws and regulations governing health, safety, environmental, security and sustainability issues associated with the Group's products, manufacturing operations and supply chain. These laws govern a wide spectrum of Group activities and issues relating to the Group's products and business, including:

- discharge of effluents and emissions into the environment;
- the handling and disposal of industrial waste;
- remediation of historical environmental contamination;
- safety and efficacy of the Group's products;
- effective management of potential safety and health risks to the Group's employees, communities and individuals using the Group's products; and
- management of the Group's operations and supply chain in a manner that respects applicable laws governing safe chemical transportation, chemical plant security, national security and possible trade restrictions on receiving countries and customers.

Solvay must achieve and maintain regulatory compliance in order to operate its production facilities and sell its products. These steps typically involve obtaining and maintaining regulatory approvals, permitting, licensing, registrations or other forms of compliance ("**Regulatory Approvals**") governing the Group's operations and/or products. Given the international spread of the Group, these Regulatory Approvals emanate from authorities or agencies of many different countries. The Group has an internal management control system designed to provide a reasonable assurance that applicable laws and regulations are identified and complied with. Further, overlying the Group's compliance-oriented management systems is a broad Group-wide sustainability initiative known as the Solvay Way.

Solvay also participates in the voluntary chemical industry initiative called Responsible Care®. This initiative seeks to achieve continuous improvement in the sustainability of Group operations including the safe handling of chemical substances from their initial development to their final use and to improve health, environmental performance, enhance security, and to communicate with stakeholders about products and processes.

United States

As a result of its operations in the United States, the Group is subject to extensive and frequently changing federal, state and local laws and regulations, including, but not limited to, laws addressing all of the operational issues described above.

At the federal level, these laws include the following major statutes and associated regulations: the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation, and Liability Act/Superfund Amendments and Reauthorization Act, the Toxic Substances Control Act, the Occupational Safety and Health Act ("**OSHA**"), the Food, Drug and Cosmetic Act, and various statutes collectively governing chemical transportation, chemical plant security, national security and export control.

These laws are implemented by numerous federal administrative agencies including the United States Environmental Protection Agency (the "**EPA**"), the Occupational Safety and Health Administration, the Food and Drug Administration, the Department of Transportation, the Department of Homeland Security ("**DHS**") and the Departments of State and Commerce.

The EPA is an agency of the United States federal government which was created for the purpose of protecting human health and the environment by writing and enforcing regulations based on laws passed by Congress. Compliance with the EPA regulations have required capital investment to meet the increasingly more stringent air and waste water emission regulations. In addition, several U.S. sites have sufficient air emissions to trigger stringent permitting requirements under Title V of the Clean Air Act or state counterpart laws. Additional permits are required for water discharges, waste management, and prevention of discharges of petroleum and hazardous substance releases.

Federal regulations relating to the handling of hazardous substances, such as the Occupational Safety and Health Administration's Process Safety Management Standard and the EPA's Risk Management Rule apply to many U.S. manufacturing sites. These regulations are focused on worker protection as well as prevention of accidental releases of dangerous substances and their effect on the local community. Several U.S. sites must also comply with by the DHS's Chemical Facility Anti-Terrorist Standards which has required significant capital investment and resources to implement site security plans that are authorized by DHS.

In addition, most states have their own state-level counterparts of these federal laws and federal agencies as well as many of their own laws that address additional health, safety, environmental and security issues or that address the federal level issues in a more stringent manner based on state level issues or concerns. States may have more restrictive emission requirements that the sites must meet. Enforcement of the state and federal regulations for non-compliance can result in heavy fines and penalties.

As with the U.S. petrochemical industry generally, compliance with existing and anticipated laws and regulations increases the overall cost of operating the Group's United States-based business, including operating costs and capital costs to construct, maintain and upgrade equipment and facilities. These laws and regulations have required, and are expected to continue to require, the Group to make both capital and operational expenditures. To the extent required, each site is issued individual operating permits covering environmental aspects of their operations, which must be periodically renewed. These permits are subject to public review and varying degrees of public participation before they are issued or renewed. In general, compliance assurance monitoring and government reporting under certain defined circumstances is often required by the operating permits. To the extent that current or planned future operations may not allow continued compliance with permit terms and conditions, or to the extent that government agencies may lower allowed emissions under their regulations or as a condition of the permit, capital investments are sometimes required. In addition, laws requiring environmental assessment and cleanup will continue to require significant investment of Group resources for third party waste disposal sites for historical operations, as well as active plant sites, closed sites, and sold sites where Solvay has retained environmental responsibilities.

The overall trend in the scope, applicability and compliance requirements associated with these laws has been to become more stringent over time, requiring increasing levels of resources in order to achieve and maintain compliance.

Europe

All Solvay's manufacturing facilities located in the EU are subject to the Industrial Emissions Directive (the "**IED**"). The IED aims to achieve a high level of protection of human health and the environment taken as a whole by reducing harmful industrial emissions in particular through better application of Best Available Techniques ("**BAT**"). All installations are required to operate in accordance with a permit (granted by the authorities in the Member States). This permit should contain conditions set in accordance with the principles and provisions of the IED. The IED is based on several pillars, in particular (1) an integrated approach, (2) use of best available techniques, (3) flexibility, (4) inspections and (5) public participation.

REACH is the European Community Regulation on chemicals and their safe use (EC 1907/2006). It deals with the Registration, Evaluation, Authorization and Restriction of Chemical substances. The law entered into force on June 1, 2007. For Europe in particular, all substances manufactured or used by Solvay require registration under the REACH Regulation and must meet the deadlines imposed by this regulation. This is in addition to other already existing requirements. By the second REACH registration deadline of June 1, 2013, 175 files were successfully registered with the European Chemical Agency; of these, 59 files were registered in 2012 and 116 files in 2013. The next REACH registration deadline is May 31, 2018. Solvay is currently preparing the dossiers to submit before the deadline.

Solvay fully complies with Europe's REACH registration agenda (478 substances registered so far). Solvay also pursues the necessary adaptation to cope with emerging new regulations in other countries, and with the Globally Harmonized System, a major initiative of the United Nations to harmonize the classification and labelling of chemicals worldwide.

Substances of Very High Concern ("**SVHC**") are chemical substances which utilization within the European Union has been proposed to become subject to legal authorization under the REACH regulation. Solvay has identified the substances that might be considered as SVHC and is defining a strategy for each of these substances.

The Control of Major Accident Hazards Involving Dangerous Substances Regulations (often referred to as "COMAH Regulations" or "Seveso Regulations") give effect to European Directive 96/82/EC. They apply only to locations where significant quantities of dangerous substances are stored. The Seveso Regulations apply to 33 of Solvay's manufacturing sites in the EU.

Several Solvay sites are governed by regulations concerning major-risk installations.

Exceeding permitted emission levels can lead to administrative or criminal sanctions, adverse outcomes in litigation and the risk of the loss of license to operate.

Like most other industrial companies, Solvay has to manage and remediate historical soil contamination at some sites as well as comply with future changes in environmental legislation. In Europe and elsewhere, environmental liability and the "polluter pays" principle are increasingly embedded in environmental legislation, to prevent and remedy environmental damage. For the first time, environmental damage to land, water, natural habitats and protected species has been brought under the umbrella of a single piece of European legislation.

The legislation introduces an increasingly broader scope of soil-remediation legal liabilities than previously seen across Europe, including a requirement for primary remediation, complementary remediation and compensatory remediation. More generally, authorities worldwide are increasingly requiring management of soil and groundwater environmental legacies. The risk for Solvay is in particular that the European Liability Directive ("**ELD**") will lead to increased remediation costs and in this context, a number of administrative proceedings are under way to define the need for and approach to remediation.

Insurance

Historically, Solvay has maintained a global insurance program on Solvay's property and equipment in amounts which management believes to be consistent with the practice of international chemical groups. Solvay's global program covers physical loss or damage to Solvay's property and equipment on a reinstatement basis arising from a number of specified risks and certain consequential losses, including business interruption arising from the occurrence of an insured event under these policies.

Solvay has a policy of only buying insurance for very large losses, when legally required and when insurance represents the most competitive financial solution.

Buying insurance is a fully centralized activity at Solvay. The corporate insurance department in Brussels maintains all global programs and must approve of any local policy outside global programs issued locally.

The global "all-risks" insurance program for the Group's industrial or production sites, R&I centers, warehouses and office spaces provides for total replacement values of €22 billion for property damage. The global program is underwritten by large international reinsurance companies with issuance of underlying local insurance policies in all countries where it is required by local insurance law. Solvay self-insures the first €100 million of coverage for each claim falling under the global insurance program.

The material damage insurance program for Group operations globally provides insurance coverage for losses due to accidents resulting from fire, explosion and machinery breakdown, and natural disasters (catastrophe insurance), among others. This coverage has a maximum indemnification limit of €1.5 billion per event (combined material damage and business interruption coverage). Group policies have deductibles of up to €2.5 million for production sites and €0.5 million for other types of centers or sites.

The Group also maintains various other types of global and local insurance programs, such as global comprehensive construction and contractor insurance for major capital expenditure projects, global public liability and products liability insurance, global environmental impairment liability insurance, global directors and officers liability insurance, global crime insurance, global transport insurance, charterers' liability insurance, global employment practice liability insurance and global pension trustee liability insurance as well as other customary or mandatory local policies such as car insurance, travel assistance and medical insurance, employers' liability insurance and workers compensation.

Corporate Social Responsibility

Solvay Way responsibility process

Deployed in 2013, Solvay Way, the Group's corporate social responsibility ("**CSR**") tool, gives concrete shape to the Group's commitment to build a model of sustainable chemistry. It integrates social, societal, environmental and economic aspects into the Company's management and strategy. Its reference framework, which complies with the international ISO 26000 standard on the social responsibility of organizations, contains 49 continuous improvement practices structured by stakeholders. This voluntary standard provides guidelines for organizations to operate in a socially responsible manner. Solvay Way's priorities are to attain excellence in safety, occupational health and hygiene, and to achieve an increasing share of sales with products that meet the challenges of sustainable development. Solvay Way and the paths for improvement that it sets out are deployed in all Group entities. All have done their second self-assessment and introduced progress plans. One of the Solvay Way tools, Sustainable Portfolio Management (SPM), measures the pertinence of investments and product offerings against sustainable development criteria. The SPM methodology was designed in-house in 2009 and developed further with the support of two recognized consultancy firms. It has been continuously improved since 2009 in order to make SPM evaluations more pertinent and reliable. The "operations vulnerability" (vertical axis) indicator evaluates any potential financial risk posed by the "polluter pays for the damage" aspect of the increased demand for sustainability mega-trend. The basic evaluation begins with a classic eco-profile calculation (ISO 14040 to 44). The environmental impacts are monetized, summed up and evaluated against the average sales price for that product in that application, with a view to reflecting sustainable development issues and not short-term market prices effects. The "market alignment" (horizontal axis) indicator addresses the sustainability mega-trend in the marketplace, as measured by whether Solvay anticipates double-digit growth for the evaluated product because it is an active part of the sustainable solution that the market, the consumers or the brand owners, demand. The assessment is made using a detailed and precise questionnaire and is supported by external authoritative evidence. By the end of 2014, SPM had been applied to 80% of the Group's products and innovations portfolio.

The Solvay group commits to continuous improvement regarding CSR. Its commitments and objectives are reviewed based on progress, evolution of standards and needs of stakeholders, lessons learned from self-assessments, internal and external audits and exchanges of best practices.

Solvay Way is based on a reference framework towards six stakeholders (customers, employees, investors, suppliers, communities and the planet), to whom the Group has made 22 commitments declined in 49 associated practices. This reference framework helps each Solvay entity conduct yearly self-assessments of its practices in order to identify its strengths and weaknesses, and develop an appropriate improvement plan.

Coordinated by the Sustainable Development department, Solvay Way is monitored by a global network of more than 200 "champions" and "correspondents" who ensure its active deployment within the GBU or departments. The Sustainable Development department keeps the overall view of the expectations of the different stakeholders and is responsible for supervising the approach on behalf of the Group. It coordinates the work of this network and reports directly to the CEO.

The Champions and correspondents play key roles in Solvay Way. They ensure the deployment of the process by mobilizing their colleagues around precise objectives and by setting action plans.

Each entity is responsible for the implementation of Solvay Way within its organization. The annual self-assessment of its practices, using the Solvay Way analysis grid and scoring system, enables the entity to measure the progress achieved and to adjust its improvement plan. The Sustainable Development department consolidates this assessment data and presents the results to the Executive Committee.

The Group's goals, set in 2012 for 2020, are:

- a 10% reduction in greenhouse gas emissions and groundwater consumption;
- a 25% reduction in air emissions of potentially acidic substances;
- a 20% reduction of emissions with a potential for eutrophication; and
- equipping all sites facing water stress with sustainable water management systems.

Solvay's sustainability targets for 2020 are:

Category	Target
Energy & climate*	**10%** reduction in greenhouse gas emissions and primary energy consumption
Water*	**10%** reduction in the withdrawal of groundwater and drinking water
	Implementing Sustainable Water Management at **100%** of our sites under water stress
Emissions & effluents*	**25%** reduction in air emissions of substances with acidification potential
	10% reduction in air emissions of substances with a photochemical oxidant formation
	20% reduction in water emissions with eutrophication potential
People safety	Reaching a number of a work accident with medical treatment per million hours lower than **1**
Process safety	Having **100%** of our production sites with risk analysis updated in the last five years
Sustainable Portfolio Management (SPM)	**20%** of our turnover in the "Star" category according to the SPM assessment
	100% of our R&I projects in the "Star" or "Aligned" category according to the SPM assessment
	100% of risks assessment and analysis of safer alternatives for marketed products containing SVHC
Learning & development	Ensuring **1** week of training per employee and per year
	Training **100%** of our employees to the Solvay Way reference framework
** Base 2012, at constant activity perimeter. At constant activity perimeter means that the absolute performance is corrected for changes in production volumes and for sites entering or leaving the Group perimeter.*	

Code of Conduct

Solvay has adopted the Belgian 2009 Code of Corporate Governance. Group-wide, Solvay has a Code of Conduct and adopts policies and procedures to enhance good governance of the Group. The Code of Conduct sets out how Solvay carries out its business and interacts with its stakeholders in an ethical and compliant manner. The compliance Department, in collaboration with internal audit, legal and other departments, monitors compliance with applicable laws and Solvay's Code of Conduct. Compliance officers have been appointed in all four geographical regions in which the Group is active. A worldwide Ethics Helpline, managed by a third party, is progressively being made available to employees to enable them to report potential violations of the Code of Conduct, in case they cannot go through their managers or through the Compliance organization, or wish to report anonymously.

Health and Safety

Safety of people is a high priority in the management of activities in Solvay. The Group has a long track record of good safety performance, and the integration and sharing of best practices.

The Comex set an ambitious target of one for MTAR (work accidents with medical treatment/one million working hours) and at the end of 2014 the Group reached its objective to drastically reduce by 30% in two years the serious accidents (accidents with irreversible consequences and chemical contact accidents) as well as elimination of fatalities. The MTAR reached a record low value of 0.97 at the end of 2014. This represents a continuous safety improvement trend over the last three years. These results include not only employees but also contractors and temporary workers. The safety results are presented monthly to the Executive Committee and sent to each GBU.

The health, safety and environmental ("**HSE**") corporate department supports sites and GBUs by continuous development and deployment of corporate procedures, standards, guidelines and tools to improve risk awareness to prevent accidents. Corporate collects, validates and distributes return on experience, lessons learning bulletins on typical accident scenarios and consequences, and safety alert messages with rules and recommendations. For instance, life saving rules (based on lesson learned addressing the highest HSE risk activities) are expected to be implemented worldwide by the end of 2015.

Solvay's objective is to ensure a uniform, centralized and best-in-class process-safety management ("**PSM**") performance. The responsibility for PSM is assigned to HSE, and Solvay has a target of covering each facility with a risk analysis before the end of 2020. The concept of PSM systems as applied in the United States, where PSM is mandatory and must comply with OSHA and EPA requirements, is also used to support safety management systems in other regions, including Europe where it supports compliance with the Seveso Regulation.

The risk of an accident in connection with hazardous chemicals transportation is reduced by optimizing transport routes, relying on selected and audited haulers and worldwide emergency assistance in case of accidents through the Carechem service. In addition, every effort is made to minimize the number of transportation activities by operating with integrated production units for hazardous intermediates. Solvay follows the safety recommendations of associations like Eurochlor, European Council of Vinyl Manufacturers ("**ECVM**") or Comité Technique Européen du Fluor ("**CTEF**") and programs like Responsible Care®, a global chemical industry initiative aims to achieve continuous improvement in the safe handling of chemical substances from their initial development to their final use.

Conservative approaches in risk assessment and management reduce risk exposure when new hazards are revealed. Such conservative approaches are shared and applied by the worldwide toxicology team and also supported by the internal "Solvay Acceptable Exposure Limit" Committee, chaired by the Corporate Medical Adviser.

For decades, Solvay has had in place worldwide occupational-disease monitoring and a strong program in industrial hygiene focusing on a comprehensive assessment of compliance with occupational-hygiene standards.

Managing Solvay's environmental impact

The Group's approach to environmental management is mainly twofold: sites draw up and deploy improvement plans according to the Group environmental roadmap and local constraints, and they maintain their management systems, seeking external certification under the various verification schemes. In 2014, 102 manufacturing sites had a standardized environmental management system ("**EMS**") in place. The Group policy requires all industrial sites to have such a system in line with Group standards by 2018.

In 2014, the Group has developed and tested the new "Solvay Care Management System" (the "**SCMS**"), which aims at encompassing the management of environmental aspects, health and safety. In the coming years, the Group intends to deploy, allowing sites to simultaneously fulfil all requirements of the three international standards: ISO 9001, ISO 14001 and OHSAS 18001. The SCMS, fully compliant with ISO 14001, allows external certification to be obtained. After training sessions for 12 sites in the four geographical regions, as a tool for continuous improvement, the new Group HSE management system are being progressively deployed in the Group's operations in 2015 and 2016. The SCMS should also allow GBUs to get multi-site external certifications.

The Solvay new management system ("**SCMS**"):

- covers the seven HSE domains (occupational safety, process safety, environment, industrial hygiene, health, product stewardship and transport) as well as quality (a more extensive reference system dedicated to product management, Product Stewardship Management System, is being worked on);
- incorporates requirements of ISO 9001, ISO 14001 and OHSAS 18001, ISO TS 16949; and
- supplies, for every requirement, four achievement levels, from the basic mandatory level to operational excellence, with level one, corresponding to regulatory compliance.

In 2014, 91 manufacturing sites or 76% of total Group sites had environmental improvement plans reviewed, with 41 sites planning significant further reductions of emissions within the three coming years. Including R&I centers, in 2014, 110 sites or 92% of total Group sites regularly organized sessions for their personnel to raise environmental awareness.

The reduction of greenhouse gases is a priority as determined by the latest Sustainable Development department analysis in accordance with the relevant Sustainability Accounting Standards Board approach. The Group has reduced its greenhouse gas emissions by 13% since 2009, at a constant activity perimeter. Solvay's current target is to reduce by 10% compared to its baseline year of 2012 its greenhouse gas emissions at a constant activity perimeter. A structured greenhouse gas emission reporting system, externally verified, and the response to rating agencies such as the Carbon Disclosure Project, helps the Group to align its efforts on the materiality of its greenhouse gas challenges.

Reduction of emissions to water continued to be implemented on a case by case basis, taking into account compliance assessments and eco-toxicity analysis based on Group standards. Reaching the Group target fixed for 2020 (i.e. (20)% reduction in water emissions with eutrophication potential compared to 2012) is under way, with (4.8)% achieved so far. As regards waste, the majority of sites have a dedicated action plan for waste management, with a number of measures to further reduce landfill under way. The indicator for landfilled hazardous industrial waste has been reduced by 1.6% since the Group's baseline 2012.

Recently, Solvay has signed on to the new International Council of Chemical Associations ("**ICCA**") Responsible Care Global Charter, which reinforces the commitment of multinational chemical companies to continuously improve their HSE performance worldwide. Solvay has been a signatory of the original ICCA charter since its inception in 2007.

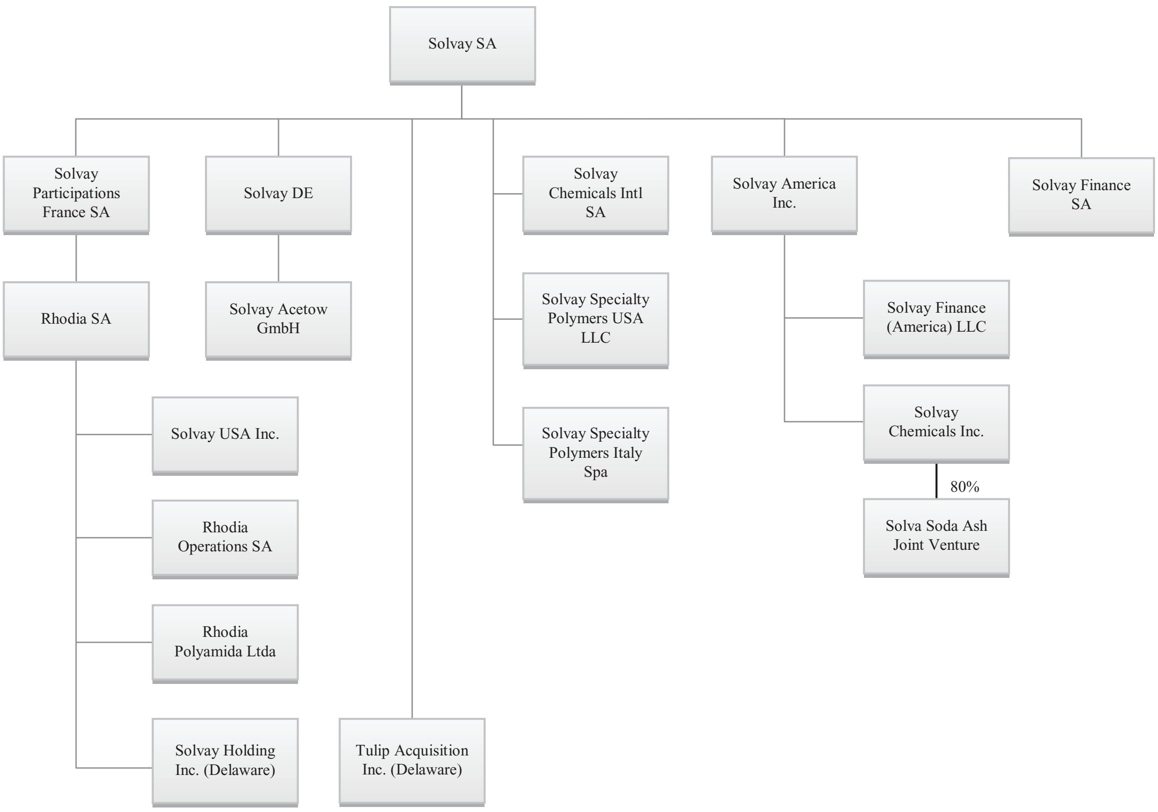
In addition in 2012, the Group joined a major chemical players' initiative called Together for Sustainability, an industry benchmark process for supplier assessments and auditors aligned with the United National Global Compact that aims to promote amongst suppliers a CSR approach adapted to the challenges facing them.

Solvay participated in the European Emission Trading System ("**ETS**") prior to its phase out in 2013. In order to fight global warming and to comply with its commitment under Kyoto Protocol, the European Union has set up a cap and trade system (known as "**EU ETS**") by which more than 12,000 industrial units must reduce their greenhouse gas ("**GHG**") emissions. Each year, the companies are granted a certain amount of European Unit Allowances ("**EUA**") and should surrender an amount of EUA equivalent to their GHG emissions. In case of shortage, they must buy on the market the missing amount of EUA and pay a penalty. A similar scheme started in South Korea January 1, 2015.

Organizational structure

The Company operates its business through several direct and indirect wholly owned subsidiaries. The Company is the direct or indirect parent company of these subsidiaries.

The diagram below shows a simplified legal structure of the Solvay Group, reflecting an overview of Solvay's main subsidiaries. For a list of Solvay's subsidiaries, companies accounted for under the equity method and associates, as well as a list of joint arrangements including joint operations and joint ventures, see the 2014 Consolidation Scope in the 2014 consolidated financial statements contained herein.



Employees

As of December 31, 2014, Solvay employed 26,000 people, compared to 29,400 at the end of 2013 and 29,100 at the end of 2012.

To support Solvay's culture which recognizes and values results, Solvay offers employees competitive salaries benchmarked to fixed mid-market local salaries, combined with variable incentive schemes based on individual performance and performance of the business entity in which they work and on Solvay sustainable development objectives. Depending on local practices, Solvay offers employees and their family members pension plans, life insurance and medical and disability insurance. Some Solvay countries have tuition reimbursement plans or other employee assistance programs. The "people model" applied by the Group is a deal between Solvay and the employees of Solvay. An employee of any GBU is a Solvay employee and a Group citizen.

In 2014 Solvay, in partnership with the Solvay Global Forum, a global body comprising 9 unions representatives from all continents, instituted a performance sharing plan for every employee around the world. Each employee benefits from lump sum if Solvay reaches its financial objectives, which as from 2014 includes a sustainable development indicator at the Group level. Employee development initiatives include talent days and mobility committees. The Group is committed to offering 35 hours a year of learning by 2020 through the Solvay Corporate University, which delivers learning around professional academies, purchasing, finance and HR academies.

In 2013 Solvay signed a Corporate Social and Environmental Agreement for the whole Group with IndustriALL Global Union. This agreement, one of the first of its kind in the chemical industry considered as a benchmark, gives tangible expression to Solvay's determination to ensure that basic labor rights and the Group's social standards in the areas of health, safety and environmental protection are respected on all its sites. This agreement applies to all Solvay employees. Every year, two assessments are carried out on Solvay sites with IndustriALL directors and company union representatives to verify the correct application at a grassroots level of the commitments made by the Group, based on the International Labor Organization standards and the principles of the United Nations Global Compact. To ensure IndustriALL Global Union Agreement by all employees, it has been integrated in the Solvay Way reference framework, as an employee practice, and each year its deployment and understanding is evaluated through the Solvay Way assessment.

Pensions

Solvay has defined corporate pension-governance guidelines in order to maximize its influence over local pension fund decisions within the limits provided by local law, in particular, decisions related to investment and funding, selection of advisors, appointments of employer-nominated trustees to local pension fund Boards and other cost-management decisions.

The Group has reduced its exposure to defined-benefit plans by converting existing plans into pension plans with a lower risk profile for future services or by closing them to new entrants. Examples of plans with a lower risk profile are hybrid plans, cash-balance plans and defined-contribution plans.

A global asset liability management analysis of Group's pension plans representing more than 90% of the Group's pension obligations is performed periodically, the last one being in 2012 to identify and manage corresponding risks on a global basis. A new global asset liability management study is due to be completed in the coming months.

Cytec

It is intended that the current employee incentive plans of Solvay will progressively be extended to employees of Cytec and its subsidiaries, with certain adjustments as necessary following closing of the merger. For details on Cytec's current stock-based compensation plans, see the Section "*Share-Based Compensation*" in the Notes to the Consolidated Financial Statements and Supplementary Information of Cytec.

Legal and arbitration proceedings

Solvay is exposed to disputes, litigation and judicial or administrative proceedings in the ordinary course of its business. The Group is exposed to legal risk, particularly in the areas of product liability, contractual obligations, antitrust laws, patent disputes, tax assessments and environmental matters. In this context litigation cannot be avoided and is sometimes necessary to defend the rights and interests of the Group.

The outcome of proceedings cannot be predicted with certainty. It is therefore possible that adverse final court decisions or arbitration awards could lead to liabilities (and expenses) that are not covered or not fully covered by provisions or insurance and could materially affect the revenues and earnings of the Group.

Ongoing legal proceedings involving the Solvay group currently considered to involve significant risks are outlined below. The legal proceedings described below do not represent an exhaustive list. The fact that litigation proceedings are reported below is without relation to the merits of the cases. In all the cases cited below, Solvay is defending itself vigorously and believes in the merits of its defenses.

For certain cases, Solvay has established provisions in accordance with applicable accounting principles to cover its assessment of the financial risk and defense costs (see the discussion of provisions for litigation in Section "*Operating and Financial Review*"). These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. Solvay's assessments are based on estimates and assumptions that have been deemed reasonable by management. Management believes that the aggregate provisions recorded for these matters are adequate based upon currently available information. However, given the inherent uncertainties related to these cases and in estimating contingent liabilities, Solvay could, in the future, incur judgments that have a material adverse effect on its results of operations in any particular period.

In addition, in the normal course of business, the Group may be subject to audits by the tax authorities in the countries in which it operates. Those audits could result in additional tax liabilities and payments, including penalties for late payment and interest.

Except as set forth below, there have been no governmental, judicial or arbitration proceedings (including any such proceedings which are pending or threatened of which Solvay is aware) during a period covering 12 months prior to the date hereof which may have, or have had in the recent past, significant effects on Solvay's financial position and profitability.

Antitrust proceedings

In 2006, the European Commission imposed fines against Solvay (including Ausimont SpA, acquired by Solvay in 2002) for alleged breaches of competition rules in the peroxygens market, amounting after appeal to €139.5 million for Solvay SA and €12.8 million for Solvay Specialty Polymers Italy SpA.

Joint civil lawsuits were filed before the Court of Dortmund (Germany) in 2009 against Solvay and other producers based on alleged antitrust violations, claiming damages from the producers on a joint and several basis. The value of the claims is approximately €240 million (excluding interest) against all six defendants. Several questions regarding the jurisdiction of the Court of Dortmund were referred to the European Court of Justice and the jurisdiction of the Court of Dortmund was affirmed in May 2015, where proceedings continue.

In Brazil, Solvay is facing administrative claims related to alleged cartel activities in various markets. CADE (the Brazilian antitrust authority) issued fines against Peróxidos do Brasil Ltda, a Solvay company and others in May 2012 related to H_2O_2 activity (Solvay's share of the fines is €29.6 million). Solvay filed a claim in January 2013 contesting these administrative fines before the Brazilian Federal Court seeking their further reduction or cancellation and that CADE's administrative proceeding be declared void. The court's review of additional evidence relating to the economic aspects of the case and the appropriateness of the electronic documents used by CADE, requested by Peróxidos do Brasil Ltda and accepted by the court in 2014, continues.

HSE related proceedings

In April 2012, the Criminal Court of Ferrara dismissed a case concerning four former employees of Solvay accused of alleged criminal conduct before 1975 in relation to two cases of former polymer polyvinyl chloride workers with diseases allegedly due to exposure to vinyl chloride monomer (VCM). In September 2014, the Criminal Court of Appeal of Bologna (Italy) confirmed that decision. Solvay is not aware of any further appeals before the Cassation Court of Rome by the public prosecutors or by the civil plaintiffs.

In October 2009, the Public Prosecutor of the Criminal Court of Alessandria (Italy) charged several individuals (including employees and former employees of Solvay, and including Ausimont SpA) in relation to alleged criminal violations of environmental laws (remediation omission) and public health legislation (intentional poisoning of potable waters). The trial is ongoing before the Assize Court of Alessandria. Solvay Specialty Polymers Italy (formerly Solvay Solexis), a subsidiary of Solvay and legal successor of Ausimont SpA, was called in the trial as liable civil party, together with Edison SpA, and may be exposed to claims for civil liability in case of a negative outcome of the proceedings. The civil plaintiffs have provisionally quantified their damages claims at approximately €105 million.

In May 2008, the Public Prosecutors of the Criminal Court of Pescara (Italy) charged several individuals (including former employees of Ausimont SpA acquired by Solvay in 2002) in relation to alleged criminal violation of environmental laws (environmental disaster) and to alleged crimes against the public health (intentional poisoning of potable waters) taking place before Ausimont SpA's acquisition by Solvay in 2002. The Assize Court of Chieti has dismissed the intentional poisoning charge and found the former employees of Ausimont guilty of culpable environmental disaster, but declared that this matter is time-barred. Solvay expects that the public prosecutors will appeal the decision.

Pharmaceutical activities (discontinued)

In the context of the sale of the Group's 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 the activities sold is limited to an aggregate amount representing €500 million and expired on or about February 15, 2015

This includes indemnification against certain potential liabilities for the U.S. hormone replacement therapy ("**HRT**") litigation, re-activated Qui Tam litigation focusing on promotional and marketing practices that allegedly influenced sales of the drugs Aceon, Luvox, and AndroGel, as well as more recently filed testosterone replacement therapy ("**TRT**") litigation also focusing on the drug AndroGel. The TRT litigation seeks damages for prescription reimbursements purportedly paid on the basis of the allegedly false promotional practices described above as well as personal injury claims allegedly arising from a failure to disclose claimed risks associated with the drugs at issue. All but one HRT claim has been resolved.

Recent developments

Cytec shareholder approval

The Merger was approved by 99.30% of Cytec shareholders voting at the Cytec Industries Inc. special meeting of common shareholders held on November 24, 2015, with a total of 84.1% of outstanding shares voted.

Solvay guarantee of Cytec bonds

Subject to closing of the Merger and to the approval of its Board of Directors, Solvay SA expects to provide a guarantee in respect of the currently outstanding bonds of Cytec.

Bond issuances

On November 26, 2015, Solvay SA announced that it will issue €1.0 billion floating rate bonds due December 1, 2017, €750,000,000 1.625 per cent. bonds due December 2, 2022 and €500,000,000 2.750 per cent. bonds due December 2, 2027 (the "**Euro Senior Bonds**") on December 2, 2015. The Euro Senior Bonds are subject to an interest step-up as of the next interest period if Solvay SA no longer has an investment grade credit rating.

Holders of the Euro Senior Bonds will be able to require early redemption of the Euro Senior Bonds upon the occurrence of certain events, including the occurrence of a change of control and rating downgrade (the "**Change of Control**"). The Change of Control clause will not be effective unless and until approval of the Solvay SA shareholders has been obtained and filed with the clerk of the commercial court of Brussels ("**Shareholder Approval Requirement**"). If the Shareholder Approval Requirement is not satisfied within one year from issuance, a 0.75% interest rate step-up will apply with effect from the first day of the next interest period for the Euro Senior Bonds. If the Shareholder Approval Requirement is satisfied after the agreed date but within a certain limited period thereafter, the 0.75% interest rate step-up will no longer apply as of the first day of the next interest period.

If the Acquisition has not been completed and closed within six months of issuance of the Euro Senior Bonds and Solvay has publicly announced it no longer intends to pursue the Acquisition (the "**Acquisition Event**"), Solvay SA may call any series of the Euro Senior Bonds at 101% of their principal amount plus accrued interest.

Solvay SA expects to use approximately €1.35 billion of the net proceeds of the Euro Senior Bonds to finance the Acquisition and the remaining proceeds to partially refinance existing short-term and long-term financial indebtedness.

Cobalt Asset purchase

On October 14, 2015, Rhodia Poliamida e Especialidades Ltda., Solvay's Brazilian subsidiary ("**Solvay Rhodia**") and the Brazilian firm GranBio Investimentos S.A. ("**Granbio**") joined to purchase certain assets of Cobalt LLC, which had been assigned to it assets of Cobalt Technologies Inc., a US based company with technology for the manufacture of bio n-butanol from renewable sources. The transaction is being carried out by Talfryn S.A., a subsidiary of SGBio Renovaveis S.A., a 50/50 joint venture between Solvay Rhodia and GranBio.

Management and corporate governance

Administrative, management, supervisory bodies and senior management structure

The management structure of Solvay is composed of a Board of Directors and an Executive Committee chaired by the Chief Executive Officer.

Board of Directors

Powers and Responsibilities of the Board

The Board of Directors is vested with the power to perform all acts that are necessary or useful for the realization of Solvay's purpose, except for those actions that are specifically reserved by law or the Articles of Association to the Shareholders' Meeting or other management bodies.

In particular, the Board is responsible for:

- matters for which it has exclusive responsibility, either by law or under the by-laws, for example:
    - the preparation and approval of the consolidated and unconsolidated periodic financial statements and the related communications; and
    - adoption of accounting standards (in this case the IFRS standards for the consolidated accounts and Belgian standards for the Solvay unconsolidated accounts); and
- 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);
- setting the general strategies and general policies of the Group;
- approving the reference frameworks for internal control and for risk management;
- adopting the budget and long-term plans, including investments, R&I and financial objectives;
- 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;
- supervising the Executive Committee and ratifying its decisions, where required by law;
- appointing from among its members a 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;
- major decisions concerning acquisitions, divestitures, the creation of joint ventures and investments. Major decisions are considered to be those involving amounts of €50 million or more;
- setting the compensation of the Chairman of the Executive Committee and of the Executive Committee members; and
- establishing internal Corporate Governance and Compliance rules.

The Board of Directors has reserved certain key areas for itself and has delegated the remainder of its powers to an Executive Committee

Composition of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors must be comprised of at least five members. As of the date of this Prospectus, the Board of Directors comprises 15 members.

Pursuant to the Corporate Governance Code, at least half of the directors should be non-executive and at least three directors should be independent in accordance with the criteria set out in the Belgian Companies Code and the Corporate Governance Code. The composition of the Board of Directors effective as of the date of the Prospectus complies with these recommendations.

Pursuant to the Corporate Governance Code, the Chairperson of the Board of Directors and the CEO should not be the same individual and the Chairperson should be a non-executive director. The composition of the Board of Directors effective as of the date of this Prospectus complies with these recommendations.

After seeking the opinion of the Nomination Committee, the Board of Directors submits directors' appointments, renewals, resignations or dismissals to the Ordinary Shareholder's Meeting. The Ordinary Shareholders' Meeting appoints directors for a term of four years. The upper age limit for the directors is 70.

The current Board of Directors is composed of the following 15 directors:

Name	Year of birth	Position	Director since	Mandate expires
Nicolas Boël	1962	Chairman(1)	1998	2017
Jean-Pierre Clamadieu	1958	Chief Executive Officer	2012	2017
Bernard de Laguiche	1959	Non-Executive Director(2)	2013	2017
Jean-Marie Solvay	1956	Non-Executive Director	1991	2016
Denis Solvay	1957	Non-Executive Director	1997	2018
Prof. Dr. Bernhard Scheuble	1953	Independent Director	2006	2018
Charles Casimir-Lambert	1967	Independent Director	2007	2019
Hervé Coppens-d'Eeckenbrugge	1957	Independent Director	2009	2017
Yves-Thibault de Silguy	1948	Independent Director	2010	2019
Evelyn du Monceau	1950	Independent Director	2010	2017
Françoise de Viron	1955	Independent Director	2013	2017
Amparo Moraleda Martinez	1964	Independent Director	2013	2017
Rosemary Thorne	1952	Independent Director	2014	2018
Gilles Michel	1956	Independent Director	2014	2018
Marjan Oudeman	1958	Independent Director	2015	2019

Note:

(1) Chairman since 2012 and non-executive director prior to that date.

(2) Chief Financial Officer and member of the Executive Committee until September 30, 2013.

The business address for all of the directors is rue de Ransbeek/Ransbeekstraat 310, 1120 Brussels, Belgium.

Functioning of the Board of Directors

The Board of Directors meets as frequently as Solvay's interests require. A meeting of the Board of Directors must in any event be convened if so requested by the Executive Committee, a director with day-to-day responsibilities or three directors.

Quorum

The Board of Directors can only deliberate and decide on matters stated on the agenda and only if at least half of its members are present or represented at the meeting.

Such quorum requirement does not apply to the vote on any matter at a subsequent meeting of the Board to which such matter has been deferred for lack of quorum at a prior meeting, if the subsequent meeting is held within two weeks from such prior meeting, regardless of the number of directors present or represented.

Given the very high level of attendance, the Board of Directors has never been unable to transact business.

Each director can grant a proxy to one of his/her colleagues to represent him/her at a specific Board of Directors meeting. Each director may only be granted one proxy.

Deliberation and Voting

The decisions of the Board of Directors are taken by an ordinary majority of votes. In the case of a tied vote, the director chairing the meeting has a casting vote.

In the exceptional circumstances duly justified by urgency and the company's interest, and insofar as the law allows, the decisions of the Board of Directors may be taken, at the initiative of the Chairman of the Board or of the Executive Committee, by unanimous consent of the directors expressed in writing.

General Information on the Directors

In the five years preceding the date of this Prospectus, the directors have held the following directorships (apart from their directorships of Solvay or its subsidiaries) and memberships of administrative, management or supervisory bodies and/or partnerships:

Name	Current	Past
Nicolas Boël	Director of Sodavi Director and Member of the Nomination and Remuneration Committees of Sofina SA Non-Executive Chairman of the Board of Directors of SAMIC SA Director of Domanoy SA Managing Director of BMF Participation SA Non-Executive Member of the "Comité de gestion" of the Musée Royal de Mariemont Board Member of the "Cercle Royal des Amis de Mariemont" Board Member of GUBERNA Board Member of Fondation Saint Luc Board Member of the International Solvay Institutes	Board Member of Union Financière Boël Board Member of Société de Participations Industrielles
Jean-Pierre Clamadieu	Director of Axa Director of Faurecia	Chairman of the Board of Directors and Chief Executive Officer of Rhodia SA Director of SNCF
Bernard de Laguiche	Managing Director of Solvac Chairman of the Board of Peroxidos do Brasil Chief Executive Officer of Sisprodent Ltda Owner of Agromercantil Vila Rica Ltda	—
Jean-Marie Solvay	Chairman of the Board of the International Solvay Institutes Chief Executive Officer of Albrecht RE Immobilien GmbH&Co KG Chief Executive Officer of Memling Immobilien GbR Director of Heliocentris Energy Solutions AG Director of Innovation Fund SA	—

Name	Current	Past
Denis Solvay	Director of Eurogentec SA Director of Abelag Holding SA Director of Luxaviation Holding Company Managing Director of Degesten SA Voluntary Director of the Healthcare Institute A.N.B.C.T. Voluntary Director of the Queen Elisabeth Musical Chapel	—
Prof. Dr. Bernhard Scheuble	—	Chairman of the Executive Committee of Merck KGaA Member of the Board of Directors of E. Merck OHG
Charles Casimir-Lambert	Vice-president of the Board of Trustees of the Charles and Marjorie Holloway Foundation Management of family's global interests	—
Hervé Coppens d'Eeckenbrugge	Director of Patrimonia Finance SA Director of Global IC SA	Group Director of Petercam SA Managing Director of Petercam Institutional Bonds SA Director of Vital Renewable Energy Company LLC
Yves-Thibault de Silguy	Vice-Chairman and Lead Director of the VINCI group Director of LVMH Chairman of the Supervisory Board of Sofisport Director of VTB bank (Moscow) Chairman of YTSeuropaconsultants	Director of Suez Tractebel Trustee of IFRS Foundation
Evelyn du Monceau	Vice Chair of the Board of Directors and Chair of the Governance, Nomination and Compensation Committee of UCB SA Member of the Board of Directors of La Financière de Tubize SA Member of the Commission Corporate Governance	—
Françoise de Viron	Academic Member of the Center of Research Entrepreneurial Change and Innovative Strategies, of Interdisciplinary Group of Research in Socialization Education and Training of the Interdisciplinary Research Group in Adult Education at Université catholique de Louvain Director and President of EUCEN (European University Continuing Education Network)	—

Name	Current	Past
Amparo Moraleda Martinez	Director and Member of the Nomination and Remuneration Committee of Faurecia Director and Member of the Executive Committee, Risk Committee, Nomination Committee and Chair of the Remunerations Committee of Caixabank Director and Member of the Audit Committee of Airbus Group Member of the Supervisory Board of Consejo Superior de Investigaciones Cientificas Member of the Advisory Board of KPMG Spain Member of the Advisory Board of SAP Spain	Director and Member of the Audit Committee of Alstom Director and Chair of the Audit Committee of Corporación Financiera Alba Director and Member of the Audit Committee and Chair of the Nomination and Remunerations Committee of Melia Hotels International SA Director and Acting Chief Executive Officer of Scottish Power-UK (Iberdrola-owned subsidiary) Chief Operating Officer of Iberdrola, International Division
Rosemary Thorne	Fellow of Chartered Institute of Management Accountants FCMA and CGMA Fellow of the Association of Corporate Treasurers FCT Independent Non-Executive Director and Chair of Audit Committee of Smurfit Kappa Group plc Non-Executive Director and Chair of the Audit and Risk Committee of Llamabrook Plc(1)	Independent Non-Executive Director and Chair of the Audit Committee of Santander UK plc
Gilles Michel	Chairman and Chief Executive Officer of Imerys Non-Executive Director of GML-I	Chief Executive Officer of Fonds stratégique d'Investissement
Marjan Oudeman	Director of Statoil ASA Director of SHV Holdings N.V. Director of Royal Ten Cate Member of the Supervisory Board of Koninklijke Concertgebouw Chairman of the Board of Ronald McDonald Children's Fund Member of the Supervisory Board of the Rijksmuseum	Member of the Supervisory Board of ABN AMRO N.V. Member of the Executive Committee of Corus Group Member of the Executive Committee of AkzoNobel Member of the Supervisory Board of NS

Note:
(1) Once authorized by the PRA and FCA, Llamabrook will become First Global Trust Bank Plc.

Professional Synopses—Directors

Name	Synopsis
Nicolas Boël	Mr. Boël is Chairman of the Board of Directors of Solvay, a position he assumed in May 2012, and has been a member of Solvay's Board of Directors since June 1998. He is also a managing director at BMF Participation SA, a board member of Sofina SA, non-executive chairman of Samic SA, a board member of Domanoy SA, a member of the management committee of the Musée Royal de Mariemont, a board member of the Cercle Royal des amis de Mariemont, and a board member of GUBERNA. Born in Belgium in 1962, he received a Licence en Sciences Economiques from UCL in 1985 and an MBA from the College of William and Mary in 1989.
Charles Casimir-Lambert	Mr. Casimir-Lambert is a member of the Board of Directors of Solvay, a position he assumed in 2007. He is also vice-president of the Board of Trustees of the Charles and Marjorie Holloway Foundation. Since 2005 he has worked independently in private wealth management in Geneva. Born in 1967, he received a Bachelor of Science and Master's degree in economics, management and finance (lic.oec.HSG) from St. Gallen University and MBA degrees from Columbia Business School and the London Business School.
Jean-Pierre Clamadieu	Mr. Clamadieu is Chairman of the Executive Committee (also referred to as the "Comex"), CEO, and a member of the Board of Directors of Solvay SA. He is also President of the European Chemical Industry Council, a member of the Board of Directors of Faurecia, a member of the Board of Directors of Axa S.A., a member of the Board of Directors of the International Chemical Industry Council, and a member of the Executive Committee of the World Business Council. He joined Solvay in 2011 as Vice-President of the Executive Committee upon the acquisition by Solvay of Rhodia SA, of which he was Chairman of the Board and CEO. He assumed his current roles at Solvay in May 2012. Prior to his work at Rhodia, Mr. Clamadieu held executive positions at Rhône-Poulenc SA and, prior to that, a series of French regional and national government positions with a focus on energy, industry, and economic development. Born in 1958, Mr. Clamadieu graduated from the École Nationale Supérieure des Mines de Paris in 1981 and graduated as Chief Engineer of the Mines Corps in 1983.
Hervé Coppens d'Eeckenbrugge	Baron d'Eeckenbrugge is a member of the Board of Directors of Solvay, a position he assumed in 2009. He has held management positions at Citibank Belgium and at Remy Frères and Fils SA, and from 2008 to 2013 he served as a board member of companies within the Petercam SA group. He was also a board member of Vital Renewable Energy Group LLC. Born in 1957, he received a Master's degree in Law from UCL and a diploma in Economics and Management from the Institut Catholique des Hautes Études Commerciales.
Bernard de Laguiche	Mr. de Laguiche is a member of the Board of Directors of Solvay, a position he assumed in 2013. He is also a managing director of Solvac, CEO of Sisprodent Ltda and Chairman of the Board of Peroxidos do Brasil Ltda, Curitiba. He joined Solvay in 1987 as manager of financial studies in Brussels, and subsequently held a series of financial and corporate planning positions within the company and its subsidiaries. From March 1998 to September 2013, he was a member of Solvay's Executive Committee. Born in 1959, he received an MA in Economics and Business Administration from the University of St. Gallen.
Yves-Thibault de Silguy	Mr. de Silguy is a member of the Board of Directors of Solvay, a position he assumed in 2010. He is also vice-chairman and lead director of the VINCI group, a director of LVMH, chairman of the supervisory board of Sofisport (France), a director of VTB bank (Moscow), and chairman of

Name	Synopsis
	YTSeuropaconsultants. From 1976 to 1999, Mr. de Silguy held a series of French and European Commission civil service positions related to financial and economic affairs, including as an advisor within the cabinets of Prime Minister Jacques Chirac and Prime Minister Édouard Balladur and as a member of the European Commission in charge of economics, monetary and financial affairs. Born in 1948, he received an MA in law in 1971 from Rennes University, and a Master in Public Law in 1972 from Paris I University. He is also a graduate of programs at the Paris Institute of Political Studies and the National Administration School.
Françoise de Viron	Baroness de Viron is a member of the Board of Directors of Solvay, a position she assumed in 2013. She is also a professor at the Education and Training School and at the Louvain School of Management (UCL) and a researcher at the Center for Research in Entrepreneurial Change and Innovative Strategies, the Interdisciplinary Group of Research in Socialization, Education and Training, and the Interdisciplinary Research Group in Adult Education at UCL. Born in 1955, she received a Bachelor of Science degree from UCL, a PhD in physics from UCL, and a Master's degree in Sociology from UCL.
Evelyn du Monceau	Ms. du Monceau is a member of the Board of Directors of Solvay, a position she assumed in 2010. She has been a director of UCB S.A. since 1984 and, since 2006, has been the vice-chair of the board and chair of the Governance, Nomination and Compensation Committee of UCB S.A. She is also a member of the board of directors of La Financière de Tubize S.A. Born in 1950, she received a Bachelor of Science degree in applied economics from UCL. She has also attended courses at Harvard University's John F. Kennedy School of Government and at the Agricultural and Technical College at Farmingdale (now Farmingdale State College, State University of New York).
Gilles Michel	Mr. Michel is a member of the Board of Directors of Solvay, a position he assumed in 2014, and Chairman and CEO of Imerys. He is also a member of the board of GML-I, a private holding of the GML Group—Mauritius. From 2009 to 2010, he was the CEO of Fonds Stratégique d'Investissement. From 2002 to 2008, he held two executive vice-president roles at PSA Peugeot-Citroën, and from 1986 to 2001, he held a series of senior management roles at Compagnie de Saint-Gobain. Born in 1956, he has received degrees from the Paris Political Studies Institute, the National School of Statistics and Economic Administration, and the Polytechnic Engineering School.
Amparo Moraleda Martinez	Ms. Moraleda Martinez is a member of the Board of Directors of Solvay, a position she assumed in 2013. She is also a member of the boards of Faurecia, Caixabank, Airbus Group, and former member of the boards of Alstom, Corporación Financiera Alba, Scottish Power-UK and Melía Hotels International. She is a member of the Consejo rector of the Consejo Superior de Investigaciones Cientificas. From 1988 to 2009, she held a series of technical and commercial positions at IBM, culminating in her role as General Manager for Spain, Portugal, Greece, Israel and Turkey. From 2009 to 2012, she held senior management roles at Iberdrola. Born in 1964, she received a degree in Industrial Engineering from the Instituto Católico de Artes e Industrias, Spain and an MBA from IESE Business School Instituto de Estudios Superiores de la Empresa.
Marjan Oudeman	Ms. Oudeman is a member of the Board of Directors of Solvay, a position she assumed in May 2015, and President of the Executive Board of Utrecht University. She is also chair of the supervisory board of the Ronald McDonald Kinderfonds, as well as a member of the boards of Statoil ASA, SHV Holdings N.V., Royal Ten Cate N.V., and the Koninklijke Concertgebouw, and a former member of the supervisory board of ABN

Name	Synopsis
	AMRO N.V. From 1982 to 1999, she held a series of law, finance, and management positions at Hoogovens Group B.V., and from 2000 to 2010, she held a series of management positions at the Corus Group companies. Until 2013, she was a member of the executive committee of AkzoNobel N.V. Born in 1958, she received a law degree from the State University of Gronigen and MBA degrees from the Simon Business School at the University of Rochester and Erasmus University Rotterdam.
Denis Solvay	Mr. Solvay is a member of the Board of Directors of Solvay, a position he assumed in 1997, as well as a member of the boards of Abelag Holding SA, Luxaviation Holding Company, Eurogentec SA, Degesten SA, the Belgian National Association Against Tuberculosis, and the Queen Elisabeth Musical Chapel. From 1994 to 2006, he was CEO of Abelag Aviation and then a member of the Executive Committee of the Abelag Group. Born in 1957, he received an MA in business engineering from the Solvay Business School, Université Libre de Bruxelles.
Jean-Marie Solvay	Mr. Solvay is a member of the Board of Directors of Solvay, a position he assumed in 1991. He is also CEO of Albrecht RE Immobilien GmbH & Co. KG (a company involved in real estate in Germany) and of Memling Immobilien GbR, chairman of the board of the International Solvay Institutes, and a member of the boards of Heliocentris Energy Solutions AG and Innovation Fund SA. During the 1980s and 1990s, he held a series of piloting, training, and management positions in the aviation field in Oregon, including as founder and CEO of Helitradewinds Inc., a helicopter support company for the forest industry. Born in 1956, he received a Bachelor of Science degree from the Lycée Français de Belgique in 1975 and a Chemical Engineering degree from the Zurich Polytechnic Institute (ETH) in 1978. He is also a graduate of the Advanced Management Program at Insead.
Prof. Dr. Bernhard Scheuble	Prof. Dr. Scheuble is a member of the Board of Directors of Solvay, a position he assumed in 2006. From 1982 to 2005, he held a series of research, marketing and management positions at Merck, and he is a former chairman of the executive committee of Merck KGaA and former member of the board of directors of E. Merck OHG. Born in 1953, he received a Master in Science degree in nuclear physics and a PhD in display physics at Freiburg University.
Rosemary Thorne	Ms. Thorne is a member of the Board of Directors of Solvay, a position she assumed in 2014. She is also a member of the board of Smurfit Kappa Group and a former member of the board of Santander UK plc, a fellow of the Chartered Institute of Management Accountants and Chartered Global Management Accountants, and a fellow of the Association of Corporate Treasurers. She is a former group finance director of J. Sainsbury (1992-1999), Bradford & Bingley (1999-2005), and Ladbrokes (2006-2007). Born in 1952, she received a Bachelor of Science degree in Mathematics and Economics from the University of Warwick (UK).

In relation to each of the directors, Solvay is not aware of (i) any convictions in relation to fraudulent offenses during the past five years, (ii) any bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships or partner or senior management positions during the past five years, or (iii) any official public incrimination (other than as set forth below) and/or sanctions of such members by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer during the past five years.

Bernard de Laguiche is, together with other Solvay employees and former Solvay and Montedison employees, currently a defendant in a criminal case before the Court of Assizes of Alessandria, Italy in connection with an environmental matter involving the Solvay site in Spinetta Marengo, Italy.

None of the directors has a potential conflict of interests between his/her duties to Solvay and his/her private interests and/or any other duties he or she may have.

No director has a family relationship up to the first-cousin degree with any other director or member of executive management.

Committees of the Board

General

The Board of Directors is assisted by four 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. Terms of office on the four Committees are for two years and are renewable.

The Audit Committee

The members of the Audit Committee are all non-executive Board members and at least a majority of them are independent Board members. The members of the Audit Committee are Prof. Dr. Bernhard Scheuble (Chairman), Marjan Oudeman, Charles Casimir-Lambert, Hervé Coppens d'Eeckenbrugge, Bernard de Laguiche and Rosemary Thorne.

The main tasks of the Audit Committee include: (i) ensuring the conformity of financial statements and communications of Solvay and the Group to generally accepted accounting principles (IFRS for the Group; Belgian accounting standards for the parent company); (ii) monitoring the effectiveness of the Group's internal control systems and risk management; (iii) examining the areas of risk that can potentially have a material effect on the Group's financial situation; (iv) verifying the scope/programs and results of internal audit; (v) making a proposal to the Board of Directors on the appointment of the external auditor; (vi) examining the scope of the external audit and the way it is implemented; and (vii) monitoring the scope and the nature of the additional services provided by the external auditor.

The Finance Committee

The members of the Finance Committee are Nicolas Boël (Chairman), Jean-Pierre Clamadieu, Bernard de Laguiche, Hervé Coppens d'Eeckenbrugge, Yves-Thibault de Silguy and Gilles Michel. The Chief Financial Officer is invited to attend the Finance Committee meetings.

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 hedging policy of the long term incentives plans, the content of financial communication, the financing of major investments. 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.

The Compensation Committee

The members of the Compensation Committee are Nicolas Boël (Chairman), Denis Solvay, Yves-Thibault de Silguy, Evelyn du Monceau, Françoise de Viron and Amparo Moraleda Martinez. A majority of the members of this Committee have independent Director status within the meaning of the law. The Chairman of the Executive Committee is invited to meetings, except for matters that concern him personally. The meetings are prepared by the Group General Manager Human Resources, who attends the meetings.

The Compensation Committee fulfils the missions imposed on it by law. In particular, it advises the Board of Directors on compensation policy and compensation levels for members of the Board of Directors and the Executive Committee, and is yearly informed about the compensation of General Management. It also gives its opinion to the Board of Directors and/or Executive Committee on the Group's principal compensation policies (including long term incentive plans). It also prepares the report on compensation.

The Nomination Committee

The members of the Nomination Committee are Yves-Thibault de Silguy (Chairman), Denis Solvay, Nicolas Boël, Evelyn du Monceau, Françoise de Viron and Amparo Moraleda Martinez. A majority of the members of the Nomination Committee are independent non-executive Directors. The Chairman of the Executive Committee is invited to meetings, except for matters that concern him personally.

The Nomination Committee gives its opinion on appointments to the Board of Directors (Chairman, new members, renewals and Committees), to Executive Committee positions (chairmanship and members) and to General Management positions.

Executive Committee

Role and responsibilities, composition, structure and organization

The Board of Directors has delegated the following powers to the Executive Committee:

- Day-to-day management of the Company;
- Overseeing the proper organization and functioning of the Company and the Group companies and ensuring oversight of their activities, in particular the introduction of a process for identification, management and control of the principal risks;
- Introduction of a management process to find and retain talent and nominate senior executives for the Group (with the exception of its own members, General Managers and the Corporate Secretary, for which the Board of Directors expressly reserves exclusive power of appointment);
- Compensation of the Group's senior executives (other than compensation of its own members);
- Decisions regarding acquisitions and divestitures (including of intellectual property), for which the maximum amount is set at €50 million (debt and other commitments included). The Board of Directors is to be informed of any decision involving amounts over €10 million;
- Decisions on investment expenditures, for which the maximum amount is set at €50 million. The Board of Directors is to be informed of decisions involving amounts over €10 million;
- Decisions on substantial commercial transactions and financial operations that do not imply any change in the financial structure of the Company and/or the Group;
- Proposal to the Board of Directors, for its decision, of the principal policies of the Group and the setting of other policies;
- Proposals to the Board of Directors for its decision:
  - General strategies (including the effect of these strategies on the Budget, the Plan and resource allocation) and general policies of the Group, in particular regarding compensation, annual investment program and research;
  - the budget and business plan including investments, R&I and financial objectives;
  - appointment to General Manager positions and the position of Corporate Secretary;
  - general organization of the Company and/or the Group;
  - major financial transactions that modify the financial structure of the Company and/or the Group;
  - consolidated and unconsolidated periodic financial statements and financial statements as well as related communications;
- Implementation of decisions of the Board of Directors;
- Submission to the Board of Directors of all questions lying within its competence and regular reports on the exercise of its mission.

The Executive Committee does not constitute a "*comité de direction*"/"*directiecomité*" within the meaning of Article 524bis of the Companies Code.

The Executive Committee is composed of five members; each of them supervises a certain number of Global Business Units, departments or geographical regions.

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.

The Solvay Executive Committee consists of the following members:

Name	Year of birth	Position	Year of first appointment	Term of office ends
Jean-Pierre Clamadieu	1958	Chairman of the Executive Committee and CEO	2011	2017
Vincent De Cuyper	1961	Executive Committee member	2006	2016
Roger Kearns	1963	Executive Committee member	2008	2016
Karim Hajjar	1963	Executive Committee member and CFO	2013	2017
Pascal Juéry	1965	Executive Committee member	2014	2016

The business address for all of the members of the Executive Committee is rue de Ransbeek/Ransbeekstraat 310, 1120 Brussels, Belgium.

General information on the members of the Executive Committee

In relation to each of the members of the Executive Committee, other than as set out below, Solvay is not aware of (i) any convictions in relation to fraudulent offenses in the last five years, (ii) any bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships, or partner or senior management positions in the last five years, or (iii) any official public incrimination and/or sanctions of such members by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

No member of the Executive Committee has any conflicts of interests between any duties he/she owes to the Company and any private interests and/or other duties.

No member of the Executive Committee has a family relationship up to the first-cousin degree with any director or member of executive management.

In the five years preceding the date of this Prospectus, the members of the Executive Committee have held the following directorships (apart from their directorships of Solvay or its subsidiaries) and memberships of administrative, management or supervisory bodies and/or partnerships:

Name	Current	Past
Jean-Pierre Clamadieu	Director of Faurecia Director of Axa	Chairman of the Board of Directors and Chief Executive Officer of Rhodia SA Director of SNCF
Vincent De Cuyper	—	—
Roger Kearns	Director of American Productivity and Quality Council Director of Global BioDiagnostics Corp. Member of the Advisory Board of Georgia Institute of Technology	—
Karim Hajjar	—	Managing Director of Tarmac Group
Pascal Juéry	Non-Executive Director of Carbios	Group Executive Vice-President of Rhodia SA

Professional Synopses—Members of the Executive Committee

Name	Synopsis
Jean-Pierre Clamadieu	See above.
Vincent De Cuyper	Mr. De Cuyper is a member of Solvay's Executive Committee. He joined Solvay as a Process Engineer in February 1987 and has held a series of technical and management roles within the Solvay group of companies since then. In April 2012, he became a member of Solvay's Executive Committee. Born in 1961, Mr. De Cuyper received a Master's degree in Chemical Engineering from the Catholic University of Louvain in 1985 and a Master's degree in Industrial Management from Katholieke Universiteit Leuven in 1986.
Karim Hajjar	Mr. Hajjar is Chief Financial Officer of Solvay and a member of Solvay's Executive Committee. He joined Solvay and assumed his present roles at the company in 2013. Prior to his tenure at Solvay, he held a series of positions at Imperial Tobacco Group plc, Tarmac Group (a division of Anglo American plc), Royal Dutch Shell plc, and Grant Thornton, Chartered Accountants. Born in 1963, Mr. Hajjar received a Bachelor of Science degree in Economics from the City University London in 1984, and received a Chartered Accountancy certification from the Institute of Chartered Accountants in England and Wales in 1987.
Pascal Juéry	Mr. Juéry is a member of Solvay's Executive Committee. He joined Solvay in 2011 upon the acquisition by Solvay of Rhodia, where he served as a group executive vice-president and a member of the Executive Committee. He assumed his present role at Solvay in 2014. Prior to his work at Rhodia, he held a series of positions at Rhône-Poulenc. Born in 1965, he received his master's degree in management from the École Superieure de Commerce de Paris in 1986.
Roger Kearns	Mr. Kearns is a member of Solvay's Executive Committee. He joined Solvay in 1986 as a process engineer at Solvay Polymers, and he rejoined Solvay in 1998, after receiving his Master's of Business Administration ("MBA"), as an asset area business manager at Solvay Polymers. In 2008, he became a member of Solvay's Executive Committee, and until 2013 served simultaneously as a Region General Manager at Solvay Asia Pacific. Born in 1963, he received a Bachelor of Science in Engineering Arts from Georgetown College in 1984, a Bachelor of Science degree in Chemical Engineering from the Georgia Institute of Technology in 1986, and an MBA from Stanford University in 1998. He is currently a member of the board of directors of the American Productivity and Quality Council, the board of directors of Global BioDiagnostics Corp., and the advisory board of the Georgia Institute of Technology.

Remuneration of Directors and Members of the Executive Committee

All remuneration figures in this section are on a gross basis.

Board of Directors

The Ordinary Shareholders' Meetings of June 2005 and May 2012 decided to set directors' pay, starting from the 2005 financial year, and to grant: (i) an annual gross fixed compensation of €35,000 per director and, on top of this, an individual attendance fee of €4,000 gross per board meeting attended; (ii) €4,000 gross for members of the Audit Committee and €6,000 gross for its Chairman for each meeting of the committee; (iii) €2,500 gross per member of the Compensation Committee, Nomination Committee and Financial Committee and €4,000 gross for the Chairmen of these committees, for each meeting on the understanding that a director belonging to both the Compensation Committee and the Nomination Committee does not receive double compensation; (iv) 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.

For the Chairman of the Board of Directors, the Board of Directors has made use of the authorization conferred on it by Article 27 of the Articles of Association to grant an additional yearly fixed compensation of €250,000 in 2014 by reason of the workload and the responsibility attached to this task.

Non-executive directors do not receive any variable compensation linked to results or other performance criteria. They are not entitled to stock options or performance share units, nor to any supplemental pension scheme.

The Company reimburses directors' travel and subsistence expenses for meetings and while exercising their board and board committee functions.

	2013		2014	
Name	**Gross amount**	**Including Board of Directors and committees attendance fees**	**Gross amount**	**Including Board of Directors and committees attendance fees**
		(in €)		
N. Boël				
- Fixed emoluments + attendance fees	63,000.00	28,000.00	59,000.00	24,000.00
- "Article 27" supplement	250,000.00		250,000.00	
D. Solvay	70,500.04	35,000.00	64,000.04	29,000.00
J.-P. Clamadieu	63,000.00	28,000.00	59,000.00	24,000.00
J.-M. Solvay	63,000.04	28,000.00	59,000.04	24,000.00
G. de Selliers de Moranville(4)	99,500.04	64,500.00	85,000.04	50,000.00
J. van Zeebroeck(1)	23,389.80	10,500.00	—	—
J.-M. Folz(2)	79,500.04	44,500.00	24,889.80	12,000.00
B. de Laguiche	65,500.04	30,500.00	69,000.04	34,000.00
B. Scheuble	99,000.04	64,000.00	89,000.04	54,000.00
A. Van Rossum(2)	75,000.04	40,000.00	28,889.80	16,000.00
C. Casimir-Lambert	87,000.04	52,000.00	79,000.04	44,000.00
H. Coppens d'Eeckenbrugge	83,500.04	48,500.00	89,000.04	54,000.00
P. Mateos-Aparicio Morales(1)	27,389.80	14,500.00	—	—
E. du Monceau	70,500.04	35,500.00	64,000.04	29,000.00
Y.-T. de Silguy	65,000.04	30,000.00	75,500.04	40,500.00
A. Moraleda	40,610.24	18,500.00	64,000.04	29,000.00
F. de Viron	40,610.24	18,500.00	64,000.04	29,000.00
G. Michel(3)	—	—	32,610.24	10,500.00
R. Thorne(3)	—	—	50,110.24	28,000.00
M. Oudeman(5)				
All directors as group	1,366,000.52	591,000.00	1,306,000.52	531,000.00

Note:
(1) Until May 12, 2013.
(2) Until May 12, 2014.
(3) From May 13, 2014. No remuneration was therefore received in 2013.
(4) Until May 12, 2015.
(5) From May 12, 2015. No remuneration was therefore received in 2013 and 2014.

Chairman of the Executive Committee

The compensation package of the Chairman of the Executive Committee is governed by specific arrangements given his self-employed status in Belgium. The level and structure of this compensation package are aligned with market practices for a similar function in a comparable organization and do follow the general design of the Solvay Group compensation policy.

It consists of fixed compensation and an annual incentive target set at 100% of such base salary, up to a maximum of 150%. Such short-term incentive is based on the achievement of predefined objectives, both individual (weighted at 30% of the total short-term incentive) and collective, themselves divided into economic (REBITDA under cash constraint, weighted at 60% of the total short-term incentive) and sustainable development (weighted at 10% of the total short-term incentive) objectives. He is finally entitled to a long-term incentive composed of a 50/50 mix of stock options and "Performance Share Units" (or "**PSUs**"), with an annual economic value target set at 150% of the base salary and a maximum guidance set at 200% of such base salary, in line with the general design of the generic Solvay long-term incentive plan but subject to the final appreciation of the Board. Solvay's commitment to offer a competitive though challenging reward package to its CEO results from his pay mix, since his total variable pay target substantially outweighs his base salary.

Compensation and other benefits granted to the Chairman of the Executive Committee (in €)

	2013	2014
Base compensation	1,000,000	1,000,000
Variable compensation (Short Term Incentive)	1,100,000	1,500,000
Pension and death-in-service and disability coverage (costs paid or provided for)	626,274	622,899
Other compensation components (company vehicle, correction of 2012 base compensation)	46,927	17,674

The base salary of the Chairman of the Executive Committee remained at €1 million in 2014. The annual incentive target was set at 100% of such base salary, with a maximum of 150%. In accordance with the Group Compensation policy, Long Term Incentives are composed of a 50/50 mix of stock options and Performance Share Units. The Long Term Incentive target is set at 150% of the base salary, up to a maximum of 200%. In 2014, the face value of his overall LTI award added up to €1.6 million, considering the exceptional role played by the Chairman of the Executive Committee in the transformation of the Group and its overall performance. The gain which will eventually be derived on pay-out date, will depend upon achievement of the performance thresholds imposed on his PSUs as well as of the performance of the Solvay Shares in the stock market. The resulting numbers of stock options and PSUs are calculated according to the Monte Carlo model.

The compensation package of the Chairman of the Executive Committee is in full compliance with Art. 520ter of the Companies' Code.

The Chairman of the Executive Committee does not receive shares as part of his compensation package.

In the area of extra-legal pension rights, given his self-employed status in Belgium, he has his own separate contractual regime, with pension, death-in-service and disability rules, which reflect the conditions he had previously at Rhodia.

No major changes in the structure of the compensation package of the Chairman and the members of the Executive Committee are expected in 2015 and 2016.

Other members of the Executive Committee

In 2012, the Group reviewed its Compensation policy with the objective of (i) reinforcing the link between mainly variable compensation and both individual and collective performance and (ii) aligning better variable compensation with relevant market practices.

The compensation policy is composed of a Short Term Incentive ("**STI**") plan providing for an annual bonus linked to the Group business performance and a Long Term Incentive ("**LTI**") plan to introduce a link with the global Group performance.

Aggregate compensation and other benefits granted to the other members of the Executive Committee (in €)

	2013(1)	2014(2)
Base compensation	2,502,169	2,453,117
Variable compensation	1,646,328	2,135,155
Pension and death-in-service and disability coverage (costs paid or provided for)	1,164,234	862,463
Other compensation components (representation allowance, luncheon vouchers, company car, etc.)	82,172	113,107

Note:

(1) B. de Laguiche (until September 30, 2013), J. van Rijckevorsel, V. De Cuyper, R. Kearns, G. Auffret, K. Hajjar (from October 1, 2013).

(2) J. Van Rijckevorsel (until September 30, 2014), V. De Cuyper, R. Kearns, K. Hajjar, P. Juéry.

The full executive remuneration policy of Solvay is disclosed in its Corporate Governance Statement which is available on the Solvay website, www.solvay.com/en/investors/corporate-governance/index.html.

Shares in Solvay SA

The following table sets forth the number of Shares beneficially owned by the directors and members of the Executive Committee as of October 28, 2015:

Name	Number of Shares held
Nicolas Boël	247,968
Charles Casimir-Lambert	30(1)
Jean-Pierre Clamadieu	0
Hervé Coppens d'Eeckenbrugge	540
Bernard de Laguiche	143,591
Yves-Thibault de Silguy	0
Françoise de Viron	2,085
Evelyn du Monceau	652,730(2)
Gilles Michel	0
Amparo Moraleda Martinez	0
Marjan Oudeman	0
Denis Solvay	734,520
Jean-Marie Solvay	46,090
Prof. Dr. Bernhard Scheuble	0
Rosemary Thorne	0
Vincent De Cuyper	0
Karim Hajjar	2,000
Pascal Juéry	0
Roger Kearns	2,000

Note:

(1) This figure includes the Shares held by the spouse of this director.

(2) This figure contains Shares held directly by this director (11,330) and Shares held through entities controlled by this director (641,400).

Stock Options and Performance Share Units

Solvay's LTI plan is made of two separate components: (i) a plain vanilla stock option plan set in in 1999 and (ii) a Performance Share Unit plan set up in 2013.

The Stock Option program ("**SO**") includes the following basic features: (i) options are granted at the money; (ii) options have a duration of eight years; (iii) options become exercisable for the first time after three full calendar years of restrictions; (iv) options are not transferrable inter vivos; (v) the plan includes a bad leaver clause.

The PSU includes the following basic features: (i) the plan is purely cash based and does not encompass the transfer of shares to beneficiaries whatsoever; (ii) it contains the following two performance hurdles—50% based on a REBITDA target aligned with Solvay's roadmap and 50% based on a CFROI target; (iii) a condition of employment up to achievement of the performance hurdles; (iv) a payout in cash based on the value of Solvay Shares on the target date.

In 2015, the Board of Directors, on the proposal of the Compensation Committee, allotted stock options to some 70 Group senior executives. The exercise price amounts to €121.84 per option, with a three-year vesting period. Executive Committee members together were granted 68,991 options in 2015, compared with 74,226 options in 2014.

In combination with the stock option plan, the Board of Directors granted Performance Share Units to around 450 Group Executives, for a possible pay-out in three years time if pre-set economic performance objectives (REBITDA and CFROI) are met. Executive Committee members together were granted 14,413 PSUs in 2015. The table below sets out the number of stock options and PSUs allotted in 2015 to Executive Committee members:

Country	Name	Number of options	Number of PSUs
Belgium	Jean-Pierre Clamadieu	30,663	6,405
Belgium	Vincent De Cuyper	9,582	2,002
Belgium	Roger Kearns	9,582	2,002
Belgium	Karim Hajjar	9,582	2,002
Belgium	Pascal Juéry	9,582	2,002
Total		68,991	14,413

The table below sets out the number of stock options held as of October 23, 2015 by Executive Committee members:

		Held as of December 31, 2014	Granted in 2015	Exercised in 2015(1)	Expired in 2015	Held as of October 23, 2015	Exercisable	Non exercisable
Belgium	Jean-Pierre Clamadieu	129,434	30,663	0	0	160,097	0	160,097
Belgium	Vincent De Cuyper	68,535	9,582	17,200	0	60,917	12,300	48,617
Belgium	Roger Kearns	84,535	9,582	5,500	0	88,617	42,000	46,617
Belgium	Karim Hajjar	10,309	9,582	0	0	19,891	0	19,891
Belgium	Pascal Juéry	37,035	9,582	0	0	46,617	0	46,617

Note:
(1) This reflects the status as of October 23, 2015.

None of the directors own any stock options except for the following director:

		Held at 28/10/2015	Start of exercise period	End of exercise period	Exercise price
Belgium	Bernard de Laguiche	6,621	13/02/2010	13/12/2019	EUR 109.09
		20,000	01/01/2016	15/03/2020	EUR 88.71
		11,726	01/01/2017	24/03/2021	EUR 111.01

Certain significant provisions of their contractual relationships with Solvay

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 rules provided by law apply.

Mr. Jean-Pierre Clamadieu's contract includes a non-competition clause for a period of 24-months, although he will receive a remuneration of no more than the equivalent of 12 months' pay.

Executive Committee members' contracts do not contain a clause providing for the claw-back of variable compensation in case of erroneous financial information.

Insurance

All Directors and members of the Executive Committee are covered by Solvay Group directors' and officers' insurance.

Corporate governance

As a company incorporated under Belgian law and listed on Euronext Brussels (and Euronext Paris), Solvay adheres to the principles and provisions of the Belgian Corporate Governance Code (in this section, the "Code"). The Code uses the "comply or explain" concept, which means that if a company chooses to deviate from any of the Code's principles, it must explain its reasons for doing so in the "Corporate Governance" section of its annual report. Solvay has not adopted any rules departing from the principles of the Belgian Corporate Governance Code.

Other executive management

The Executive Committee is supported by the Leadership Council, the members of which are responsible for implementing the Group's strategy. The Leadership Council collects and shares information needed to foster exchanges and promote alignment between Executive Committee, GBU Presidents, General Managers of Functions, Zone Presidents, and the General Manager of Business Services. The Leadership Council meets every four months with a formal agenda.

Compensation policy for general managers

To assess relevant competitive practice, Solvay takes as its frame of reference a selection of European chemical and industrial manufacturing companies with international operations and annual sales revenues and headcount reasonably close to its own. The composition of this group is reviewed on a periodic basis to assure that it continues to reflect the Company's strategic orientation. It is currently composed of sixteen European-based multinational companies headquartered in six different European countries and active in both the chemical sector and/or industrial sector.

For executives with a non-European home country and who are based outside Europe, the home country practice (ideally weighted towards the chemicals sector) constitutes the reference. For data relating to the international market, the services of internationally recognized compensation consultants are retained.

Solvay's objective is to provide total compensation levels that are at or around the median of the chosen reference market for normal performance and close to the upper quartile of the market in case of outstanding collective and individual performance.

The compensation of the General Managers comprises the base salary (reviewed on an annual basis), annual incentives, long term incentives and other benefits.

This compensation policy covers the Executive Committee members, the General Managers and the Heads of large Global Business Units.

The compensation policy is composed of a STI plan providing for annual bonus linked to the Group business performance and a LTI plan to introduce a link with the global Group performance.

Short Term Incentives (STI)

STI are partly linked to the Group performance and partly linked to individual performance.

The target annual incentive ranges, according to position level, from 50% (General Managers and Heads of large GBUs) to 60% (members of the Executive Committee) of base salary. The target short-term incentive consists of three components weighted as follows:

- 30% depending on the individual performance of the manager as measured against a set of pre-determined objectives, approved, for Executive Committee members by the Board of Directors;
- 60% linked to the actual performance achieved towards a combination of annual pre-set collective Group economic performance objectives (REBITDA under a specific Free Cash Flow constraint);
- 10% related to a Group Sustainable Development indicator.

The actual annual incentive can vary from 0% in case of poor performance up to 200% of target in case of outstanding collective and individual performance.

Long Term Incentives (LTI)

The Long Term Incentives consist of a 50/50 mix of stock options and Performance Share Units.

With respect to stock options, the Board of Directors determines annually the volume of Stock options available for distribution based on their accounting fair value at grant, using the Monte Carlo financial formula. The total volume of options available is then allocated to the top executives of the Company based on the importance of their individual contribution/position to the success of the Solvay group.

With respect to PSUs, it is equally the Board's responsibility to determine the amount available for distribution based on the closing value of the Solvay Share at grant date. The total volume of PSUs available is then allocated to the senior managers of the Company based on their expected ability to substantially contribute to the achievement of Solvay's ambitions.

The SO plan provides each beneficiary with the right to buy Solvay Shares at a strike price corresponding to the 30 days weighted average of the closing price on Euronext Brussels and Euronext Paris of the Shares upon grant. They bear no intrinsic value at that point in time and will only generate a potential gain for the beneficiaries if the stock price rises. This grant is conceded for a duration of nearly eight years. It cannot be exercised for the first three calendar years following the grant. Options are not transferrable except in case of death. The plan contains a so called bad leaver clause.

The PSU plan, settled in cash, provides for a possible pay-out in three years time if a combination of pre-set performance objectives are met (REBITDA and CFROI long-term evolution based on this three year period), with a +/-20% adjustment depending on the actual performance versus the initial pre-set objective. The minimum pay-out can vary between zero (if the minimum performance required or "threshold" is not met), 80% if the performance minimum "threshold" is met up to 120% for a performance exceeding a pre-defined ceiling performance.

In its sole discretion the Executive Committee (or the Board of Directors for the Executive Committee members) may decide/recommend individual grants of + or -50% of the target to reward special or unique achievements or circumstances or to acknowledge insufficient performance, while respecting the 50/50 split between SOP and PSU grants.

The Rights Offering will necessarily have an impact on the value of the underlying shares under both components of Solvay's LTI plan, the SO and the PSU. To preserve the value of existing SO and PSU benefits for participants in these plans, Solvay is expected to make technical adjustments to the existing SO and PSU to place the holders in a situation that is substantially equivalent to the situation in the absence of the Right Offering. The adjustment is expected to follow the formula and ratio published in the Euronext Derivatives Corporate Actions Policy issued on January 19, 2015. The decision to adjust the exercise price and the number of SO will be subject to a positive decision of the Belgian Ruling Committee, in order to make sure that these adjustments will not have any negative tax consequences for holders of SO and PSU.

Each annual LTI plan is subject to prior Board approval.

In its sole discretion, the Executive Committee (or the Board of Directors for Executive members) assesses the achievement of the targets and the Executive Committee (or the Board of Directors for Executive members) may also re-evaluate the targets in case of material change of perimeter or other unexpected circumstances.

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.

Principal shareholder

Shareholding structure

The following table shows the participations of Solvac SA (a company incorporated under Belgian law, the shares of which are admitted to trading on Euronext Brussels) and Solvay Stock Option Management SPRL (a company incorporated under Belgian law of which all shares are indirectly owned by Solvay) in the shareholding structure of Solvay SA as of and based on the number of Shares outstanding on September 30, 2015. This is based on information available to the Company through notifications received in accordance with the Belgian Law of May 2, 2007 on disclosure of major holdings in issuers whose shares are admitted to trading on a regulated market and laying down miscellaneous provisions (the "**Transparency Law**") and the Belgian Law of April 1, 2007 on public takeover bids (the "**Takeover Law**").

	Total number of Shares held(1)	% of voting rights
Solvay shareholders		
Solvac SA	25,578,267	30.20
Solvay Stock Option Management SPRL	2,018,215	2.38
Free float	57,104,651	67.42
Total	84,701,133	100

Note:

(1) The most recent notification made to the FSMA and to the Company in respect of Solvac SA and Solvay Stock Option Management SPRL in accordance with the Transparency Law is dated February 17, 2012; such notification indicates that Solvac SA's participation in Solvay amounted to 25,535,757 Shares and that of Solvay Stock Option Management SPRL amounted to 2,379,560 Shares as of the date of such notification. The most recent notification made to the FSMA and to the Company in respect of Solvac SA and Solvay Stock Option Management SPRL in accordance with the Takeover Law is dated July 31, 2015; such notification indicates that Solvac SA's participation in Solvay amounted to 25,578,267 Shares and that of Solvay Stock Option Management SPRL amounted to 1,380,921 Shares as of the date of such notification.

Historical shareholding structure

The following table shows the principal shareholders of Solvay SA held as of the end of each of the last three financial years. The information provided reflects information available to Solvay as of the dates mentioned, but it could deviate from the actual shareholding as of such dates as it is, in part, based on notifications received by Solvay in accordance with the Transparency Law; if such is the case, this is indicated in the table.

	% of Shares held		
	December 31, 2014	December 31, 2013	December 31, 2012
Solvay shareholders			
Solvac SA	30.20	30.20	30.20
Solvay Stock Option Management SPRL	2.03	1.81	2.05
JPMorgan Asset Management Holdings Inc.	3.03(1)	3.03(1)	3.03(1)
Prudential Plc.	2.95(2)	N/A	N/A
Free Float	61.79	64.96(3)	64.72(3)
Total	100	100	100

Notes:

(1) The information in these columns is based on (i) the number of Shares notified to the FSMA and Solvay on November 21, 2012 and (ii) the aggregate number of Shares outstanding on December 31, 2014. JPMorgan Asset Management Holdings Inc., as of the date of such notification, held the Shares in Solvay through affiliates. JPMorgan Asset Management Holdings Inc. further notified the Company that on August 3, 2015, the total participation of its various affiliates had fallen below the threshold of 3% of the outstanding Shares of Solvay SA.

(2) This information is based on (i) the number of Shares notified to the FSMA and Solvay on January 7, 2015 and (ii) the aggregate number of Shares outstanding on December 31, 2014.

(3) Including Shares held by Prudential Plc., if any.

Principal Shareholder

The Principal Shareholder of Solvay is Solvac SA, a company incorporated under Belgian law, listed on Euronext Brussels and a majority of whose Shares (around 77.5%, as published on the website of Solvac as of October 30, 2015) are held by members of various branches of the founding families of Solvay. The Principal Shareholder has the same voting rights as any other holder of Shares.

Its Shares, all of which are registered, may freely be held by physical persons and, subject to prior approval of the board of directors of Solvac SA, by certain categories of legal entities fulfilling specific conditions.

Shareholders' arrangements

As of the date of this Prospectus and to the knowledge of Solvay, there is no shareholders' agreement in force related to Solvay.

Share capital and articles of association of the Guarantor

The description set forth below is a summary of the material information relating to Solvay's share capital, including summaries of certain provisions of the Articles of Association and applicable Belgian law in effect at the date hereof. This summary does not purport to be complete and is qualified in its entirety by reference to the full Articles of Association.

Share capital

As of the date of this Prospectus, the issued and paid-up share capital of Solvay amounted to €1,270,516,995 and was represented by 84,701,133 Shares without nominal value, each Share representing 1/84,701,133rd of the share capital. All Shares belong to the same class of securities.

The total number of outstanding options on existing Shares (where each option entitles the holder to purchase from Solvay one existing Share) was 2,632,682 as of September 30, 2015. As these options relate to existing Shares, they do not have an impact on the total number of Shares outstanding. See Section "*Description of the Guarantor—Share Capital and audits of association—Purchase and sale of own shares*" below and Section "*Description of the Guarantor-Management and Corporate Governance—Remuneration of Directors and Members of the Executive Committee*".

There have not been any changes to Solvay's share capital since January 1, 2012.

Articles of association

Corporate profile

Company name:	Solvay SA
Form:	Public limited liability company incorporated in the form of a *société anonyme/naamloze vennootschap* under Belgian law
Registered office:	rue de Ransbeek/Ransbeekstraat 310 1120 Brussels Belgium
Telephone number of registered office:	+32 (2) 26 42 111
Register of legal entities:	No. 0403.091.220
Date of incorporation:	December 26, 1863
Financial year:	From January 1 to December 31

Corporate purpose

According to Article 3 of its Articles of Association, Solvay's corporate purpose is the following:

To hold and manage, directly or indirectly, interests in companies, enterprises or entities whose purpose is directly or indirectly linked to the manufacturing, exploitation, marketing, research and development of industrial and commercial activities or services primarily but not exclusively in the chemicals sector, its different disciplines and specialties, and activities connected, derived from and incidental thereto as well as activities in the sector of the exploitation and processing of natural resources, in Belgium as well as abroad.

To conduct, both in Belgium and abroad, on its own behalf or on behalf of third parties, the manufacturing, exploitation, marketing, research and development, handling, processing, transportation and management activities in the business sectors noted above.

In general, it may exercise any commercial, industrial, financial or research operations, or those involving real or moveable property, in Belgium and abroad, with a direct or indirect connection or benefiting directly or indirectly the realization of its corporate purpose.

Form and transferability of the Shares

The Shares can take the form of registered Shares or dematerialized Shares. Their holder may, at any time, request conversion of the Shares into dematerialized Shares (at the holder's cost) or into registered shares (without charge). A register of registered Shares (which may be held in electronic form) is maintained at the Company's registered address.

All of the Company's Shares are fully paid-up and freely transferable, subject to any contractual restrictions.

Changes to the share capital

In principle, changes to the share capital are decided by the shareholders. The Shareholders' Meeting may at any time decide to increase or decrease the share capital of the Company. Such resolution must satisfy the quorum and majority requirements that apply to an amendment of the Articles of Association, as described below under the Section "*Description of the Guarantor—Share Capital and articles of association of the Guarantor—Votes, quorum and majority requirements*".

Share capital increases by the Board of Directors

Subject to the same quorum and majority requirements, the Shareholders' Meeting may authorize the Board of Directors, within certain limits, to increase the Company's share capital without any further approval of the shareholders. This is the so-called authorized capital. This authorization needs to be limited in time (that is, it can only be granted for a renewable period of maximum five years) and in scope (that is, the authorized capital may not exceed the amount of the registered share capital at the time of the authorization).

At the Extraordinary Shareholders' Meeting scheduled for November 17, 2015, the shareholders will be asked to authorize the Board of Directors in the framework of the acquisition of Cytec to (i) increase the registered capital by contributions in cash that amount to a maximum of €1.5 billion, of which a maximum amount of €1,270,516,995 will be allocated to the account "capital" and the remainder to the account "issuance premium", and (ii) determine all the terms of the capital increase, the issuance of the Shares and their placement. This authorization is granted to the Board of Directors until December 31, 2016 (inclusive) and will expire on the following day if, by that date, the Board of Directors has not made use of such authorization in full or in part, as the case may be for the amount that has not been used by the Board of Directors.

Purchase and sale of own Shares

Solvay may only acquire its own Shares pursuant to a decision by the Shareholders' Meeting taken under the conditions of quorum and majority provided for in the Belgian Companies Code. Such a decision requires a quorum of shareholders holding an aggregate of at least 50% of the share capital and approval by a qualified majority of at least 80% of the share capital present or represented. If there is no quorum, a second meeting must be convened. At the second meeting, no quorum is required, but the relevant resolution must be approved by a qualified majority of at least 80% of the share capital present or represented.

Currently, the Board of Directors has no delegation to acquire, exchange and/or alienate Shares.

Description of the rights and benefits attached to the Shares

Right to attend and vote at the Shareholders' Meeting

Annual Shareholders' Meeting

The Annual Shareholders' Meeting is held on the second Tuesday of May of each year, at 10:30 a.m., at the registered office or any other location indicated in the notice of the meeting. If this date is a legal holiday, the meeting is held on the next business day (excluding Saturday) at the same time.

Special and Extraordinary Shareholders' Meetings

The Board of Directors or the statutory auditor (or the liquidators, if appropriate) may, whenever the interest of the Company so requires, convene a Special or Extraordinary Shareholders' Meeting. Such Shareholders' Meeting must also be convened every time one or more shareholders holding at least one-fifth of the Company's share capital so demand.

Notices convening the Shareholders' Meeting

Notices of all Shareholders' Meetings contain the agenda of the meeting and the Board's recommendations on the matters to be voted upon.

One or more shareholders (together) holding at least three percent of the capital may, subject to the conditions set by the Companies Code, require that items be placed on the agenda of any Shareholders' Meeting and proposed suggested resolutions concerning items on or to be placed on the agenda for a meeting already convened.

Notices for the Shareholders' Meeting are given in the form of announcements placed at least 30 days prior to the meeting in the Belgian State Gazette, as well as in a national press outlet and in the media subject to the conditions required by the Companies Code. If a second meeting should be called, the notice period must be at least 17 days before the meeting.

In addition, the convening notices are communicated within the same periods to the shareholders personally, but without having to confirm that such procedure was carried out. This communication is made by regular mail unless the recipients have individually, expressly and in writing, accepted to receive the convening notice by another means of communication.

Notices are also sent 15 days prior to the date of the Shareholders' Meeting to the holders of registered warrants and to the directors and statutory auditor of the Company. Notices of all Shareholders' Meetings and all related documents, such as specific Board and auditor's reports, are also published on Solvay's website.

Admission to meetings

All holders of Shares are entitled to attend the Shareholders' Meeting, take part in the deliberations and, within the limits prescribed by the Belgian Companies Code, to vote.

In order to participate in a Shareholders' Meeting, shareholders must register their Shares by midnight (Belgium time) on the 14th day preceding the meeting. On this registration date, dematerialized Shares must be registered in the accounts of an approved depository or clearing house and registered Shares must be recorded in the register of an approved account keeper or a clearing house and the registered Shares must be recorded in the register of the Company's registered Shares. Shareholders must advise the Company or the person designated to this effect in writing, at the latest on the sixth day before the meeting, of their intention to attend the meeting, indicating the number of Shares that they will represent.

Any shareholder may attend Shareholders' Meetings in person or be represented by a proxy, who need not be a shareholder. All proxies must be in writing in accordance with the form prescribed by the Company and must be received by the Company no later than the date determined by the Board of Directors and, in any event, no later than six days before the meeting.

Votes, quorum and majority requirements

Each Share is entitled to one vote, subject to legal restrictions. However, as the law allows, under Article 38 of the Solvay bylaws, limitations to the right to vote currently imposed by Article 544 of the Companies Code will no longer apply.

Shareholders are allowed to vote in person, by proxy or by mail. Votes by mail must be cast using the form prepared by the Company and must be received by the Company no later than the date upon which the shareholders must deposit their Shares.

Generally, there is no quorum requirement for a Shareholders' Meeting and decisions are taken by a simple majority vote of Shares present or represented.

Resolutions relating to amendments of the Articles of Association or the merger or division of Solvay are subject to special quorum and majority requirements. Specifically, any resolution on these matters requires the presence in person or by proxy of shareholders holding an aggregate of at least 50% of the issued share capital, and the approval of at least 75% of the share capital present or represented at the meeting. If a quorum is not present, a second meeting must be convened. At the second meeting, the quorum requirement does not apply. However, the special majority requirement continues to apply.

Any modification of Solvay's corporate purpose or legal form requires a quorum of shareholders holding an aggregate of at least 50% of the share capital and approval by a qualified majority of at least 80% of the share capital present or represented. If there is no quorum, a second meeting must be convened. At the second meeting, no quorum is required, but the relevant resolution must be approved by a qualified majority of at least 80% of the share capital present or represented.

Dividends

All Shares participate equally in the Company's profits. The Belgian Companies Code provides that dividends can only be paid up to an amount equal to the excess of a company's shareholders' equity over the sum of (i) paid up or called up share capital and (ii) reserves not available for distribution pursuant to law or the Articles of Association.

The annual dividends may be approved by the Annual Shareholders' Meeting and are paid on the dates and at the places determined by the Board of Directors but no later than December 31 following the Annual Shareholders' Meeting. The Board of Directors may pay an interim dividend in accordance with the provisions of the Belgian Companies Code. See Section "*Description of the Guarantor—Dividend policy*" for further information.

Appointment of directors

The directors are appointed by the Shareholders' Meeting for a term of four years maximum. They are eligible for re-election. Candidate proposals for director elections must be received in writing by the Company at least 40 days before the Shareholders' Meeting or will be deemed inadmissible.

Liquidation rights

Solvay can only be dissolved by a shareholders' resolution passed with a majority of at least 75% of the votes cast at an Extraordinary Shareholders' Meeting where at least 50% of the share capital is present or represented.

If, as a result of losses incurred, the ratio of the Company's net assets (determined in accordance with Belgian legal and accounting rules) to share capital is less than 50%, the Board of Directors must convene an Extraordinary Shareholders' Meeting within two months of the date upon which the Board of Directors discovered or should have discovered this undercapitalization. At this Shareholders' Meeting the Board of Directors needs to propose either the dissolution or the continuation of the Company, in which case the Board of Directors must propose measures to restore the Company's financial situation. The Board of Directors must justify its proposals in a special report to the Shareholders. A majority of at least 75% of the votes validly cast at this meeting can decide to dissolve the Company, provided that at least 50% of the Company's share capital is present or represented at the meeting.

If, as a result of losses incurred, the ratio of the Company's net assets to share capital is less than 25%, the same procedure must be followed, it being understood, however, that in that event the shareholding representing at least 25% of the votes at this meeting can decide to dissolve the Company. If the amount of the Company's net assets has dropped below €61,500 (the minimum amount of share capital of a Belgian limited liability company), any interested party is entitled to request the competent court to dissolve the Company. The court can order the Company's dissolution or grant a grace period for the Company to remedy the situation.

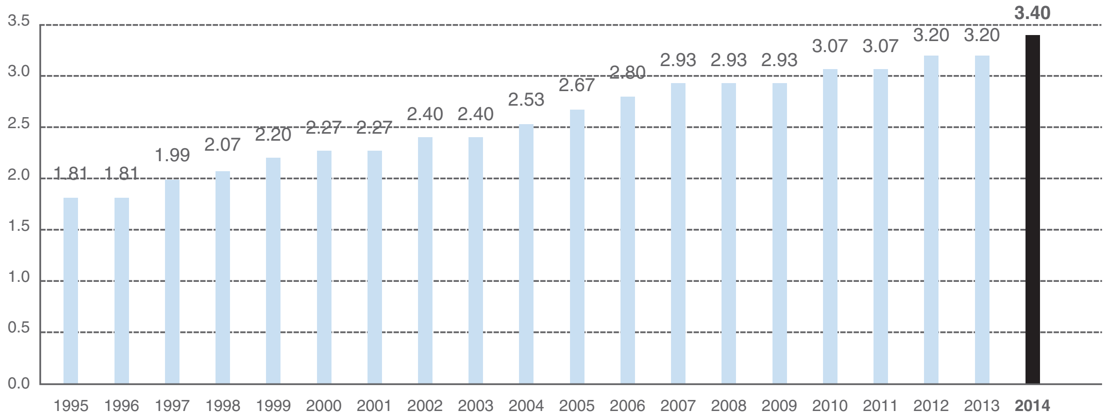
If the Company is dissolved for any reason, the liquidation must be carried out by one or more liquidators appointed by the Shareholders' Meeting and whose appointment has been ratified by the commercial court.

The liquidators shall notably be authorized to transfer all or part of the dissolved Company's assets and rights to a Belgian or foreign company, either already in existence or to be established, in return for money or securities. In the case of a merger or capital contribution, the obligations to shareholders of the dissolved Company may be met by granting them the Shares in the company to which the contribution was made.

Any balance remaining after discharging all debts, liabilities and liquidation costs must first be applied to reimburse, in cash or in kind, the paid-up capital of the Shares not yet reimbursed. Any remaining balance shall be equally distributed among all the shareholders. If all the Shares are not equally paid up, the liquidators, before proceeding with the distribution, take these differing situations into account and restore the balance by placing all Shares on an absolutely equal footing, either by a call for additional funds from the less paid up Shares or by prior repayments in cash or in securities to the benefit of Shares which were paid up to a greater extent.

Dividend Policy

Solvay's current dividend policy is to propose a dividend increase to the Shareholders' Meeting whenever possible, and as far as possible, never to reduce it. This policy has been followed for many years. The graph below illustrates the application of this policy over the past 20 years.



Solvay dividend (gross) from 1995 to 2014 (in €)

The annual dividend is paid in two instalments, in the form of an advance payment (interim dividend) and a payment of the balance remaining. The method to set the advance payment is determined partly by reference to 40% (rounded) of the total previous year's dividend, and also takes into account the results for the first nine months of the current year. 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 instalment, i.e. the balance after deducting the advance payment, is payable in May.

Consistent with the above, for 2014, an interim dividend of €1.33 gross per share (€1.00 net after Belgian withholding tax of 25%) was approved by the Board of Directors on December 12, 2014, and was paid on January 22, 2015.

The dividend for 2014, proposed by and approved by the General Shareholders' Meeting of May 12, 2015 was (€3.40 gross per share (€2.55 net per share)), i.e. an increase of 6.3%, compared with the dividend for 2013. Given the interim dividend payment made on January 22, 2015, the balance of €2.07 gross per share (€1.55 net per share) was paid on May 19, 2015.

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 the following banks:

- KBC Bank NV, Havenlaan 2, 1080 Brussels (Belgium);
- CBC Banque SA, Grand-Place 5, 1000 Brussels (Belgium).

The Company has not, up to this point, proposed to its shareholders the option to receive stock instead of cash dividends. This option does not offer any tax or financial benefit in Belgium to make it attractive to investors.

Additional information

Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Solvay or another member of the Solvay Group and are currently in effect at the date of this Prospectus and contain provisions under which Solvay or another member of the Solvay Group has an obligation or entitlement which is material to the Solvay Group. Material financing contracts are described in Section "*Operating and Financial Review—Liquidity and Capital Resources*."

BT, Telecom services contract

Solvay SA signed a telecom services contract with BT Belgium, effective July 1, 2012, and valid until June 30, 2015, which was renewed for one year, until June 30, 2016. Under this contract, telecom services are outsourced at a global level, for 45 countries. Those telecom services include Remote Access Services, Wide Area Network, video & telepresence services and audio conferencing services.

IBM, Application hosting contract

Solvay SA signed an application hosting contract with IBM Belgium, effective August 1, 2012, and valid until October 31, 2017. Application hosting refers to data center activities including support to enterprise resource planning ("**ERP**") solutions as well as non-ERP solutions. This is a global agreement for the Group.

SAP, ERP Framework contract

Solvay SA signed a global ERP contract for the Group with SAP Belgium, effective January 1, 2012 and automatically renewed every year. ERP products are bought through purchase orders under this ERP framework contract.

Northgate Arenso, Payroll outsourcing contract

Solvay SA signed a global Payroll outsourcing contract for the Group with Northgate Arinso Belgium NV/ SA, effective November 1, 2013, and valid until March 31, 2024.

Verizon, Managed firewall and secure web browsing

Solvay SA entered into a master Services Agreement with Verizon Belgium Luxembourg SA/NV with an effective date of July 1, 2010. In 2010, there was only one Service Tower, the Service Tower A "Managed Firewall" services. Then, the parties added another service tower, the Service Tower B "Secured Web Browsing" which effective September 1, 2012. Both Service Tower contracts are valid until March 1, 2016. This is a global contract.

Orange, mobile devices management services

Solvay SA signed a Master Services Agreement ("**MSA**") with Orange Business Belgium SA, effective July 1, 2014 for a 3-year period. This is a global contract which is automatically renewed every year unless and until Solvay terminates it. The MSA is for mobile devices management services.

Roff, consulting services

3S Solvay Shared Services signed an global consulting services agreement with Roff, effective January 1, 2012, which is valid until completion of the services. Consulting services refer to consulting on ERP systems.

Aspen Technology Inc, Software licenses

Solvay SA signed an engineering software license agreement with Aspen Technology Inc., effective September 30, 2014. This is a global contract for all Solvay companies.

Cap Gemini, Application maintenance services

Solvay SA signed a global Master Services Agreement with CapGemini technology Services, effective February 23, 2015, that is valid until January 31, 2020. Application maintenance services refer to development of the SAP application, and development and maintenance of other applications, including document, internet and other standalone applications.

Atos, Desktop services

Solvay SA signed a desktop services contract with Atos to provide service desk and onsite support, effective July 1, 2014 for a 3-year period. This is contract covers services delivered in the United Kingdom, Germany, Austria and Switzerland.

Sonda, Desktop services

Various Solvay entities in the Latin America region, including Rhodia Poliamida e Especialidades Ltda, signed a desktop services contract with various Sonda entities to provide service desk and onsite support, effective June 20, 2013 and valid until June 19, 2017. This is contract covers the following Latin America countries: Brazil, Argentina, Chile, Colombia, Ecuador, Venezuela, Mexico, Peru, Uruguay, and Guatemala. The desktop services refer to (i) Desktop / Office Automation Services Support, (ii) End-user helpdesk (call centre), (iii) On-site support, (iv) Incident resolution, (v) PC and printers operations, and (vi) Server Management.

Salesforce.com, CRM/ticketing services

Solvay SA signed a Master Subscription Agreement with SalesForce.com, effective April 30, 2006, until July 2019 for Customer Relationship Management (CRM) services, and until October 2018 for ticketing services. This is a global contract. CRM/ ticketing services refer to : (i) Solvay Shared Service ticketing for internal & external users requests, (ii) CRM for Solvay sales organization, and (iii) IS-Infrastructure helpdesk ITIL ticketing.

CONCUR, Travel and expense management services

Solvay SA signed with Concur Holdings (Netherland) B.V. a Business Services Agreement ("**Agreement**"), effective on July 6, 2015 for a 3 year-period. This is a global contract. Travel and expenses management services refer to the following services: (i) Expense claim solution, (ii) self booking tool, (iii) mobility solution, and (iv) reporting & management of cost per entity.

Joint Venture Agreements

Inovyn

Inovyn Limited is a 50/50 joint venture between Solvay and INEOS Group Investments. Solvay's interests are held by Solvay Chlorovinyls Holding S.à.r.l. (Solvin), Solvay's wholly owned subsidiary incorporated under the laws of Luxembourg. Inovyn is headquartered in London and has approximately 4,300 employees and assets across 18 sites in Belgium, France, Germany, Italy, Norway, Spain, Sweden and the UK. Solvay contributed its entire European chlorovinyl business as well as liabilities estimated at €260 million into the joint venture. Under the joint venture agreement, Solvay SA is guarantor of Solvin's obligations. For more information on Inovyn, see section "*Description of the Guarantors—Chlorovinyls—European Activities: Inovyn*".

Butachimie SNC

Invista is our 50-50 joint venture partner in Butachimie SNC, which owns the world's largest adiponitrile (ADN) production facility in Chalampé, France. On April 17, 2014, Solvay renewed this Butachimie joint venture agreement, extended the joint venture for an additional 99 years and negotiated an option to reserve for Solvay capacity in the new ADN plant Invista plans to build in China.

Primester

In 1991, Rhone-Poulenc Basic Chemicals Company (subsequently replaced by Rhodia Inc.) entered into a joint-venture agreement with Eastman Kodak Company (subsequently replaced by Eastman Chemical Company) on a 50/50 basis. Pursuant to this joint venture agreement, Primester was created for the purpose of building, operating and maintaining a manufacturing facility at Eastman's manufacturing plant in Kingsport, Tennessee with total production capacity of 60,000 metric tonnes per year of Fibre-Grade Cellulose Acetate. Solvay is entitled to 50% of the production capacity.

SODI SP JSCo:

In 1997, Solvay entered into a joint venture that produces soda ash and related products, called Sodi SP; Solvay's interests in this venture is owned by Solvay Sisecam Holding, of which Solvay SA holds a 75% stake, with the remaining 25% being held by Sisecam, a company incorporated under the laws of Turkey. Sodi has a maximum capacity of 1.5 million tonnes of soda ash per year, making it Europe's largest sodium carbonate producer.

Related party transactions

For information on transactions with directors and members of the Executive Committee (key management personnel), with jointly controlled entities and/or with associates, see note 45 of the 2014 and the 2013 audited consolidated financial statements, included in Section "*Historical Financial Information of the Guarantor*".

SELECTED FINANCIAL INFORMATION

Selected consolidated financial information of Solvay

The selected historical financial information presented below as of and for the years ended December 31, 2014, 2013 and 2012 has been derived from Solvay's audited consolidated financial statements, which were prepared in accordance with IFRS. The selected historical financial information presented below as of and for the nine months periods ended September 30, 2015 and 2014 has been derived from Solvay's unaudited condensed consolidated interim financial statements, which were prepared in accordance with IFRS, as adopted by the European Union.

The selected historical financial information presented in the tables below should be read in conjunction with, and is qualified in its entirety by reference to, Solvay's audited consolidated financial statements and the accompanying notes and Solvay's unaudited condensed consolidated interim financial statements and the accompanying notes that, in each case, have been included elsewhere in this Prospectus.

Income Statement

The table below presents Solvay's selected consolidated income statement for the nine months ended September 30, 2015 and 2014 and for the year ended December 31, 2014, 2013, and 2012:

	For the nine months ended September 30,		For the year ended December 31,		
	2015	2014	2014	2013(1)	2012(2)
			(in € millions)		
Sales	8,374	7,935	10,629	10,150	10,910
Revenue from non-core activities	338	296	416	434	395
Net sales	8,036	7,639	10,213	9,715	10,515
Cost of goods sold	(6,241)	(6,011)	(8,070)	(7,844)	(8,546)
Gross margin	2,133	1,924	2,559	2,305	2,364
Commercial and administrative costs	(985)	(889)	(1,225)	(1,189)	(1,076)
Research and development costs	(204)	(181)	(247)	(238)	(247)
Other operating gains and losses	(74)	(66)	(94)	(83)	(97)
Earnings from associates and joint ventures	(8)	9	(34)	34	183
Non-recurring items	(126)	(106)	(308)	(239)	55
EBIT	737	691	652	591	1,181
Net Financial Charges	(167)	(240)	(308)	(213)	(361)
Result before taxes	570	451	343	378	820
Income taxes	(204)	(148)	(84)	(170)	(241)
Result from continuing operations	366	302	259	209	579
Result from discontinued operations	50	(429)	(246)	106	1
Net income for the year	416	(127)	13	315	580
Non-controlling interests	(48)	16	67	(44)	(17)
Net income (Solvay share)	368	(110)	80	270	563

Notes:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012 and the impact of revised IAS 19.

Statement of Financial Position

The table below presents Solvay's selected consolidated statement of financial position as of September 30, 2015 and as of December 31, 2014, 2013, and 2012:

	As of September 30,	As of December 31,		
	2015	2014	2013[(1)]	2012[(2)]
		(in € millions)		
Assets				
Non-current assets	11,985	11,529	11,217	11,602
Intangible assets	1,480	1,543	1,621	1,462
Goodwill	3,201	3,151	3,096	2,717
Tangible assets	5,623	5,386	5,015	5,393
Available-for-sale financial assets	42	43	38	66
Investments in associates and joint ventures	363	380	582	869
Other investments	84	121	114	123
Deferred tax assets	710	710	501	548
Loans and other non-current assets	482	194	251	424
Current assets	5,309	6,365	7,306	6,728
Inventories	1,521	1,420	1,300	1,422
Trade receivables	1,575	1,418	1,331	1,657
Income tax receivables	69	52	38	13
Other current receivables—Financial instruments	89	309	481	758
Other current receivables—Other	632	500	572	685
Cash and cash equivalents	1,132	1,251	1,961	1,768
Assets held for sale	291	1,414	1,621	425
Total assets	17,294	17,894	18,523	18,330
Equity & Liabilities				
Total equity	7,227	6,778	7,453	6,574
Share capital	1,271	1,271	1,271	1,271
Reserves	5,686	5,293	5,804	4,859
Non-controlling interests	271	214	378	443
Non-current liabilities	5,518	6,088	6,927	8,226
Long-term provisions: employee benefits	2,871	3,166	2,685	2,987
Other long-term provisions	810	854	793	1,214
Deferred tax liabilities	368	378	473	489
Long-term financial debt	1,243	1,485	2,809	3,321
Other non-current liabilities	227	204	166	216
Current liabilities	4,549	5,029	4,144	3,530
Short-term provisions and employee benefits	—	—	—	63
Other short-term provisions	347	308	342	243
Short-term financial debt	1,451	853	775	331
Trade liabilities	1,354	1,461	1,340	1,617
Income tax payable	173	355	21	69
Dividends payable	3	114	113	103
Other current liabilities	933	776	604	768
Liabilities associated with assets held for sale	287	1,162	949	337
Total equity & liabilities	17,294	17,894	18,523	18,330

Note:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

(2) 2012 figures have been restated to reflect the application of IAS 19 revised—"Employee Benefits" from January 1, 201.

Cash Flow Statement

The table below presents Solvay's summary consolidated unaudited cash flow statements for the nine months period ended September 30, 2015 and 2014 and the years ended December 31, 2014, 2013, and 2012:

	For the nine months ended September 30,		For the year ended December 31,		
	2015	2014	2014	2013[(1)]	2012[(2)]
	(in € millions)				
Cash flow from operating activities	746	753	1,621	1,299	1,457
Cash flow from investing activities	(994)	(810)	(650)	(1,745)	(520)
Cash flow from financing activities	44	(1,002)	(1,690)	686	(1,081)
Net change in cash and cash equivalents	(204)	(1,059)	(718)	240	(144)
Free cash flow from continuing operations[(3)]	22	32	511	198	679
Free cash flow from discontinued operations[(3)]	(11)	82	145	289	108
Total free cash flow	11	114	656	487	787

Notes:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

(3) Free Cash Flow = Cash flow from operating activities (including dividends from associates and joint ventures) + cash flow from investing activities (excluding acquisitions and disposals of subsidiaries and other investments and excluding loans to associates and non-consolidated entities).

Additional information of Solvay

The following table presents additional financial and operational figures of the Group as of and for the 12 months ended September 30, 2015 and as of and for the years ended December 31, 2014, 2013 and 2012 and unaudited pro forma information derived from the Unaudited Consolidated Pro Forma Financial Information:

	As of and for the 12 months ended September 30,	As of and for the 12 months ended December 31		
	2015	2014	2013[(1)]	2012[(2)]
	(in € millions unless otherwise stated)			
Research expenditure	204	247	238	247
Capital expenditures	792	1,398	1,848	826
Free Cash Flow[(3)]	11	656	487	787
REBITDA[(3)]	1,526	1,783	1,611	1,896
Equity	7,227	6,778	7,453	6,574
Net debt[(3)]	1,473	778	1,141	1,125
Net debt[(3)]/equity ratio (in %)	20%	11%	15%	17%
Net debt[(3)]/REBITDA[(3)]	0.76	0.44	0.71	0.59
Gross dividend per share (in €)[(4)]	NA	3.40	3.20	3.20
Gross distribution to Solvay shareholders[(4)]	NA	288	271	271
Personnel data				
Persons employed[(5)]	25,600	26,000	25,900	25,700
Personnel costs	1,636	1,990	1,947	2,122

Notes:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

(3) Refers to a Non-IFRS financial measures defined and reconciled to an IFRS financial measure in "Operating and Financial Review" under the heading "*—Non-IFRS Financial Measures and Key Performance Indicators.*"

(4) Gross dividend per share is equal to the dividend payment approved by the Board of directors in the preceding year. Gross distributions to Solvay shareholders are calculated by multiplying the gross dividend per share voted in the preceding year by the number of Solvay SA shares outstanding.

(5) Full time equivalent related to continuing operations.

Selected financial information of Cytec

The selected historical financial information presented below for the years ended December 31, 2014, 2013 and 2012 has been extracted by Solvay from Cytec's audited consolidated financial statements, which were contained in the Cytec annual report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 24, 2015 and which were prepared in accordance with accounting principles generally accepted in the United States of America. The selected historical financial information presented below as of and for the nine-month periods ended September 30, 2015 and 2014 has been extracted by Solvay from Cytec's unaudited consolidated interim financial statements, which were contained in the Cytec quarterly report on Form 10-Q for the period ended September 30, 2015 filed with the SEC on October 22, 2015 and which were prepared in accordance with U.S. GAAP.

The selected historical financial information of Cytec set forth below is not directly comparable to the financial information of Solvay presented in the Prospectus, since Cytec applies different accounting policies from Solvay and because Cytec prepares its financial information in accordance with U.S. GAAP. The primary differences between U.S. GAAP and IFRS relate to the manner in which the following types of expenditures or accruals are accounted for: research and development costs, employee benefits, provisions, derecognition of receivables, share-based payments and tax credits. Accounting differences between U.S. GAAP and IFRS are further described in note 3.2 to the Unaudited Pro Forma Financial Information contained in Section "*Unaudited Pro Forma Consolidated Financial Information*" of this Prospectus.

Please refer to "*Information regarding Cytec*" for further considerations applicable to the selected historical financial information set forth below.

This selected historical financial information presented in the tables below should be read in conjunction with, and is qualified in its entirety by reference to, Cytec's audited consolidated financial statements and the accompanying notes and Cytec's unaudited consolidated interim financial statements and the accompanying notes that, in each case, have been included in Annex A to this Prospectus.

Cytec Industries Inc. and Subsidiaries Consolidated Statements of Income (Unaudited)

The following tables sets forth certain items in Cytec's consolidated statements of income:

	For the nine months ended September 30,	
	2015	2014
	(in US$ millions, except per share amounts)	
Net sales	1,520.5	1,523.0
Manufacturing cost of sales	(1,040.4)	(1,018.2)
Selling and technical services	(106.9)	(109.6)
Research and process development	(37.3)	(37.2)
Administrative and general	(95.2)	(93.3)
Amortization of acquisition intangibles	(10.3)	(10.9)
Net loss on sale of assets	—	—
Asset impairment charge	—	—
Earnings from operations	230.4	253.8
Other (expense) income, net	3.0	2.2
Net loss on early extinguishment of debt	—	—
Interest expense, net	(11.6)	(9.3)
Earnings from continuing operations before income taxes	215.8	242.3
Income tax provision	(57.6)	(70.2)
Earnings from continuing operations	158.2	172.1
Earnings from operations of discontinued business, net of tax	—	—
Net gain (loss) on sale of discontinued operations, net of tax	(1.5)	11.0
Earnings (loss) from discontinued operations, net of tax	(1.5)	11.0
Net earnings	156.7	183.1
Less: Net earnings attributable to noncontrolling interests	—	—
Net earnings attributable to Cytec Industries Inc.	156.7	183.1

Cytec Industries Inc. and Subsidiaries Consolidated Statements of Income (Audited)

	For the year ended December 31,		
	2014	2013	2012
	(in US$ millions, except per share amounts)		
Net sales	2,007.7	1,935.0	1,708.1
Manufacturing cost of sales	(1,403.8)	(1,283.1)	(1,202.9)
Selling and technical services	(158.9)	(146.6)	(153.3)
Research and process development	(56.8)	(49.0)	(54.0)
Administrative and general	(140.1)	(126.5)	(140.0)
Amortization of acquisition intangibles	(14.4)	(14.6)	(9.0)
Net loss on sale of assets	—	—	(16.7)
Asset impairment charge	—	(5.8)	—
Earnings from operations	233.7	309.4	132.2
Other (expense) income, net	(6.4)	(7.8)	1.3
Net loss on early extinguishment of debt	(22.7)	(39.4)	(0.2)
Interest expense, net	(14.4)	(18.2)	(30.1)
Earnings from continuing operations before income taxes	190.2	244.0	103.2
Income tax provision	(46.1)	(72.3)	(27.5)
Earnings from continuing operations	144.1	171.7	75.7
Earnings from operations of discontinued business, net of tax	—	31.6	117.4
Net gain (loss) on sale of discontinued operations, net of tax	9.7	(29.4)	(16.1)
Earnings from discontinued operations, net of tax	9.7	2.2	101.3
Net earnings	153.8	173.9	177.0
Less: Net earnings attributable to noncontrolling interests	—	(0.4)	(2.1)
Net earnings attributable to Cytec Industries Inc.	153.8	173.5	174.9

Cytec Industries Inc. and Subsidiaries Consolidated Balance Sheet

	As of September 30,	As of December 31,	
	2015	2014	2013
	(in US$ millions, except per share amounts)		
Assets			
Current assets			
Cash and cash equivalents	$ 170.9	$ 133.9	$ 151.8
Trade accounts receivable, less allowance for doubtful accounts(1)	286.2	265.1	251.3
Other accounts receivable	72.9	74.6	74.4
Inventories	309.4	307.6	253.1
Deferred income taxes	35.1	27.4	32.1
Other current assets	21.9	26.2	25.1
Total current assets	896.4	834.8	787.8
Plants, equipment and facilities, at cost	1,669.7	1,680.8	1,567.1
Less: accumulated depreciation	(589.0)	(559.4)	(520.1)
Net plant investment	1,110.7	1,121.4	1,047.0
Acquisition intangibles(2)	128.7	141.6	161.1
Goodwill	502.0	508.8	521.3
Deferred income taxes	32.8	41.2	25.2
Other assets	137.5	119.4	138.1
Total assets	$2,808.1	$2,767.2	$2,680.5
Liabilities			
Current liabilities			
Accounts payable	179.1	$ 172.4	$ 175.7
Current maturities of long-term debt	1.5	1.2	0.1
Accrued expenses	160.3	184.6	178.4
Income taxes payable	9.2	8.4	14.2
Deferred income taxes	0.4	0.3	0.1
Total current liabilities	350.5	366.9	368.5
Long-term debt	740.1	741.7	716.2
Pension and other postretirement benefit liabilities	229.1	245.9	195.2
Other noncurrent liabilities	156.3	170.3	187.1
Deferred income taxes	34.5	31.4	31.6
Stockholders' equity			
Preferred stock(3)	—	—	—
Common stock(4)	1.0	1.0	1.0
Additional paid-in capital	481.7	474.2	467.4
Retained earnings	1,829.3	1,699.6	1,572.8
Accumulated other comprehensive income	(54.1)	13.1	95.7
Treasury stock(5)	(960.3)	(976.9)	(955.0)
Total equity	1,297.6	1,211.0	1,181.9
Total liabilities and stockholders' equity	$2,808.1	$2,767.2	$2,680.5

Notes:

(1) Allowance for doubtful accounts of US$3.5 million, US$3.8 million and US$4.6 million as at September 30, 2015 and as at December 31, 2014 and 2013, respectively

(2) Acquisition intangibles are presented net of accumulated amortization of US$80.1 as at September 30, 2015, US$70.8 million and US$58.0 million as at December 31, 2014 and 2013, respectively

(3) 20,000,000 shares authorized; none issued or outstanding as at September 30, 2015, December 31, 2014 or 2013.

(4) US$.01 par value per share, 150,000,000 shares authorized; 99,822,154 issued as at September 30, 2015, 99,772,436 issued as at December 31, 2014 and 99,451,504 as at December 31, 2013.

(5) Treasury stock is measured at cost, 28,275,035 shares as at September 30, 2015; 28,732,931 shares as at December 31, 2014 and 28,442,748 shares as at December 31, 2013

Cytec Industries Inc. and Subsidiaries Consolidated Summary Statement of Cash Flows

	For the nine months ended September 30,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(in US$ millions)		*(in US$ millions)*		
Net cash provided by operating activities	156.8	172.0	263.4	30.6	313.7
Net cash (used in) provided by investing activities	(96.9)	(170.4)	(220.8)	712.1	(509.9)
Net cash used in financing activities	(13.5)	6.9	(48.6)	(764.5)	(44.0)
Decrease in cash and cash equivalents	37.0	0.8	(17.9)	(27.5)	(236.5)

OPERATING AND FINANCIAL REVIEW

The historical financial information discussed below concerning Solvay's financial condition and results of operations for the years ended December 31, 2014, 2013 and 2012 has been derived from Solvay's audited consolidated financial statements, which were prepared in accordance with IFRS, as adopted by the European Union. The selected historical financial information presented below for the nine months ended September 30, 2015 and comparable information for the nine months ended September 30, 2014 has been derived from Solvay's unaudited interim condensed consolidated financial statements, which were prepared in accordance with IFRS, as adopted by the European Union. The following analysis should be read in conjunction with Solvay's audited consolidated financial statements as of and for the years ended December 31, 2014, and 2013 and Solvay's unaudited interim condensed consolidated financial statements as of and for the nine months ended September 30, 2015, included elsewhere in this Prospectus.

The published consolidated figures as of December 31, 2013 have been restated in the consolidated financial statements of the Guarantor as of and for the year ended December 31, 2014 in order to account for the Eco Services business as a discontinued business and to account for the adoption of IFRS 11—"Joint Arrangements" as if both occurred on January 1, 2013. Therefore, the data in the historical consolidated statement of financial position as of December 31, 2013 and the consolidated income statement and statement of cash flow as of and for the year ended December 31, 2013 shown in this Prospectus have been drawn from the 2013 comparative figures shown in the audited consolidated financial statements of the Guarantor as of and for the year ended December 31, 2014.

The published consolidated figures as of and for the year ended December 31, 2012 have been restated in the consolidated financial statements of Solvay SA as of and for the year ended December 31, 2013 in order to reflect Chlorovinyls as a discontinued business, and PVC Compounds (Benvic) net assets as assets held for sale and liabilities associated with asset held for sale, and the application of IAS 19 revised—Employee Benefits, all from January 1, 2012. Therefore, the data in the historical consolidated statement of financial position as of December 31, 2012 and the consolidated income statement and statement of cash flow as of and for the year ended December 31, 2012 shown in this Prospectus have been drawn from the 2012 comparative figures shown in the audited consolidated financial statements of the Guarantor as of and for the year ended December 31, 2013.

Solvay measures its performance in part using the following non-IFRS indicators: REBITDA, Free Cash Flow, Net Debt and Adjusted Net Income. Please refer to "Non-IFRS Financial Measures and Key Performance Indicators", below, for further discussion of Solvay's use of "adjusted" measures in its review of its financial condition and results of operations.

Scope effects in the periods under review resulted primarily from the impacts of acquisitions (mainly Chemlogics) and divestitures (mainly the Eco Services and European Chlorovinyls businesses), which are described more fully under "Factors Affecting Results of Operations" and "Factors Affecting the Comparability of Results" below. Currency effects on the translation of Solvay's non-euro operations in the periods under review are the result of fluctuations in exchange rates between its operating companies' functional currencies and the euro, which are described more fully in "Factors Affecting Results of Operations" below.

To assist with comparability of Solvay's operations, period on period, Solvay analyzes net sales, REBITDA and other income statement line items changes in terms of organic growth (volume or price), acquisition related growth and foreign currency impact. This discussion includes forward-looking statements based on assumptions about Solvay's future business. Solvay's actual results could differ materially from those contained in the forward-looking statements.

Overview: Presentation of Solvay

Solvay is an international chemical group. As an innovation-driven company dedicated to building a model of sustainable chemistry, it assists its industrial clients in finding and implementing ever more responsible and value-creating solutions. For information regarding Cytec, see Annex A to this Prospectus.

Headquartered in Brussels, Belgium, Solvay employed approximately 26,000 people in its continuing operations as of December 31, 2014, with 119 industrial sites and a presence in 52 countries across Europe, North America, Latin America, and Asia and the rest of the world. In 2014, Solvay's consolidated net sales were €10,213 million. Solvay is organized into five operating segments, each with a business model that responds to its specific growth dynamics and competitive challenges. The application of particular business models for each segment permits Solvay to fine-tune the management of its portfolio of products and its investment priorities. The five operating segments are described below:

- **Advanced Formulations** had net sales of €2,854 million in 2014 and €2,038 million in the nine months ended September 30, 2015. The businesses in this segment sell to a broad range of industries, including home and personal care, manufacturing, paint and surface coatings, food and agriculture, and oil and gas. Its activities stand out for their relatively low capital intensity. As one of Solvay's growth engines, the businesses grouped under Advanced Formulations are characterized by their customer-centric approach and innovative tailor-made solutions, allowing for strong growth.
- **Advanced Materials** had net sales of €2,762 million in 2014 and €2,522 million in the nine months ended September 30, 2015. This segment serves a broad range of end markets, with a major exposure to the automotive industry as well as to the electrical and electronics sector, where applications are heavily driven by sustainability. This global business relies heavily on research and innovation and requires high customer intimacy in order to tailor products to customer needs. The Advanced Materials segment is the Group's largest growth engine, and a major contributor to the Group's growth, by remaining a leader in markets with high barriers to entry, strong margins and high returns on investment.
- **Performance Chemicals** had net sales of €2,944 million in 2014 and €2,313 million in the nine months ended September 30, 2015. The businesses in this segment are primarily exposed to consumer goods, the agro and food sectors and construction. Operating in mature but resilient markets, such as Soda Ash and Peroxide, this segment's success is based on economies of scale, competitiveness and quality of service. Growth investments in this capital-intensive segment are made on a selective basis. Solidly cash-generating, the GBUs in the Performance Chemicals segment engage in excellence programs to create additional sustainable value.
- **Functional Polymers** had net sales of €1,654 million in 2014 and €1,158 million in the nine months ended September 30, 2015. This segment primarily contains the Polyamide activities, such as chlorovinyls, plastic fibre and engineering plastics. Solvay is one of the few chemical companies to operate across the entire polyamide 6.6 chain. Its end-markets are primarily in automotive and consumer goods. This segment is currently focused on restoring profitability and therefore key success factors are continuous manufacturing optimization and innovation.
- **Corporate & Business Services** includes the Groups's corporate functions, as well as the Solvay's energy services business, which delivers energy optimization programs within the Group as well as for third parties. This segment is largely a cost center, and is not intended to generate sales.

Solvay is present in diverse markets and supports industries along their value chains with a clear ambition and objective: to be a source of progress and competitiveness for its customers and consumers by providing them with innovative, efficient and sustainable solutions.

The group has balanced exposure to both the more mature markets of Europe (which accounted for 34% of Solvay's net sales by region in 2014 and 32% in the nine months ended September 30, 2015) and North America (which accounted for 23% of Solvay's net sales by region in 2014 and 22% in the nine months ended September 30, 2015) and the high potential growth emerging markets in Latin America (which accounted for 11% of Solvay's net sales by region in 2014 and 10% in the nine months ended September 30, 2015) and Asia and the rest of the world (which accounted for 32% of Solvay's net sales by region in 2014 and 35% in the nine months ended September 30, 2015).

Since approximately 2012, the Group has been pursuing a Transformation Plan aimed at refocusing Group activities in the industrial chemical sector and changing the Group into a pure specialty chemicals company. This transformation was preceded by the divestiture of the Pharma business in 2010, which allowed the Group to largely exit the pharmaceutical and life sciences sectors. This was followed in 2011 by the merger with Rhodia, which refocused Solvay's position in key industrial chemical sectors and in 2013, the Group completed its exit from Life Science activities. The largest acquisition since Rhodia has been Chemlogics, which offers tailored chemical solutions for the oil and gas market, primarily in North America, but several other bolt-on acquisitions have been added to the portfolio during the period in an effort to strengthen Solvay's capacity in specialty chemicals. Since 2012, the Solvay Transformation Plan has focused on integrating these acquisitions and pursuing excellence initiatives to increase shareholder value.

The Group actively strives to transform itself towards a higher growth, higher margin and less cyclical business in order to grow its earnings and strengthen its returns. It relies on three specific levers to achieve this strategic target: portfolio management, organic growth and excellence initiatives. Organic growth is built on selective capital expenditures, supporting commercial or innovation-driven growth initiatives. This process is accelerated by active portfolio management, which translates to acquiring businesses that strengthen or expand the Group's position in high-growth specialty activities, while at the same time divesting and monetizing non-core, lower growth, activities. Excellence initiatives apply to industrial operations, including supply and logistics, as well as commercial activities and innovation. These measures allow the Group to grow organically in innovative specialty activities, while maintaining or improving its competitive position.

Factors Affecting Results of Operations

Transformation Plan

Solvay's Transformation Plan is based on several elements, including (1) rebalancing and upgrading the portfolio toward its strategic objectives; (2) capital investment in geographies, products and techniques with high growth and REBITDA potential and (3) excellence initiatives to improve manufacturing, commercial efficiency and innovation. For more information on acquisitions and divestures of subsidiaries and assets, see note 20 of the 2014 and the 2013 audited consolidated financial statements, included elsewhere herein. Below are short descriptions of the effects each prong of the transformation plan has had on performance and cash flows during the period:

1—Rebalancing the portfolio—Solvay has continued to rebalance its portfolio by selling non-core businesses and making acquisitions in those areas that strengthen its strategic ambitions. The purchases and divestures that had the largest impact on the financial statements over the 2012-2015 period are described below:

- *Advanced Formulations*: Chemlogics, the largest acquisition of the period, was acquired in the Novecare GBU in 2013 for approximately US$1.3 billion. This acquisition was paid in cash and generated goodwill of €525 million (as adjusted in 2014). It was accompanied by an offering of €1.2 billion in hybrid bonds (which was treated as equity under IFRS). Other additions include the 2014 acquisitions by Novecare in Brazil of Dhaymers, a manufacturer of specialty esters for the skin care market and Erca Quimica, a surfactant producer. In 2015, an alkoxylation plant was acquired from Erca Emery in the Netherlands; this acquisition brings a complementary production site to Ospiate, Italy and together with the construction of new units in Pasadena, Texas (USA) and Jurong Island (Singapore) completes the worldwide alkoxylation footprint for the Novecare GBU.
- *Advanced Materials*: Ryton PPS, a high-performance polymer producer, was the second largest acquisition of the 2014 period, for approximately US$220 million, and became part of the Specialty Polymers GBU. In 2014, the Specialty Polymers GBU also completed a major strategic investment by taking a minority stake in Aonix Advanced Materials Corp; this start-up gives the group new development opportunities in the growing thermoplastic composites market. The Special Chemicals GBU was created in 2015 by combining the activities of the former Special Chemicals unit with the Rare Earth Systems business, and adding the fluor-based businesses from the Aroma Performance GBU. In 2014, Special Chemicals acquired Flux Schweiß- und Lötstoffe GmbH in Germany, strengthening its position in aluminum brazing alloys. It also divested two non-core activities: in 2013 the sales of its loss-making Life Science business was finalized; and in January 2015, it agreed to sell its German-based refrigerants business and pharma propellants to Daikin in Japan; it is currently selling its Precipitated Calcium Carbonate (PCC) assets.
- *Performance Chemicals*: Solvay's portfolio management strategy focuses on high-growth businesses and on monetizing lower growth assets. As a result, investments in this segment are limited to selective areas, such as the peroxides business. To facilitate this approach, in 2013, the global business unit formerly known as Essential Chemicals was broken out into two units: Soda Ash & Derivatives on the one hand and, Peroxides on the other. Divestitures in this area include, for example, Eco Services, a sulfuric acid virgin production and regeneration business, active solely in the US, which was sold to the private equity firm CCMP in 2014 for an enterprise value of US$890 million in cash pre-tax, resulting in a pre-tax capital gain of €349 million.
- *Functional Polymers*: Functional Polymers focuses on improving profitability, which includes exiting certain business activities, monetizing their future cash generation. This is particularly the case for Solvay's chlorovinyls activities in Europe and Latin America, which were classified as discontinued operations in 2013 and 2012 respectively. On July 1, 2015 the European chlorovinyls businesses became part of the Inovyn joint venture with Ineos. This transaction represents a staged exit as it provides for Solvay to fully exit this activity after three years. An upfront payment of €150 million was received and Solvay is scheduled to receive an earn-out payment upon exit which will be dependent on the performance of the joint venture in the three year period. The earn-out payment is targeted to be €280 million upon exit, with potential upside and the downside limited by a floor price of €95 million. In preparation for this joint-

venture, Solvay's share of the impairment on these activities equaled €422 million, after minority interests. The planned sale of Indupa, covering the Latin American chlorovinyls activities, to Braskem was blocked by the Brazilian antitrust authorities at the end of 2014. The divestment process is, however, still being pursued, and these activities therefore remain classified as discontinued operations. In addition, the Benvic business activity, covering PVC compounding activities in Europe, was divested in June 2014. Functional Polymers also includes the RusVinyl PVC joint venture with a Russian petrochemical group, which benefited from an €98 million capital increase in 2014.

2—Capital Investment—Relatively high levels of capital expenditure predominated in 2013 and 2014 within continuing operations, accounting for approximately €765 million of expenditures in 2013 and €861 million in 2014, with the majority of this spending going to growth in capacity, rather than maintenance capital expenditure. Capital expenditure has reduced in intensity in 2015 as capacity expansion is completed and is expected to continue to do so. Overall, large capacity expansion has been underway in Asia, particularly in China, followed by investments in the North America, whereas investment in Europe and Latin America is mixed, with capacity expansions in high-growth markets coupled with rationalization in markets with over-capacity. The recent increase in growth-oriented capital expenditures, leading to an increase in new capacity expansion, should come on line primarily beginning in 2015 and therefore had a limited effect on the income statement during the period 2012-2014. As capacities ramp up gradually, 2016 results are expected to reflect the initial benefits from these new investments. By operating segment, the following investments have been underway during the period under review:

- In the Advanced Formulations segments, throughout the period under review, the Novecare GBU has been constructing alkoxylation plants in Texas, USA and Singapore, which are set to increase the competitiveness of the surfactant-based formulations due to their on-pipe ethylene supply. It also opened a specialty surfactant plant in Germany, which was completed at the end of 2014. In the Aroma Performance GBU, a vanillin plant has been under construction in China throughout 2013 and 2014, and is due to be opened by year-end 2015.
- In the Advanced Materials segment, the Specialty Polymers GBU has been increasing capacities throughout the period to support its high growth rate. One of the most notable investments is the fluoropolymers plant under construction in China, of which the first phase for FKM high-performance polymers was completed in 2015, while the second phase for PVDF high-performance polymers is due to be finalized in 2017. Other notable investments in this segment involve the expansion of its PEEK ultrapolymer capacity, for which expansion in India began operations in 2015 and the greenfield plant in the US due to open in 2016. The business unit Silica completed the construction, begun in 2013, of an HDS silica plant in Poland in 2014, and has started the construction of a new facility in South Korea, due to be opened in 2017.
- In the Performance Chemicals segment an HPPO megaplant has been under construction in Saudi Arabia since 2013 for the Peroxides business, and operations there are due to begin in 2016. This follows the construction of two similar plants in Belgium and Thailand, which were commissioned in 2009 and 2011, respectively. A new hydrogen peroxide plant is also due to be opened in China by the end of 2015. In the Soda Ash & Derivatives business, production capacity has been reduced to adapt to the changing circumstances in the European soda ash market, the business has slightly increased capacity in its US soda ash operations and has invested in specialties bicarbonate activity with the construction of a new plant in Thailand that opened in 2015.
- The Functional Polymers segment has been mostly focused on its profit restoration plan, which means that growth investments have been limited, the exception being the construction of the largest PVC plant in Russia (through RusVinyl, a 50/50 joint venture with Sibur). Construction started in 2010 and the plant was completed in 2014.

3—Excellence Initiatives—Excellence programs include initiatives on innovation, commercial and marketing practices, and operational efficiency. Currently Solvay is implementing and executing more than one hundred individual programs within this framework, which are targeted to generate some €800 million per year in increased REBITDA by 2016, compared to the 2013 base. In 2014, approximately €300 million in savings were contributed to the Group's REBITDA, demonstrating good progress on the delivery of excellence initiatives. The contribution of excellence programs to Group REBITDA for 2015 and 2016 constitute forward-looking statements. This information reflects potential savings and synergies identified by Solvay and may not be representative of the actual cost savings attributable to excellence programs. See "*Forward-Looking Statements*".

- Approximately half of the targeted excellence initiative gains is expected to come from operational excellence. This includes lowering fixed costs and reducing variable costs by improving energy efficiency and raw material usage, for example, by streamlining supply and logistics, as well as by reducing overhead costs.

- About one-third of the excellence programs consist of innovation improvements to boost growth with new products principally in sustainability-driven domains, such as replacing metal by polymers to reduce weight in vehicles and aircraft, thereby reducing CO_2 emissions in transport.
- The remaining sixth of excellence initiative gains are projected to come from commercial excellence initiatives, such as improving customer focus and customer relationships in price-setting, which should allow Solvay to optimize value creation in products.

Exchange Rates

A number of Solvay's operating companies use currencies other than the euro as their functional currencies. Consequently, foreign exchange rates can have a significant impact on Solvay's consolidated financial statements. Solvay's results of operations may be positively or negatively affected by fluctuations in exchange rates as a result of the fact that approximately two-thirds of Solvay's sales are completed in a currency other than the euro. Decreases in the value of Solvay's operating companies' functional currencies against other currencies in which their costs and expenses are priced may increase those companies' cost of sales and operating expenses, and thus negatively impact their operating margins in functional terms. Historically, Solvay has been able to raise prices and implement excellence initiatives to partly offset cost and expense increases that result from exchange rate volatility.

Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transactions, while assets and liabilities denominated in foreign currencies are translated at the balance sheet date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of assets and liabilities in currencies other than the euro are recognized in the income statement. In 2014, for example, net conversion effects were estimated to have a negative impact of approximately €15 million euros on consolidated Group REBITDA, whereas net transactional effects in 2014 had an estimated €26 million negative impact on consolidated Group REBITDA. Solvay also has hedging policies designed to manage commodity price and foreign currency risks to protect its exposure to its operating companies' functional currencies other than the euro. Transactional foreign exchange risk is to a large extent covered on a 6-12 months forward rolling basis through hedging. Conversion effects, which are non-cash, are not hedged.

Most of Solvay's foreign exchange exposure is related to the US dollar, as a result of both Solvay's large scale operations in the United States, and the fact that the US dollar is used in worldwide transactions. Solvay has a net long position in US dollars. Its 2015 REBITDA sensitivity is estimated to be some €100 million for every 10% change in the euro-dollar exchange rate, approximately half from transaction and half from conversion effects. Other major currencies to which Solvay is exposed are the Russian Ruble, the Brazilian real, the Chinese yuan, the Thai bhat, and the South Korean won.

Mega-trends and societal changes

Solvay has identified three mega-trends, which capture the ongoing shift in consumer demand and the changing landscape for its products. These mega-trends are:

- resource constraints and increased demand for sustainability;
- evolving demography and consumer behaviors; and
- innovation acceleration.

Solvay is aligning its product range to address these trends, primarily through innovation. These megatrends impact all of Solvay's activities, but rapid innovation increases obsolescence risk. Of Solvay's net sales in 2014, 21% were generated from products developed within the last five years.

The alignment with mega-trends is best illustrated by examining sales growth rates in various individual GBUs. In particular, high growth in 2014 net sales was noted in the following GBUs: Novecare, which grew by 29%; Specialty Polymers, which grew by 16%; and Silica, which grew by 8%. In Novecare, the 29% progression is linked to the acquisition of Chemlogics and increased demand for Solvay products from the North American unconventional oil and gas industry. Both are clearly linked to the trending focus on "resource constraints", as the scarcity of easily accessible oil and gas has stimulated unconventional exploration into areas such as shale gas and tight oil. As of the date of this Prospectus, the unconventional North American oil and gas exploration industry is facing significant challenges, due to the sharp drop in the oil price. This negatively impacted Solvay's sales to this end market in 2015, following several years of strong growth. Solvay believes that unconventional oil and gas exploration remains an attractive market, both in North America and in other regions of the world.

Similarly, to a large extent, Specialty Polymers' net sales growth was a result of the sustainability trend, as the drive to make vehicles lighter and more energy efficient has compelled this GBU to develop high-quality, lightweight materials for use in auto construction. The growth in Silica also reflects the sustainability trend, as this GBU's products are used to produce more fuel efficient tires. As Solvay's Specialty Polymers and Silica products are essential to the sustainable transformation of many automotive products, growth in these two GBUs is higher than average growth in the automotive industry as a whole.

Solvay's GBUs are also responding to the rapid pace of innovation in the smart devices industry and the consumer demand for increased mobile connectivity, illustrating mega-trends in evolving consumer behaviors. This industry in particular constantly seeks higher performance and is subject to ever-shorter development cycles, reflecting the mega-trend of accelerating innovation.

Regulatory Changes

The chemical industry is constantly subject to changing regulatory requirements, licensing requirements and certification procedures, such as the REACH legislation on chemical substances in Europe. These changing regulations can affect Solvay's cost structure by increasing overhead and may affect sales by altering demand for Solvay's products or those of its customers.

Changing regulations also create opportunities for Solvay. This is especially true for products that promote global sustainability. Energy efficiency regulations for automobiles, for example, are being imposed in a large number of countries, and these drive car manufacturers to reduce the weight of cars, improve engine efficiency or reduce the rolling resistance of tires. Similar legislation pushes car manufacturers to limit the toxic emissions of combustion engines. Solvay develops and produces products that offer solutions to these problems.

Changing regulations can also have a more direct impact on Solvay's financial position. For example, trading in Certified Emission Reductions (CER) under the Kyoto protocol and European Union Allowances (EUA) represented a substantial business activity for Solvay's Energy Services. This trading scheme was phased out entirely in the first half of 2013. Trading in these allowances generated approximately €150 million and €60 million of REBITDA in 2012 and 2013, respectively. Although Solvay continues to offer CO_2 and energy trading services, the current regulatory environment does not allow for significant contributions to earnings.

Changing Commodity Prices

Solvay is affected by fluctuations in the prices of a number of commodities. Fluctuations in world commodity prices may have either an upstream or a downstream affect and impact both the cost base and sales, sometimes in opposite directions simultaneously. Commodities that have had a notable impact on Solvay's performance over the period include energy, coal, oil, gas, guar and rare earth minerals.

Approximately 10% of Solvay's cost of goods sold are energy costs to run production facilities. Approximately 75% of these energy costs are electricity- and gas-based, with some 20% coming from coal, coke and anthracite sources, and the remainder derived from other energy sources, such as steam. As such, Solvay is exposed to price fluctuations in the commodities behind these sources. Solvay covers a large part of its exposure through longer term energy contracts, which protect it from short-term fluctuations. Moreover, excellence initiatives, such as the SolWatt program are underway to optimize energy use.

In addition, many of the chemicals produced by Solvay are derived from petroleum and its derivatives and therefore petroleum-related raw material prices fluctuate in tandem with oil prices, albeit with a time delay. The average spot price for Brent crude in 2014 was approximately US$99.20 per barrel and the average spot price over the first nine months of 2015 equaled approximately US$55 per barrel. Excluding energy supply, raw materials represented costs for the Group of approximately €3.6 billion in 2014. Petrochemical products derived from crude oil or natural gas, represented approximately 60% of 2014 total raw materials costs. As crude oil prices decline, these raw materials tend to become cheaper to source and lower prices for "feed stock" raw materials can have a strong impact on variable costs. Some of this cost advantage can be retained, mostly in specialty materials, whereas in more commoditized Solvay products, a large portion of the cost advantage is passed through to the customer. In case of an increase in the price of crude oil, the opposite effect applies. As the impact of commodity prices on costs and sales are not always simultaneous, this can also impact the valuation of intermediate inventories.

Approximately 8% of Solvay's net sales are also directly derived from the oil and gas industry, as Solvay sells products used in oil and gas exploration and production. In particular, the chemicals produced by Solvay are exposed to non-conventional oil exploration and production methods used in North America, such as hydraulic fracturing. Demand for the chemicals used in these comparatively more expensive extraction methods was negatively impacted by the decline in petroleum prices in the second half of 2014 and through 2015. New unconventional oil and gas exploration fell substantially in 2015. These specific chemicals represented approximately 5% of Solvay's net sales in 2014.

Price fluctuations of other major raw materials have also impacted Solvay's performance in the past. For example, guar is a bio-based raw material derived from the guar bean, which is mainly harvested in India. Solvay processes this material in its Novecare business unit for diverse applications, including a large end-market in North American non-conventional oil and gas exploration. Solvay directly benefits from higher guar prices through a guar processing joint venture in India. It also is indirectly impacted, as it processes guar to more advanced products, and the long processing time leads margins to widen when prices rise, while they narrow when prices fall. In 2012, a guar shortage, due to a bad harvest combined with a surge in demand from the booming unconventional oil and gas industry, led to a significant increase in the price of this raw material. In 2013 the market normalized again, bringing prices closer to historical levels. Solvay benefitted from the price hike in 2012, and was negatively impacted in 2013, resulting in an approximate €150 million year-on-year decrease in REBITDA. Guar prices have since then not had a major impact on results.

Other raw materials that have impacted Solvay's results over the period include rare earth elements, a generic term for 17 natural non-ferrous elements that are particularly prized for their exceptional catalytic, magnetic, luminescent or abrasive qualities. Solvay transforms rare earths into advanced substances used in products such as automotive catalysts. China is the main geographic source for these elements and rare earth prices peaked in 2011 when the Chinese authorities imposed export quotas. This caused a large differential between Chinese domestic prices and international prices. In 2011, Solvay benefitted from the price differentials because it was allocated export quotas for the rare earth metals that it processes in China. Solvay's margins in its rare earth processing operations increased, as prices spiked, and these margins were reduced again in 2012 and 2013 when international prices for these commodities fell, as the Chinese export quotas lost their effect.

Factors affecting comparability of results of operations

Acquisitions

During the periods under consideration, certain acquisitions have impacted Solvay's scope of consolidation and results of operations. The main acquisition is Chemlogics, which was consolidated as of November 1, 2013.

Divestments

During the periods under consideration, certain businesses have been classified as discontinued operations, which therefore impacts the comparability of Solvay's results from continuing operations. The following businesses were classified as discontinued operations during the period under examination:

	Date classified as discontinued operations	Disposal date
Latin American Chlorovinyls (Solvay Indupa)	2012	Not yet sold
European Chlorovinyls (Inovyn)	2013 (2012 restated)	July 1, 2015
Eco Services business	2014 (2013 restated)	December 1, 2014

In addition, in 2013, PVC Compounds (Benvic) net assets were classified as Assets Held for Sale and Benvic's liabilities were classified as Liabilities associated with Assets Held for Sale and 2012 figures were restated accordingly. The results of Benvic remained in continuing operations in the income statement, however. The sale of Benvic to Open Gate Capital was completed in June 2014.

Changes in accounting policies

On January 1, 2014, the Group adopted IFRS 11 "Joint Arrangements". The initial application of IFRS 11 affected the accounting treatment of several joint arrangements classified as joint operations. These joint operations are consolidated using a proportionate method under IFRS 11, based on Solvay's ownership interest, while they were accounted for under the equity method previously. For more information on Solvay's implementation of IFRS 11, see Note 1 to the 2014 audited consolidated Group financial statements. The retrospective application of the new standard in the 2013 financial statements resulted in an increase in net sales of €65 million and an increase in REBITDA of €41 million. The 2012 figures have not been restated retrospectively, in conformity with IFRS 11.

On January 1, 2013, the Group applied the amendments to IAS 19 revised—*Employee Benefits*. The impact on the measurements of the related provisions was limited to the inclusion of the taxes on contributions. The year 2012 has been restated to include the effect of this IAS 19 revision as of December 31, 2011 and negatively impacted 2012 retained earnings by €20 million while employee benefit provisions increased by €20 million.

Allocation of costs from shared functions and services

The comparability of segment REBITDA is also affected by the allocation of the costs arising from shared functions and services from the Corporate & Business Services unit to the GBUs. That reallocation primarily concerns unallocated residual costs arising when the Group divests businesses, less savings that have been delivered. Such reallocation was implemented, for example, in mid 2014, following the divestment of Eco Services and the divestment of the European chlorovinyls business. The financial information relating to the year ended December 31, 2013 had been restated to present comparable allocation of shared costs, but the financial information relating to the year ended December 31, 2012 has not.

Non-IFRS Financial Measures and Key Performance Indicators

For its analysis and financial communications, Solvay uses the following non-IFRS indicators: recurring earnings before interest expense, taxes, depreciation and amortization (REBITDA); Free Cash Flow, Net Debt, Adjusted Net Income and CFROI. Solvay believes that these measurements are useful tools for analyzing and explaining changes and trends in its historical results of operations, as they allow performance to be compared on a consistent basis. Solvay also believes that some of these measures are frequently used by securities analysts. However, they are not subject to audit and are not IFRS measurements. These measures do not have a standardized meaning prescribed by IFRS and, in part due to the lack of such a standardized meaning, have limitations as analytical tools, and prospective purchasers should not consider them in isolation from, or as substitutes for, Solvay's results of operations and financial condition under IFRS. As there is no standardized meaning for such measures under IFRS, the methods of calculating such measures used by Solvay may differ from the calculation of similarly named measurements by other companies. A reconciliation of each of these performance measure to the nearest IFRS measure can be found below.

REBITDA

REBITDA is a key performance indicator monitored by management to gage income statement performance of continuing operations. It is a non-IFRS measure, that can be reconciled to IFRS earnings before interest expense and taxes (EBIT) on Solvay's income statement and is used by management to monitor segment performance and to allocate resources.

- REBITDA consists of EBIT, as presented in the income statement, excluding:
  - (i) depreciation and amortization charges;
  - (ii) non-recurring items, as defined below, including non-recurring items from equity-method consolidated companies;
  - (iii) M&A-related income and expenses, including, but not limited to, the purchase price allocation amortization related to the Rhodia acquisition; and
  - (iv) major financing-related income and expenses from equity-method consolidated companies, such as RusVinyl.
- Non-recurring items mainly include:
  - (i) gains and losses on the sale of subsidiaries and Solvay's interest in joint operations, joint ventures, and associates that do not qualify as discontinued operations;
  - (ii) acquisition costs of new businesses;
  - (iii) gains and losses on the sale of real estate not directly linked to an operating activity;
  - (iv) major restructuring charges;
  - (v) impairment losses resulting from the shutdown of an activity or a plant;

(vi) impairment losses resulting from testing CGUs for impairment (which may include impairment of tangible assets, intangible assets and allocated goodwill, if any);

(vii) the impact of significant litigation; and

(viii) remediation costs not generated by ongoing production facilities (such as shutdown of sites, discontinued activities or previous years' pollution).

The following table reconciles REBITDA to EBIT for the nine months ended September 30, 2015 and 2014, and for the years ended December 31, 2014, 2013 and 2012 can be reconciled to EBIT as follows:

	For the nine months ended September 30,		For the year ended December 31,		
	2015	2014	2014	2013[(1)]	2012[(2)]
	(in € millions)				
EBIT	737	691	652	591	1,181
Non-recurring items[(3)]	126	106	308	239	(55)
Equity Earnings RusVinyl (financing scheme impact)[(4)]	38	7	65	11	—
Adjustment of Chemlogics retention plan	—	—	8	1	—
Adjustment of Rhodia inventories at fair value (PPA)	—	—	—	—	45
Adjustment of Chemlogics inventories at fair value (PPA)	9	9	3	13	—
Other adjustments	—	—	(5)	—	—
Recurring IFRS depreciation and amortization	616	555	751	757	724
REBITDA	1,526	1,369	1,783	1,611	1,896

Notes:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" as if both occurred on January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

(3) As defined in Note 10 to the 2014 and 2013 audited consolidated financial statements.

(4) Net income or expenses from financing scheme of equity-method consolidated company RusVinyl, which is further described in "Liquidity and Capital Resources—Other Debt—RusVinyl".

Free Cash Flow

Free Cash Flow is used as a liquidity measure because the Group believes that it more accurately reflects the available liquid resources of the Group than existing IFRS measures. It is also used as a performance measure because the ability to generate of liquid readily-available resources reflects the health of the Group's major business segments.

Free Cash Flow is derived by adding IFRS cash flow from operating activities (including dividends from associates and joint ventures) and IFRS cash flow from investing activities, net of three elements : (i) acquisitions and sales of subsidiaries (ii) acquisitions and sales of other investments and (iii) loans to associates and non-consolidated subsidiaries.

The following table reconciles Free Cash Flow to the items of the consolidated cash flow statement for the nine months ended September 30, 2015 and 2014 and the years ended December 31, 2014, 2013 and 2012:

	For the nine months ended September 30,		For the year ended December 31,		
	2015	2014	2014	2013[(1)]	2012[(2)]
	(in € millions)				
Cash flow from operating activities	746	753	1,621	1,299	1,457
Cash flow from investing activities	(994)	(810)	(650)	(1,745)	(520)
Net acquisition (-) of subsidiaries	(47)	(91)	(304)	(878)	(2)
Acquisition (-) of investments—Other	(12)	(91)	(107)	(103)	(39)
Sale (+) of investments	(19)	—	721	44	191
Loans to associates and non consolidated companies	(5)	10	5	4	0
Total free cash flow (FCF)	11	114	656	487	787
Of which FCF from continuing operations	22	32	511	198	679
Of which FCF from discontinued operations	(11)	82	145	289	108

Notes:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

(2) 2012 figures for continuing and discontinued operations have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

Net Debt

Net Debt is used as a key performance indicator because it represents the amount of financial debt that is not covered by available cash and liquid instruments. Net Debt has no directly comparable IFRS financial measure, but is calculated using several asset and liability categories from the statements of financial position, as shown in the table below.

Net Debt is defined as short and long-term financial debt, minus cash and cash equivalents and minus Other Current Receivables—Financial Instruments. The following table reconciles net debt to the component statement of financial position items as of September 30, 2015 and 2014 and as of December 31, 2014, 2013 and 2012:

	For the nine months ended September 30,		For the year ended December 31,		
	2015	2014	2014	2013[(1)]	2012[(2)]
	(in € millions)				
Short Term Financial debt	1,451	1,110	853	775	331
Long Term Financial Debt	1,243	1,483	1,485	2,809	3,321
Total Financial debt	2,693	2,593	2,338	3,584	3,652
Other current receivables—Financial instruments	(89)	(18)	(309)	(481)	(758)
Cash and cash equivalents	(1,132)	(910)	(1,251)	(1,961)	(1,768)
Net Debt	(1,473)	(1,665)	778	1,141	1,125

Liabilities (+) / Assets (-)

Note:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013. Chlorovinyls and PVC Compounds (Benvic) are reported as net assets as Assets Held for Sale at the end of 2013.

Adjusted Net Income

Adjusted Net Income is used as a key performance indicator because the Group believes that this indicator eliminates the distorting effects of the increases in depreciation and amortization charges within the income statement that resulted from recording the assets and liabilities of the Rhodia acquisition at fair market value.

Adjusted Net Income is calculated using IFRS net income, which is then adjusted for "PPA Amortization". The PPA Amortization is the amortization and depreciation charges for the period (after taxes) on intangible assets, which were allocated to Solvay's Statement of Financial Position using the purchase price allocation method that was applied to the assets and liabilities acquired from Rhodia.

The following table reconciles adjusted Net Income to IFRS net income for the nine months ended September 30, 2015 and 2014 and for the years ended December 31, 2014, 2013 and 2012:

	For the nine months ended September 30,		For the year ended December 31,		
	2015	2014	2014	2013[(1)]	2012[(2)]
	(in € millions)				
Net Income IFRS	416	(127)	13	315	580
Adjustments to IFRS net income					
PPA Amortization on intangible fixed assets	82	82	110	143	131
Adjustment of Rhodia inventories at fair value (PPA)	—	—	—	—	45
Tax on adjustments	(28)	(26)	(36)	(39)	(50)
PPA amortization on discontinued operations	—	2	2	3	—
Adjusted Net Income	470	(69)	89	422	707

Notes:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

CFROI

Cash flow return on investment ("**CFROI**") is a metric used by Solvay's management to evaluate value creation. It is determined on an annual basis at the Group level, the segment level, and the GBU level.

CFROI is calculated as the ratio of Recurring Cash Flow over Invested Capital, where:

(i) Recurring Cash Flow means REBITDA plus dividends from joint ventures accounted for using the equity method minus income from such entities plus Recurring Capex minus Tax;

(ii) Capital Invested means the Replacement Value of Fixed Assets plus Working Capital plus the value on our balance sheet of joint ventures accounted for using the equity method;

(iii) Recurring CapEx is defined as 2% of the Replacement Value of Fixed Assets net of goodwill values;

(iv) Tax is defined as 30% of REBIT;

(v) Replacement Value of Fixed Assets generally uses the IFRS gross values of fixed assets as the relevant indication of replacement values. However for certain businesses, adjustments are made if the book values are not representative, in which case benchmarks are used. In addition, in certain cases, goodwill is included, as it reflects part of the asset acquisition cost; and

(vi) Working Capital is the sum of inventory, trade receivables (payables) and current net income tax receivables (payables) on Solvay's statement of financial position.

The table below shows CFROI for the years ended December 31, 2014, 2013 and 2012:

	For the year ended December 31,		
	2014	2013	2012(1)
CFROI	6.9%	6.9%	6.5%

Note:—

(1) Prior to discontinuation of Indupa, Latin-American chlorovinyls activities, and the European chlorovinyls activities.

In 2014, CFROI was 8.2% in our Advanced Formulations segment, 11.1% in our Advanced Materials segment, 8.0% in our Performance Chemicals segment and 3.0% in our Functional Polymers segment.

Descriptions of Main Income Statement Items

Sales

Sales are composed of gross sales of goods and value-added services corresponding to Solvay's know-how. Sales are recognized when the significant risks and rewards of ownership and effective control of the goods has been transferred to the buyer or the stage of completion of service delivery can be measured reliably, associated costs and amounts receivable can be reliably measured and future economic benefit to the Group is probable.

Revenues from non-core activities

Revenues from non-core activities primarily refers to revenue generated through commodity and utility trading transactions and revenue deemed incidental to core Group activities. Examples of such incidental items include revenue derived from temporary support contracts for transition services, such as consulting, signed with acquirers following the sale of a Solvay business.

Net sales

Net sales are composed of Solvay's sales, minus revenues from non-core activities. 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.

The term "net sales" refers to sales of goods and value-added services corresponding to Solvay's know-how and core business.

Cost of goods sold

Cost of goods sold expense is composed of personnel expense, depreciation related to production facilities and previously-capitalized development costs, and variable costs, including raw materials, energy costs and shipping.

Commercial and administrative costs

Commercial and Administrative costs are composed of expenses related to commercial and administrative activities, including personnel expense and commissions due to sales agents, as well as depreciation related to administrative and commercial facilities.

Research and innovation costs

Research and innovation costs pertain primarily to the creation and improvement of products and services; they are composed of expenditures that do not qualify to be capitalized as assets, mainly because the probability of future economic benefits has not been demonstrated. Research and innovation costs are primarily composed of personnel expense, utilities costs, depreciation of laboratory equipment and amortization of intellectual property, net of grants received. Research and Innovation expenses that are accounted for in Business and Corporate Services relate primarily to fundamental research that cannot yet be allocated to specific business lines due to the basic nature of the research.

Other operating gains and losses

Other operating gains and losses include the following: start-up, formation and preliminary study costs on new products or business lines; recurring capital gains on sales of fixed assets and real estate linked to operating activities; net foreign exchange gains and losses; amortization of intangible assets resulting from the purchase price accounting of the Rhodia acquisition.

Earnings from associates and joint ventures

Earnings from associates and joint venture relates to net earnings of equity method investees that Solvay accounts for under IFRS 11—"*Joint Arrangements*." A list of Solvay's associates and joint ventures in 2013 and 2014 can be found at the end of the respective 2013 and 2014 audited consolidated financial statements contained herein.

Non-recurring items

Non-recurring items mainly include: gains and losses on the sale of subsidiaries, joint operations, joint ventures, and associates that do not qualify as discontinued operations; acquisition costs of new businesses; gains and losses on the sale of real estate not directly linked to an operating activity; major restructuring charges; impairment losses resulting from the shutdown of an activity or a plant; impairment losses resulting from testing CGUs for impairment (a CGU includes tangible assets, intangible assets and allocated goodwill, if any); the impact of significant litigation; and the remediation costs not generated by ongoing production facilities (shutdown of sites, discontinued activities, previous years' pollution).

Net financial charges

Net financial charges are composed of cost of borrowings, minus accrued interest on lending and short-term deposits, plus other gains or losses on net indebtedness (primarily, gains and losses on foreign exchange contracts and swaps), costs of unwinding of the discounting provisions (namely, related to post-employment benefits and health, safety and environmental liabilities) and income or loss from available-for-sale assets. For more detail on the cost of discounting provisions, see "Critical Accounting Policies—Environmental Provisions" above.

Income taxes

Income taxes represent the net income tax expense recognized in the income statement for the period.

Results from discontinued operations

Results from discontinued operations represents the net profit or loss of all operations and entities that qualify for treatment as discontinued operation in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Non-controlling interests

Non-controlling interests represent the share of the net assets and comprehensive income of subsidiaries of the Group that are held by third-party investors or partners. This share represents the interests in subsidiaries that are not held directly by the parent company or indirectly through its subsidiaries. In the income statement, a share of net profit and loss for such subsidiaries is attributed to these outside holders, known as non-controlling interests.

Nine months ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

Income Statement

The table below presents Solvay's income statement for the nine months ended September 30, 2015 and 2014:

	For the nine months ended September 30,	
	2015	2014
	(in € millions)	
Sales	8,374	7,935
Revenue from non-core activities	338	296
Net sales	8,036	7,639
Cost of goods sold	(6,241)	(6,011)
Gross margin	2,133	1,924
Commercial and administrative costs	(985)	(889)
Research and development costs	(204)	(181)
Other operating gains and losses	(74)	(66)
Earnings from associates and joint ventures	(8)	9
Non-recurring items	(126)	(106)
EBIT	737	691
Net Financial Charges	(167)	(240)
Result before taxes	570	451
Income taxes	(204)	(148)
Result from continuing operations	366	302
Result from discontinued operations	50	(429)
Net income for the year	416	(127)
Non-controlling interests	(48)	16
Net income (Solvay share)	368	(110)

Sales

The table below shows gross sales for the nine months ending September 30, 2015 and 2014, respectively:

	For the nine months ended September 30,	
	2015	2014
	(in € millions)	
Sales	8,374	7,935
Revenue from non-core activities	338	296
Net sales	8,036	7,639

Net sales increased by €397 million, or 5.2%, from €7,639 million for the nine months ended September 30, 2014 to €8,036 million for the nine months ended September 30, 2015. This increase was mainly due to the positive net conversion impact of foreign exchange rate fluctuations, resulting mainly from the appreciation of the U.S. dollar versus the euro, which contributed €569 million to the increase in net sales. To a lesser extent, net changes in scope contributed €16 million to the increase in net sales, mainly resulting from the acquisition of Ryton® PPS and Flux Schweiß- & Lötstoffe at the end of 2014 in the Advanced Materials operating segment; this was partly offset by the sale of the Benvic PVC compounding business in Functional Polymers in the second quarter of 2014.

Lower volumes had the effect of decreasing sales by €160 million, mainly resulting from the contraction in the North American oil and gas exploration industry which started in February of 2015 and impacted Novecare's sales volumes, and the substantial destocking in the acetate tow market, which started in the second half of 2014. Sales prices decreased slightly as a result of the impact of raw material price decreases in Polyamide & Intermediates and Emerging Biochemicals, as well as in Novecare and Coatis, partly offset by positive transactional forex effects.

Net Sales by Segment

The following table breaks down Solvay's net sales by segment and by business line for the nine months ended September 30, 2015 and 2014.

	For the nine months ended September 30, 2015	For the nine months ended September 30, 2014
	(in € millions)	
Advanced Formulations	2,038	2,122
Of which Novecare	1,452	1,513
Of which Aroma Performance	268	241
Of which Coatis	318	368
Advanced Materials	2,522	2,041
Of which Specialty Polymers	1445	1,099
Of which Silica	388	338
Of which Special Chemicals	689	603
Performance Chemicals	2,313	2,184
Of which Soda Ash & Derivatives	1,172	1,019
Of which Peroxides	422	380
Of which Acetow	395	483
Of which Emerging Biochemicals	325	303
Functional Polymers	1,158	1,291
Of which Polyamides	1,126	1,180
Of which Chlorovinyls	32	110
Corporate & Business Services	5	0
Of which Energy Services	5	0
Of which CBS	0	0
Net Sales	8,036	7,639

Advanced Materials is the largest operating segment in terms of net sales and represented approximately 31.4% and 26.7% of consolidated Net Sales in the first nine months of 2015 and 2014, respectiveley. Performance Chemicals and Advanced Formulations are the next largest operating segments but are roughly of equivalent size in terms of net sales. For example, the Performance Chemicals operating segment represented approximately 28.8% and 28.6% of consolidated Net Sales in the first nine months of 2015 and 2014, respectively, while Advanced Formulations accounted for 25.4% and 27.8% of consolidated Net Sales in the first nine months of 2015 and 2014, respectively. Functional Polymers is the smallest operating segment, accounting for 14.4% and 16.9% of consolidated Net Sales in the first nine months of 2015 and 2014, respectiveley. The Corporate and Business Services unit is generally speaking a cost-center and is not structured to generate revenue.

REBITDA

The table below shows Recurring Earnings before Interest Expense, Taxes, Depreciation and Amortization (REBITDA) and REBITDA as a percentage of net sales for the nine months ended September 30, 2015 and 2014:

	For the nine months ended September 30, 2015	For the nine months ended September 30, 2014
	(in € millions)	
REBITDA	1,526	1,369
REBITDA as % of sales	19,0%	17,9%

REBITDA for the nine months ended September 30, 2015 equaled €1,526 million, compared to €1,369 million for the nine months ended September 30, 2014, which represented an increase of €157 million, or 11.5%. REBITDA as a percentage of net sales increased to 19.0% in the nine months ended September 30, 2015 from 17.9% in the nine months ended September 30, 2014. This improvement was due to pricing power and positive forex effect, more than offsetting lower volumes and higher fixed costs.

Pricing power benefited from lower raw material and energy prices and was complemented by operational excellence measures and positive transactional foreign exchange effects. In aggregate pricing power contributed €149 million to REBITDA growth. Positive conversion foreign exchange effects, mainly from the exchange rate of the U.S. dollar versus the euro, contributed another €136 million to REBITDA growth. This increase was partly offset by the volume reduction, which reduced REBITDA by €91 million. In addition, fixed costs increased by €46 million, as a result of start-up costs of new sites, while as the negative effects of inflation were partially offset by operational excellence measures.

Net Sales and REBITDA by Business segments

The Group follows net sales and REBITDA for each business segment as presented below.

Advanced Formulations

The table below shows Net Sales and REBITDA for the Advanced Formulations operating segment for the nine months ended September 30, 2015 and 2014:

	For the nine months ended September 30,	
	2015	**2014**
	(in € millions)	
Net sales	2,038	2,122
REBITDA	294	317

Net Sales at Advanced Formulations decreased by 4.0% from €2,122 million for the nine months ended September 30, 2014 to €2,038 million for the nine months ended September 30, 2015. A decrease in volumes had a negative impact of 12% or €260 million on sales in the Advanced Formulations segment, mainly in the Novecare business, as a result of lower demand in the unconventional oil and gas markets in North America. This decrease in Net Sales was partly offset by an 11% favorable impact of exchange rates. Prices decreased by 2% in the first nine months of 2015, primarily as a result of lower raw materials prices. Novecare sales were down 4.1% due to the negative developments in oil and gas, and Coatis' net sales decreased 13.8% as a result of a strong devaluation of the Brazilian real and lower activity levels in the Latin American market. Aroma Performance sales grew by 11% in the first nine months of 2015, compared to the same period in 2014, due to volume growth in Solvay's vanillin formulations and inhibitors.

REBITDA at Advanced Formulations decreased 7.3%, from €317 million for the nine months ended September 30, 2014 to €294 million for the nine months ended September 30, 2015. The volume increase at Aroma Performance was insufficient to compensate for the volume contraction in Coatis and in Novecare's unconventional oil and gas markets, which started in February of 2015. The negative revaluation of inventories at Coatis and Novecare, triggered by the sharp decline of certain raw materials, also impacted earnings in the first quarter. These developments were partly offset by the positive impact of forex and positive net pricing, benefiting from lower raw material prices and transactional forex effects. The competitiveness actions that Novecare put in place also mitigated pressure on price.

Advanced Materials

The table below shows Net Sales and REBITDA for the Advanced Materials operating segment for the nine months ended September 30, 2015 and 2014:

	For the nine months ended September 30,	
	2015	**2014**
	(in € millions)	
Net sales	2,522	2,041
REBITDA	651	538

Net Sales in the Advanced Materials operating segment increased by 23.6% from €2,041 million for the nine months ended September 30, 2014 to €2,522 million for the nine months ended September 30, 2015, with increases across all GBUs. Favorable foreign exchange rates had a positive impact of approximately 10%, or €205 million, on sales in the Advanced Materials operating segment. The increase was also supported by volume growth of 8% in the nine months ended September 30, 2015 compared to the first nine months of 2014. The volume growth in Specialty Polymers was driven, in particular by sales in the smart device, automotive and industrial applications sectors. In addition, positive scope effects contributed 5% to sales growth in the Advanced Materials operating segment, mainly due to the acquisition of Ryton® PPS and Flux Schweiß- & Lötstoffe at the end of 2014. Net prices remained stable overall in the nine months ended September 30, 2015 compared to price levels in the first nine months of 2014.

REBITDA for the Advanced Materials operating segment increased 21.0% from €538 million for the nine months ended September 30, 2014 to €651 million for the nine months ended September 30, 2015. This increase was mainly due to volume growth in all businesses and especially in Specialty Polymers. The segment also benefited from the positive conversion effects of favorable foreign exchange rates. Net impact of pricing between the 2015 and the 2014 period was generally flat, as increased prices in Specialty Polymers were nearly offset by decreasing prices in Special Chem.

Performance Chemicals

The table below shows Net Sales and REBITDA for the Performance Chemicals operating segment for the nine months ended September 30, 2015 and 2014:

	For the nine months ended September 30,	
	2015	2014
	(in € millions)	
Net sales	2,313	2,184
REBITDA	591	534

Net Sales at Performance Chemicals increased 5.9% from €2,184 million for the nine months ended September 30, 2014 to €2,313 million for the nine months ended September 30, 2015. This increase was mainly supported by foreign exchange and price effects. The favorable effects of foreign exchange rates increased sales in this segment by 5%, or €103 million, and price increases accounted for a 4%, or €82 million increase in sales, as price increases at Peroxides and Soda Ash & Derivatives outweighed the decreased prices at Emerging Biochemicals that were the result of lower raw material prices. This increase was partly offset by lower volumes in Acetow due to contraction in this market since the second half of 2014, and this despite volume increases in the other GBUs.

REBITDA for the Performance Chemicals operating segment increased 10.7% from €534 million for the nine months ended September 30, 2014 to €591 million for the nine months ended September 30, 2015. This increase was supported by positive net pricing, mainly at Soda Ash & Derivatives and Peroxides, as the benefit of lower raw material prices was largely retained, and prices for these GBU's products increased. REBITDA growth in the Performance Chemicals segment was also supported by favorable foreign exchange effects and, to a lesser extent, fixed costs reductions, which were partly due to excellence initiatives. These increases were partly offset by the negative volume impact in Acetow, with a strong decrease in the first half of the year, but recording an improvement in the third quarter.

Functional Polymers

The table below shows Net Sales and REBITDA for the Functional Polymers operating segment for the nine months ended September 30, 2015 and 2014:

	For the nine months ended September 30,	
	2015	2014
	(in € millions)	
Net sales	1,158	1,291
REBITDA	119	96

Net Sales at Functional Polymers decreased 10.3% from €1,291 million for the nine months ended September 30, 2014 to €1,158 million for the nine months ended September 30, 2015. This decrease was mainly due to scope changes following the sale of the Benvic PVC compounding business in the second quarter of 2014, which had the impact of decreasing sales by 6% in the first nine months of 2015 compared to the same period in 2014. Prices effects decreased sales by 6% overall, as a result of lower raw material prices. Changes in volumes led to a 1% decline in sales in the first nine months of 2015 as increased volumes in the Polyamide & Intermediates GBU was insufficient to compensate for decreased volumes in Fibras. In particular, Fibras was affected by a contraction in its Latin American domestic market. Negative volume effects were partly offset by favorable foreign exchange rates, which had a positive effect of 2% on net sales in the Functional Polymers segment in the first nine months of 2015 compared to the same period in 2014.

REBITDA in the Functional Polymers segment increased 24.0% from €96 million for the nine months ended September 30, 2014 to €119 million for the nine months ended September 30, 2015. Net pricing changes had the effect of improving REBITDA in this segment by 26% in the first nine months of 2015 compared to the same period of 2014, especially at Engineering Plastics where the advantage of lower raw material prices was largely retained. The volume and mix impact was slightly negative and decreased REBITDA for this segment by 3% in the first nine months of 2015. This was more than offset by positive conversion effects from closing exchange rates, which increased REBITDA by 8% in the 2015 period. The negative revaluation of inventories at Polyamide & Intermediates, triggered by the sharp decline of certain raw materials, also impacted earnings in the first quarter. A good contribution was recorded in equity earnings from the RusVinyl joint venture (when excluding the net adjustment described in "*Non-IFRS Financial Measures and Key Performance Indicators*" above), in contrast to the start-up costs incurred in the second half of 2014.

Corporate & Business Services

The table below shows Net Sales and REBITDA for the Corporate & Business Services operating segment for the nine months ended September 30, 2015 and 2014:

	For the nine months ended September 30,	
	2015	**2014**
	(in € millions)	
Net sales	5	0
REBITDA	(129)	(116)

REBITDA decreased by €13 million from a loss of €116 million for the nine months ended September 30, 2014 to a loss of €129 million for the nine months ended September 30, 2015. This is the result of lower performance in Energy Services where trading opportunities in 2015 have been less numerous than in 2014. Moreover, an impairment of €7 million was taken on carbon emission rights in Brazil in the third quarter of 2015. In Other Corporate & Business Services, the nominal increase of costs linked to foreign exchange management, was largely offset by a positive one-off of €30 million booked in the first quarter of 2015, reflecting the evolution in the US post retirement Medicare insurance policy.

Cost of goods sold

The cost of goods sold increased by €230 million, or 3.8%, from €6,011 million for the nine months ended September 30, 2014 to €6,241 million for the nine months ended September 30, 2015. This increase in cost of goods sold was mainly due to unfavorable foreign exchange rate effects, mainly U.S. dollar versus the euro; and the increase in depreciation of cost of goods fixed, mainly due to the start-up of new sites during the period. This increase in cost of goods sold was partly offset by lower raw material and energy prices, complemented by operational excellence measures.

As a result, costs of goods sold as a percentage of net sales decreased from 78.7% in the nine months ended September 30, 2014 to 77.7% in the nine months ended September 30, 2015.

Gross Margins

Gross margins for the nine months ended September 30, 2015, increased by €209 million to €2,133 million or 26.5% of net sales, compared to €1,924 million, or 25.2% of net sales, for the nine months ended September 30, 2014. Gross margins refer to Net Sales minus Cost of Goods sold and results from the factors outlined above.

Commercial and administrative costs

Commercial and administrative costs increased by €96 milllion, or 10.8%, from €889 million for the nine months ended September 30, 2014 to €985 million for the nine months ended September 30, 2015. This was primarily due to unfavorable foreign exchange rate effects and increased fixed costs mainly due to the start-up of new sites during the period. To a lesser extent, net changes in scope contributed to the increase in commercial and administrative costs resulting mainly from the acquisition of Ryton® PPS and Flux Schweiß- & Lötstoffe at the end of 2014 in the Advanced Materials.

Research and innovation costs

Research and innovation charges on the income statement increased by €23 milllion, or 12.7%, from €181 million for the nine months ended September 30, 2014 to €204 million for the nine months ended September 30, 2015. Research and innovation expense as a percentage of net sales remained stable at approximately 2.5% for the nine months ended September 30, 2015 compared to 2.4% for the nine months ended September 30, 2014.

Other operating gains and losses

Other operating gains and losses increased by €8 milllion, or 12.1%, from €66 million in the nine months ended September 30, 2014 to €74 million in the nine months ended September 30, 2015.

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

The table below presents the joint ventures accounted for using the equity method which had the highest impact on the nine months ended September, 30 2015 and 2014 income statements, respectively:

	For the nine months ended September 30,	
	2015	2014
	(in € millions)	
Rusvinyl OOO	(35)	(14)
Peroxidos do Brasil Ltda	11	9
Solvay & CPC Barium Strontium	5	5
Hindustan Gum & Chemicals Ltd	6	7
Other	5	2
Total	(8)	9

Earnings from associates and joint ventures, accounted for using the equity method, amounted to a loss of €8 million for the nine months ended September 30, 2015 compared with a gain of €9 million for the nine months ended September 30, 2014. The change is largely driven by the increased negative contribution recorded in equity earnings from RusVinyl, Solvay's PVC joint venture in Russia, due to foreign exchange loss on euro debt.

Non-recurring items

The table below breaks down net non-recurring items from continuing operations included in Solvay's consolidated income statement for the nine months ended September 30, 2015 and 2014, respectively:

	For the nine months ended September 30,	
	2015	2014
	(in € millions)	
Restructuring	(29)	(28)
Costs related to non ongoing activities	(17)	(29)
M&A costs and capital gains / losses	(42)	(1)
Major litigations	(9)	(23)
Impairment	(29)	(26)
Non-recurring items	(126)	(106)

Expenses for non-recurring items increased by €20 million, or 18.5% from €106 million for the nine months ended September 30, 2014 to €126 million for the nine months ended September 30, 2015.

For the nine months ended September 30, 2015, the €29 million charge for restructuring costs was primarily due to €10 million in restructuring costs for Fibra of the Polyamide business, following the implementation of operational excellence programs in a context of challenging market conditions (slow down of Brazilian economy and retraction of textile market demand). The €29 million impairment charges mainly related to non-performing Special Chem assets. Net costs related to non ongoing activities resulted in a charge of €17 million, mainly environmental liabilities. The M&A expenses were mainly linked to the Cytec acquisition and principally to the structuring of the bridge financing, consisting of non-cash contingent hedging costs and underwriting fees.

For the nine months ended September 30, 2014, the €28 million charge for restructuring costs was primarily due to €8 million for Plextronics, an OLED company that Solvay fully acquired out of bankruptcy in 2014, €6 million in restructuring costs for Okorusu, a fluorspar mine in Namibia which was announced to be closed in November 2014 and €6 million in restructuring costs due to the integration of Rhodia. The €26 million impairment charges mainly related to a €6 million impairment on Fibras as well as a €3 million impairment on Okorusu. Net costs related to non ongoing activities resulted in a charge of €17 million, mainly environmental liabilities.

Net Financial Charges

The table below breaks down the elements of net financial charges for the nine months ending September 30, 2015 and 2014, respectively:

	For the nine months ended September 30,	
	2015	**2014**
	(in € millions)	
Cost of borrowings—Interest expense on financial liabilities at amortized cost	(81)	(122)
Interest income on cash and cash equivalents	7	32
Interest income on other current receivables—Financial instruments	0	1
Other gains and losses on net indebtedness	(27)	(27)
Cost of discounting provisions	(66)	(124)
Income/loss from available-for-sale investments	(0)	(0)
Net financial charges	(167)	(240)

Net financial charges decreased by €74 million, or 30.6%, from €240 million for the nine months ending September 30, 2014 to €167 million for the nine months ending September 30, 2015. This decrease is primarily explained by the decrease in the cost of discounting provisions for pension and environmental liabilities, partly as a result of one-off impact from reduced discount rates on environmental liabilities in the nine months ended September 30, 2014. On the other hand, the cost of borrowing net of interest income on cash and cash equivalents decreased by €16 million in part due to lower average cost of net debt in the nine months ended September 30, 2015, partly as a result of the early redemption during the second quarter of 2014 of high yield bonds inherited in the Rhodia acquisition as well as the repayment of maturity of the €500 million EMTN and the €50 million retail bonds. The change in gross debt can be traced to the following main debt repayments: (i) during the nine months ending September 30, 2015 the repayment of the €500 million retail bond and the issuance of €941 million of Belgian Treasury Notes; and (ii) during the nine months ending September 30, 2014, the reimbursement of €500 million in Euro Medium Term Notes, the repayment of two high yield bonds inherited in the Rhodia acquisition, for €500 million and $400 million, respectively

Charges for other gains and losses on net indebtedness remained stable at €27 million in part due to the following exceptional items:

- in the nine months ending September 30, 2015, the negative impact of €15 million of foreign exchange charges related to hyperinflation in Venezuela; and
- in the nine months ending September 30, 2014, the negative impact of a €19 million loss upon settlement of an interest rate swap (traded in 2013 and no longer required) and €6 million in charges related to hyperinflation in Venezuela.

Result before taxes

Solvay’s results before taxes increased by €119 million, from €451 million in the nine months ending September 30, 2014 to €570 million in the nine months ending September 30, 2015 as a result of the elements and factors outlined above.

Income taxes

The tax charge breaks down as follows:

Net income tax charge increased by €56 million, or 37.6%, from €149 million for the nine months ending September 30, 2014 to €204 million for the nine months ending September 30, 2015.

Result from continuing operations

Solvay's results from continuing operations increased by approximately €64 million, from €302 million in the nine months ending September 30, 2014 to €366 million in the nine months ending September 30, 2015 as a result of the elements and factors described above.

Result from discontinued operations

The table below sets out sales and earning data for the entities held as discontinued operations at the end of the nine months ending September 30, 2015 and 2014, respectively:

	For the nine months ended September 30,	
	2015	2014
	(in € millions)	
Sales of Discontinued Operations	1,385	2,060
Breakdown discontinued operations		
Loss recognised as result of remeasurement to fair value less costs to sell[1]		(476)
EBIT Pharma (post closing litigation)	(4)	(13)
EBIT Chlorovinyls	101	77
EBIT Solvay Indupa	9	11
EBIT Eco Services	8	52
Financial charges Chlorovinyls	(2)	(11)
Financial charges Solvay Indupa	(26)	(18)
Financial charges Eco Services		(1)
Tax Chlorovinyls	(41)	(29)
Tax Solvay Indupa	7	(4)
Tax Eco Services (mainly on capital gain)	(2)	(18)
Total Result From Discontinued Operations	50	(429)
attributed to:		
owners of the parent	63	(384)
non-controlling interests	(13)	(45)

Discontinued operations include:

- Eco Services Business, a provider of sulfuric acid regeneration services that was classified as a discontinued operation in 2014. The transaction was completed in the fourth quarter of 2014.
- The Indupa PVC business in latin America. Since 2012, Solvay Indupa has been held as a discontinued operation and, in December 2013, an agreement was signed to sell Solvay's 70.59% majority stake in Indupa to Brazilian chemical producer Braskem. On November 12, 2014, the Brazilian competition authority (CADE) notified its decision not to approve of this sale. Solvay confirms that its strategic direction remains unaffected and that it is examining alternative options to sell its participation in Solvay Indupa. As a disposal within 12 months is considered highly probable, Solvay Indupa remains classified as non-current assets held for sale and discontinued operations at September 30, 2015.
- The impairment in the Chlorovinyls business in Europe for the period ended September 30, 2014 relates to the discontinued operations of the chlorovinyls business, which were contributed to the INEOS joint venture in mid-2015.

Net income for the nine months ended September 30, 2015

Net income amounted to €416 million for the nine months ending September 30, 2015 compared to a loss of €127 million for the nine months ending September 30, 2014, as a result of the elements and factors described above.

Adjusted net income

	For the nine months ended September 30,	
	2015	2014
	(in € millions)	
Net Income IFRS	416	(127)
Adjustments to IFRS net income		
Amortization of PPA on intangible fixed assets	82	82
Tax on adjustments	(28)	(26)
PPA amortization on discontinued operations	—	2
Adjusted Net Income	470	(69)

Adjusted Net Income for the nine months ended September 30, 2015 amounted to €470 million compared to a negative €69 million for the nine months ended September 30, 2014. Adjusted net income eliminates the distorting effects of the increases in depreciation and amortization charges within the income statement that resulted from recording the assets and liabilities of the Rhodia acquisition at fair market value.

Results of Operations—Year ended December 31, 2014 Compared to Year Ended December 31, 2013

Income Statement

The table below presents Solvay's Income Statement for the years ended December 31, 2014 and 2013:

	For the year ended December 31,	
	2014	2013[(1)]
	(in € millions)	
Sales	10,629	10,150
Revenue from non-core activities	416	434
Net sales	10,213	9,715
Cost of goods sold	(8,070)	(7,844)
Gross margin	2,559	2,305
Commercial and administrative costs	(1,225)	(1,189)
Research and development costs	(247)	(238)
Other operating gains and losses	(94)	(83)
Earnings from associates and joint ventures	(34)	34
Non-recurring items	(308)	(239)
EBIT	652	591
Net Financial Charges	(308)	(213)
Result before taxes	343	378
Income taxes	(84)	(170)
Result from continuing operations	259	209
Result from discontinued operations	(246)	106
Net income for the year	13	315
Non-controlling interests	67	(44)
Net income (Solvay share)	80	270

Note:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

Sales

The table below shows gross sales, non-core sales and net sales for the years ending December 31, 2014 and 2013, respectively:

	For the year ended December 31,	
	2014	2013(1)
	(in € millions)	
Sales	10,629	10,150
Revenue from non-core activities	416	434
Net sales	10,213	9,715

Note:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

Net sales increased by €498 million, or 5.1%, from €9,715 million in the year ended December 31, 2013 to €10,213 million in the year ended December 31, 2014. This increase was mainly due to organic volume growth, which contributed €349 million to the increase in net sales, and to changes in scope, which contributed to €236 million to the increase in net sales. Scope changes are primarily composed of the full year impact of the Chemlogics acquisition on October 31, 2013. Unfavorable foreign exchange developments had the effect of decreasing sales by €132 million. Sales prices increased slightly in certain business segments.

Net Sales by Segment

The following table breaks down Solvay's net sales by segment and by business line for the nine months ended September 30, 2015 and 2014 and for the years ended December 31, 2014, and 2013.

	For the year ended December 31,	
	2014	2013(1)
	(in € millions)	
Advanced Formulations	2,854	2,432
Of which Novecare	2,033	1,581
Of which Aroma Performance	337	365
Of which Coatis	484	486
Advanced Materials	2,762	2,551
Of which Specialty Polymers	1,490	1,288
Of which Silica	451	416
Of which Rare Earth Systems	266	298
Of which Special Chemicals	554	549
Performance Chemicals	2,944	2,902
Of which Soda Ash & Derivatives	1,377	1,351
Of which Peroxides	512	470
Of which Acetow	641	658
Of which Eco Services	0	0
Of which Emerging Biochemicals	413	424
Functional Polymers	1,654	1,763
Of which Polyamides	1,536	1,556
Of which Chlorovinyls	117	206
Corporate & Business Services	0	67
Of which Energy Services	0	67
Of which CBS	0	0
Net Sales	10,213	9,715

Note:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

Performance Chemicals is the largest operating segment in terms of net sales and represented approximately 28.8%, and 29.9% of net consolidated Net Sales in 2014, and 2013, respectiveley. Advanced Formulations and Advanced Materials are the next largest operating segments but are roughly of equivalent size in terms of net sales. For example, the Advanced Formulations operating segment represented approximately 27.9% and 25.0%

of net sales in 2014, 2013, respectively, while Advanced Materials accounted for 27.0% and 26.3% of net sales during the same respective periods. Functional Polymers is the smallest operating segment, accounting for 16.2% and 18.1%, of consolidated net sales in 2014 and 2013, respectively. The Corporate and Business Services unit is generally speaking a cost-center and is not structured to generate revenue; the trading of carbon emissions credits were accounted for within Corporate and Business Services' Energy Services business until the CER trading credits system was phased out in 2013 and these explain the majority of Corporate and Business Services 2013 and 2012 Net Sales.

Net Sales by Country

The following table breaks down Solvay's Net Sales by destination region and by destination country of the relevant purchaser for the years ended December 31, 2014, and 2013:

	For the year ended December 31,	
	2014	**2013(1)**
	(in € millions)	
Belgium	142	151
Germany	877	909
Italy	456	485
France	494	495
Great Britain	226	240
Spain	259	271
European Union—other	687	644
Sub-total European Union	3,141	3,196
Other Europe(2)	300	254
Total Europe	3,441	3,450
United States	2,231	1,809
Canada	127	96
Total North America	2,358	1,906
Brazil	828	858
Mexico	110	113
Latin America—other	183	172
Total Latin America	1,121	1,142
Russia	151	172
Turkey	65	81
China	823	755
India	195	176
Japan	321	349
South Korea	349	350
Thailand	455	445
Egypt	57	55
Other	875	835
Total Asia and Rest of the World	3,292	3,218
Net Sales	10,213	9,715

Notes:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

(2) Switzerland, Norway and other European states not part of the European Union.

Solvay operates in 52 countries and sells products all over the world. The largest portion of the Group's sales, 30.8%, was made in the European Union in 2014 (compared to 32.9% in 2013), with Germany accounting for 27.9% of the European Union sales in the same period (Germany remained the largest producer of Solvay products in 2013). The next two largest consumer nations for Solvay products are France and Italy.

The North America region accounted for approximately 20% to 23% of Solvay's sales over the period, of which the United Sates accounted for approximately 95% of North American sales throughout the period under discussion. By contrast, Latin America consistently accounted for approximately 11% of Group sales throughout the period, with sales in Brazil accounting for approximately 74% to 75% of Latin American sales over this period. Sales in Asia and the rest of the world accounted for 32% to 33% of Group sales, while China alone accounted for approximately 23% to 25% of of these Asia/ROW sales during the period.

REBITDA

The table below shows Recurring Earnings before Interest Expense, Taxes, Depreciation and Amortization (REBITDA) and REBITDA as a percentage of net sales for the years ended December 31, 2013 and 2014:

	For the year ended December 31,	
	2014	**2013(1)**
REBITDA	1,783	1,611
REBITDA as % of Net Sales	17.5%	16.6%

Note:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

REBITDA for the year ended December 31, 2014 equaled €1,783 million, compared to €1,611 million for the year ended December 31, 2013, for an increase of €171 million, or 10.6%. REBITDA as a percentage of net sales increased to 17.5% in 2014 from 16.6% in 2013. This improvement was due in part to excellence initiatives and lower raw materials costs.

The increase in REBITDA in 2014 can be traced to organic volume growth in sales and to changes in scope. Organic volume growth in sales contributed to €139 million to REBITDA growth and changes in scope contributed to €85 million to REBITDA growth. Scope changes are primarily due to the the full year impact of the Chemlogics acquisition on October 31, 2013. In addition, localized increases in sales prices, due to value pricing, coupled with the decrease in variable costs in a deflationary raw material context and excellence initiatives contributed together to €81 million in additional REBITDA. This increase was partly offset by the impact of inflation on Solvay's fixed cost base, primarily personnel and maintenance costs, and additional compensation provisions.

Net Sales and REBITDA by Business segments

The Group follows net sales and REBITDA for each business segment as presented below.

Advanced Formulations

The table below shows Net Sales and REBITDA for the Advanced Formulations operating segment for the years ended December 31, 2014 and 2013:

	For the year ended December 31,	
	2014	**2013(1)**
	(in € millions)	
Net sales	2,854	2,432
REBITDA	426	347

Note:

(1) 2013 REBITDA has been restated to reflect the re-allocation of costs from shared functions and services from the Corporate & Business Services unit to the Advanced Formulations GBU following the European chlorovinyls and Eco Services divestitures, as if these had occurred on January 1, 2013.

In 2014, net sales at Advanced Formulations grew 17% to €2,854 million from €2,432 million in 2013. The full year impact of the acquisition of Chemlogics on October 31, 2013 accounted for approximately 13% of the growth in sales, while organic volume growth accounted for 6%, and price increases were responsible for approximately 1% of sale growth. Foreign exchange effects caused a decrease in net sales of approximately 2% in Advanced Formulations in 2014.

In 2014, REBITDA in Advanced Formulations grew 23% to €426 million, supported by organic and external volume growth, mainly the full year impact of the acquisition Chemlogics on October 31, 2013. Unfavorable foreign exchange rates led to a decline of €8 million in REBITDA. Year on year improvement in REBITDA between 2013 and 2014 was mainly driven by volume growth, while operational excellence programs partly offset inflation in fixed cost. Novecare, the largest business unit in this segment, experienced growth in 2014 driven by its oil and gas activities; the successful integration of Chemlogics strongly contributed to this dynamic. Coatis, which accounts for a smaller portion of Advanced Formulations sales than Novecare, was negatively impacted by a downturn in the local Brazilian economy in 2014. The third business within the Advanced Formulations segment, Aroma Performance, was affected by industrial issues throughout the first part of 2014, despite sales growth.

Advanced Materials

The table below shows Net Sales and REBITDA for the Advanced Materials operating segment for the years ended December 31, 2014 and 2013:

	For the year ended December 31,	
	2014	**2013(1)**
	(in € millions)	
Net sales	2,762	2,551
REBITDA	709	624

Note:

(1) 2013 REBITDA has been restated to reflect the re-allocation of costs from shared functions and services from the Corporate & Business Services unit to the Advanced Materials GBU following the European chlorovinyls and Eco Services divestitures, as if these had occurred on January 1, 2013.

In 2014, the Advanced Materials segment experienced sales growth of 8.3% to € 2,762 million in 2014 compared € 2,551 million in 2013. Growth in Advanced Materials' sales was supported by volume growth of 10%, in most end markets but particularly in the auto industry and the smart devices industry. Positive volume impacts were partially held back by lower raw-material led prices with a negative impact of 1% on sales in the Advanced Materials, mainly at Rare Earth Systems. Unfavorable foreign exchange rates also had a negative impact on sales in the Advanced Materials operating segments of approximately 1% in 2014.

In 2014, REBITDA for Advanced Materials reached record levels at €709 million, reflecting an increase of 14% compared to 2013 REBITDA. This growth was underpinned by robust innovation-driven demand, despite significant negative impacts from foreign exchange effects, mainly Japanese yen of €38 million, chiefly of a transaction nature. The excellent Operating Segment's REBITDA reflected the performance of its four businesses. Beyond volume dynamics, excellence programs in manufacturing, purchasing and commercial activities also supported this performance.

Performance Chemicals

The table below shows Net Sales and REBITDA for the Performance Chemicals operating segment for the years ended December 31, 2014 and 2013:

	For the year ended December 31,	
	2014	**2013(1)**
	(in € millions)	
Net sales	2,944	2,902
REBITDA	724	682

Note:

(1) 2013 net sales and REBITDA have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"Joint Arrangements", as well as the re-allocation of costs from shared functions and services from the Corporate & Business Services unit to the Performance Chemicals GBU following the European chlorovinyls and Eco Services divestitures, as if these had occurred on January 1, 2013.

In 2014, net sales of Performance Chemicals grew 1.4% to € 2,944 million. Price increases of 3% compensated for the adverse foreign exchange developments compared to euro, which lowered the segment's sales by 2%. Volumes stood stable.

In 2014, REBITDA for Performance Chemicals grew 6% to €724 million supported by good pricing. The Operating Segment's good performance was backed by all four businesses, despite unfavorable currency developments, chiefly at Acetow and Emerging Biochemicals. Soda Ash & Derivatives delivered solid performance. Price increases across all regions and its breakthrough excellence programs compensated for the negative impact of inflation. Peroxides' volume growth benefited from higher H_2O_2 demand in mature markets as well as developments of new applications. Acetow showed a record performance in 2014 driven by higher prices and despite the destocking impact on volume during the second half of the year. Emerging Biochemicals was flat, reflecting weak demand in PVC and epichlorohydrin, as well as pricing pressure from competition. Following unfavorable conditions specific to the Chinese market, the Group decided to put on hold the construction of a production asset in China and booked an impairment of €34 million (reported as non-recurring item below REBITDA).

Functional Polymers

The table below shows Net Sales and REBITDA for the Functional Polymers operating segment for the years ended December 31, 2014 and 2013:

	For the year ended December 31,	
	2014	2013(1)
	(in € millions)	
Net sales	1,654	1,763
REBITDA	111	89

Note:

(1) 2013 REBITDA has been restated to reflect the re-allocation of costs from shared functions and services from the Corporate & Business Services unit to the Functional Polymers GBU following the European chlorovinyls and Eco Services divestitures, as if these had occurred on January 1, 2013.

Functional Polymers reported net sales of €1,654 million in 2014 compared to €1,763 million in 2013. The sale of the Benvic PVC compounding business accounted for a 5% decline in sales, or €89 million of the net sales decline in this segment. Organic volume growth of 2% was insufficient to compensate for a decline in prices of approximately 2%. Unfavorable foreign exchange rates reduced Net Sales in this segment by approximately 1% in 2014 compared to sales in 2013.

In 2014, REBITDA in Functional Polymers increased by 25% to €111 million compared to €89 million in 2013. The operating performance was supported by both a successful profit restoration plan and solid performance at Engineering Plastics, which grew its volumes in Asia and showed strong pricing power. Fibras, however, suffered from Brazil's weak macro-economic conditions in 2014.

Corporate & Business Services

The table below shows Net Sales and REBITDA for the Corporate & Business Services operating segment for the years ended December 31, 2014 and 2013:

	For the year ended December 31,	
	2014	2013(1)
	(in € millions)	
Net sales	0	67
REBITDA	(188)	(131)

Note:

(1) 2013 REBITDA has been restated to reflect the re-allocation of costs from shared functions and services from the Corporate & Business Services unit to the various GBUs, following the European chlorovinyls and Eco Services divestitures, as if these had occurred on January 1, 2013.

2014 versus 2013

Net sales were nil in 2014 compared to €67 million in 2013. The last carbon credit (CER) sales under the 2013 Kyoto protocol were phased out entirely in the first half of 2013. Net costs at the REBITDA level amounted to

€(188) million in Corporate and Business Services in 2014, compared to €(131) million in 2013. The end of CER sales impacted Energy Services contribution by decreasing revenue in CBS by €58 million and this loss was partially compensated for by the energy and carbon management services in Europe. Expenses related to corporate structure and corporate functions increased to €213 million from €185 million last year. The difference mainly came from the favorable €22 million one-off reversal of provisions linked to the realignment of the Group's insurance policies booked in 2013. Furthermore, tight cost controls compensated for inflationary elements while the Group continued investing in the deployment of best-in-class business support services.

Costs of goods sold

The cost of goods sold increased by €225 million, or 2.9% from €7,844 million in the year ended December 31, 2013 to €8,070 million for the year ended December 31, 2014. This increase in cost of goods sold was mainly due to volume growth, higher production costs resulting from the Chemlogics acquisition, and inflation in fixed personnel and maintenance costs This increase in cost of goods sold was partly offset by (i) favorable foreign exchange rate effects, in particular, the depreciation of the Brazilian real and the Japanese yen compared to euro and US dollar; and (ii) the positive effect of excellence initiatives on variable costs, coupled with a deflationary raw material context. As a result, costs of goods sold as a percentage of net sales decreased from 80.7% in the year ended December 31, 2013 to 79.0% in the year ended December 31, 2014.

Gross Margins

Gross margins increased by €254 million to €2,559 million or 25.1% of net sales, for the year ended December 31, 2014, compared to €2,305 million, or 23.7% of net sales, for the year ended December 31, 2013. Gross margins refer tot Net Sales minus Cost of Goods sold and this change results from the factors outlined above.

Commercial and administrative costs

Commercial and administrative increased by €36 million, or 3.1%, from €1,189 million for the year ended December 31, 2013 to €1,225 million for the year ended December 31, 2014. This was primarily due to an increase (i) in depreciation expense following the integration of Chemlogics and (ii) in personnel costs due to salary increases over the different regions where the Group operates.

Research and innovation costs

The table below breaks down Solvay's total reseach and innovation expense for continuing operations in 2014 and 2013, respectively:

	For the year ended December 31,	
	2014	2013(1)
	(in € millions)	
Research and development costs (as in income statement)	(247)	(238)
Correction factors: + capitalization - depreciation + netted grants	(40)	(42)
Net Total Research and Development Spending	(287)	(280)

Note:
(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

Net total research and development spending, including capitalized development spending, and spending of grant money, net of depreciation expense, increased by €7 million, or 2.5%, from €280 million in the year ended December 31, 2013 to €287 million in the year ended December 31, 2014, while research and development costs on the income statement increased by €9 million, or 3.8%, from €238 million in the year ended December 31, 2013 to €247 million in the year ended December 31, 2014. Total research and development costs as a percentage of net sales remained stable at approximately 2.7% in 2014 compared to 2.8% in 2013.

Other operating gains and losses

The table below breaks down Solvay's consolidated other operating gains and losses in the years ended December 31, 2014 and 2013, respectively:

	For the year ended December 31,	
	2014	2013(1)
	(in € millions)	
Start-up, formation and preliminary study costs	(22)	(24)
Recurring capital gain on sales of fixed assets	8	10
Net foreign exchange gain and losses	(6)	4
Amortization of intangibles resulting from PPA Rhodia	(110)	(143)
Balance of other gains and losses	36	69
Other operating gains and losses	(94)	(83)

Note:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

Other operating gains and losses increased by €11 million, or 13.5%, from €83 million in the year ended December 31, 2013 to €94 million in the year ended December 31, 2014. Depreciation on the intangible fixed assets that were accrued to Solvay's Statement of Financial Position under the purchase price accounting methods applied to the Rhodia acquisition ("**PPA amortization**") equalled €110 million in 2014 compared to €143 million in 2013. The reduction in the PPA amortization resulting from Rhodia intangibles relates to the expiration in 2013 of favorable supply agreements related to the sale of Carbon Emission Rights.

Excluding the depreciation related to the PPA amortization, other operating gains and losses amounted to a gain of €16 million in 2014, compared to a gain of €59 million in 2013. This change was primarily from unfavorable net balance of other gains and losses, which decreased in 2014 compared to 2013. The decrease was due to the realignment of Group insurance policies in 2013, that led to the reversal of provisions for an accounting gain €22 million in 2013.

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

The table below presents the joint ventures accounted for using the equity method which had the highest impact on the 2014 and 2013 income statements, respectively:

	For the year ended December 31,	
	2014	2013(1)
	(in € millions)	
Rusvinyl OOO	(74)	(11)
Peroxidos do Brasil Ltda	14	13
Solvay & CPC Barium Strontium	11	5
Hindustan Gum & Chemicals Ltd	12	21
Other	3	5
Total	(34)	34

Note:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

Earnings from associates and joint ventures accounted for using the equity method amounted to a net loss of approximately €34 million in the year ended December 31, 2014 compared with a net gain of approximately €34 million in the year ended December 31, 2013. The decrease in earnings from associates and joint ventures of €68 million is largely driven by a reduction in the equity earnings of the RusVinyl joint venture partly due to the devaluation of the Russian Rouble and to the foreign exchange losses related to Solvay's pro rata portion of long-term, euro-denominated, project-finance debt. For more information on joint operations generally and Rusvinyl, in particular, see Notes 42 and 44 to Solvay's 2014 audited consolidated financial statements set out in Section "*Hystorical Financial Information of the Guarantor*" and Section "*Description of the Guarantor—Overview of Solvay and its business—Functional Polymers—Chlorovinyls—Russian Activities: Rusvinyl"* above.

Non-recurring items

The table below breaks down net non-recurring items from continuing operations included in Solvay's consolidated income statement in 2014 and 2013, respectively:

	For the year ended December 31,	
	2014	2013[1]
	(in € millions)	
Restructuring	(49)	(115)
Costs related to non ongoing activities	(52)	(32)
M&A costs and capital gains / losses	(19)	(22)
Major litigations	(29)	(5)
Impairment[2]	(160)	(65)
Non—recurring items	(308)	(239)

Note:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

(2) Including Rusvinyl impairment of €110 million.

Expenses for non-recurring items increased by €70 million, or 29.3% from €239 million in the year ended December 31, 2013 to €308 million in the year ended December 2014.

The €49 million charge for restructuring costs in the year ended December 31, 2014 primarily relates to the following items: €11 million in restructuring costs due to the integration of Rhodia, and €8 million in restructuring costs for Okorusu, a fluorspar mine in Namibia which was announced to be closed in November 2014. An additional €9 million in restructuring costs are related to other changes in the portfolio. The €160 million in impairment charges accrued in 2014 relate mainly to a €110 million impairment of the Group's RusVinyl investment and a €34 million impairment on Solvay's Epicerol® product, an epichlorohydrin used in the agriculture and oil and gas industries. The RusVinyl equity investment was tested for impairment in the fourth quarter of 2014, following the latest developments in the Russian economy that took place during this quarter, including but not limited to the substantial devaluation and the increased volatility of the RUB/€ exchange rate. The RusVinyl impairment is further described in Note 28 to the 2014 financial statements. The Epicerol impairment can be traced to the decision to halt construction of a production asset in Taixing, China, in Solvay Biochemical, part of Performance Chemicals. This decision was due to conditions specific to the Chinese market. Net costs related to non ongoing activities result in a charge of €52 million in 2014, of which €44 million relates to provisions for litigation and environmental costs from non ongoing activities.

In the year ended December 31, 2013, the €115 million charge for restructuring costs was primarily due to €46 million charges in relation to Rhodia's integration and €45 million in relation to the restructuring of the Soda Ash and Derivatives business in the Europe-Middle East-Africa (EMEA) region. The €65 million in 2013 impairment charges primarily relate to the following impairments: €30 million in impairment of Plextronics, an OLED company that Solvay fully acquired out of bankruptcy in 2014, and €32 million in relation to the Benvic unit, which was classified as held for sale in 2013 and sold in 2014. Net costs related to non ongoing activities result in a charge of €32 million in 2013, of which €25 million relates to provisions for litigation and environmental costs of non ongoing activities.

Net Financial Charges

The table below breaks down the elements of net financial charges for the years ended December 31, 2014 and 2013, respectively:

	For the year ended December 31,	
	2014	2013[1]
	(in € millions)	
Cost of borrowings—Interest expense on financial liabilities at amortized cost	(151)	(190)
Interest on lending and short-term deposits	36	25
Other gains and losses on net indebtedness	(30)	(2)
Cost of discounting provisions	(163)	(87)
Income/loss from available-for-sale investments	(1)	40
Net financial charges	(308)	(213)

Note:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

Net financial charges increased by €95 million, or 44.6%, from €213 million in the year ending December 31, 2013 to €308 million in the year ending December 31, 2014. This increase is primarily explained by the increase in the cost of discounting provisions and lower income from available-for-sale investments. On the other hand, the cost of borrowing decreased by €39 million following the reduction in gross debt in 2014. The decrease in gross debt can be traced to the following debt repayments in 2014: the reimbursement of €500 million in Euro Medium Term Notes, the repayment of two high yield bonds inherited in the Rhodia acquisition, for €500 million and $400 million, respectively. The balance of the change in cost of borrowings includes the remaining accretion (amortization of acquisition value to par) and premium paid for the redemption of the two Rhodia high yield bonds.

Charges for other gains and losses on net indebtedness increased by €28 million in 2014 as compared to 2013 in part due to the following exceptional items:

- in 2014, the negative impact of a €20 million loss upon settlement of an interest rate swap (traded in 2013 and no longer needed) and €11 million in foreign exchange charges related to hyperinflation in Venezuela; and
- in 2013, the €5 million gain on the same interest rate swap contract and €8 million in foreign exchange charges related to hyperinflation in Venezuela.

The costs of discounting provisions relate primarily to post-employment benefits and health, safety and environmental liabilities. These costs increased by approximately €76 million between 2013 and 2014 as a result of the change in the discount rate used to estimate the amount of future liability. The principal change relates to environmental provisions, which gave rise to an additional €35 million in one-off charges in 2014 following the use of a lower discount rates across geographies. In contrast, in 2013, higher discount rates resulted in a positive impact of €36 million.

The €40 million in income from available-for-sale financial assets in 2013 is related to sale of all the shares AGEAS held by the Group.

Result before taxes

Solvay's results before taxes decreased by €35 million, from €378 million in the year ending December 31, 2013 to €343 million in the year ending December 31, 2014 as a result of the elements and factors outlined above.

Income taxes

Income tax expense for the years ended December 31, 2014 and 2013 can be broken down as follows:

	For the year ended December 31,	
	2014	**2013(1)**
	(in € millions)	
Current taxes related to current year	(272)	(133)
Current taxes related to prior years	2	(37)
Deferred income tax	189	5
Tax effect of changes in the nominal tax rates on deferred taxes	(3)	(4)
TOTAL	(84)	(170)

Note:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

Net income tax charge decreased by €86 million, or 50.6%, from €170 million in the year ending December 31, 2013 to €84 million in the year ending December 31, 2014. The weighted average nominal rate increased by 5% in 2014 compared to 2013 due to the higher weight of earnings before tax in countries with higher tax rates, such as France and the United States, and lower weight of earnings before tax in countries with lower tax rates, such as The Netherlands, China and Russia.

The effective tax rate decreased from 45% to 24% between 2013 and 2014 mainly due to the positive tax impacts of (i) permanent differences equal to €51 million, (ii) €28 million in tax effects related to the distribution of dividends equal to and (iii) a positive effect of €41 million from changes in unrecognized deferred tax assets, that result mainly from the recognition in 2014 of €110 million in additional deferred tax assets for losses in holding companies based on 10-year revenue forecasts, rather than the 5-year forecasts used previously. See *Critical Accounting Policies* below.

The favorable impacts of permanent differences of €51 million are mainly the result of:

- Reduction of non deductible expenses (provisions for tax litigations (€23 million));
- Non taxable capital gains on disposal of investments (€18 million).

For more information on the Group's Tax Loss Carryforwards, see "*Note 9.B—Deferred taxes in the statement of financial position*" to the 2014 audited consolidated financial statements contained in Section "*Historical Financial Information of the Guarantor*".

Result from continuing operations

Solvay's results from continuing operations increased by approximately €50 million, from €209 million in the year ending December 31, 2013 to €259 million in the year ending December 31, 2014 as a result of the elements and factors described above.

Discontinued operations at the end of 2014 included Pharma, Chlorovinyls, Solvay Indupa, and Eco Services. The table below sets out sales and earning data for the entities held as discontinued operations at the end of 2014:

	For the year ended December 31,	
	2014	**2013**(1)
	(in € millions)	
Sales of Discontinued Operations	2,680	2,798
Breakdown discontinued operations		
Loss recognised as result of remeasurement to fair value less costs to sell(2)	(476)	(68)
EBIT Pharma (post closing litigation)	1	105
EBIT Chlorovinyls	83	80
EBIT Solvay Indupa	17	
EBIT Eco Services (income)	59	64
EBIT Eco Services (capital gain)	349	
Financial charges Chlorovinyls	(16)	(11)
Financial charges Solvay Indup	(32)	
Financial charges Eco Services	(1)	(1)
Tax Chlorovinyls	(35)	(42)
Tax Solvay Indupa	(4)	
Tax Eco Services (mainly on capital gain)	(190)	(22)
Total Result From Discontinued Operations	(246)	106
attributed to:		
owners of the parent	(196)	106
non-controlling interests	(50)	0

Notes:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

(2) Relates to impairments recognized in conjunction with the Ineos joint venture

Discontinued operations include Pharma post closing adjustments, the Eco Services Business and the impairments taken in the European Chlorovinyls business. As mentioned above, the Pharma business was divested in 2010 as a first step in exiting the pharmaceutical and life sciences sectors. Pharma post closing adjustments mainly relate to a €100 million milestone payment due in 2013, under the earn-out agreement stipulated in the terms and conditions of the disposal of Pharma business in 2010.

Eco Services is a provider of sulfuric acid regeneration services that was classified as a discontinued operation and sold in 2014. The Eco Services' income represents the net income in this business in the respective years shown. Since the end of 2013, Solvay reports its Eco Services businesses under assets held for sale and as a discontinued operation. On July 30, 2014 Solvay signed a binding agreement to sell its sulfuric acid virgin production and regeneration Eco Services business to affiliates of CCMP Capital Advisors, LLC. The transaction was completed in the fourth quarter of 2014.

European Chlorovinyl activities have been accounted for in discontinued operations since 2013. In 2013 Solvay and INEOS signed a Letter of Intent to combine their European Chlorovinyls activities in a 50/50 joint venture. The joint venture would pool both groups' assets across the entire chlorovinyls chain, including PVC, caustic soda and chlorine derivatives. RusVinyl, Solvay's Russian joint venture in chlorovinyls with Sibur, is excluded from the transaction. The creation of this joint venture with Ineos was effective as of July 1, 2015. The agreement provides for Solvay to exit the joint venture in mid-2018.

The impairment in the Chlorovinyls business in Europe relates to the discontinued operations of the chlorovinyls business, which were contributed to the INEOS joint venture in mid-2015. When assets are classified as held for sale, they are measured at the lower of their carrying amount or fair value less costs of disposal. The fair value less costs of disposal used to value the European Chlorovinyls business is based on the agreement signed with INEOS at the end of the second quarter of 2014 and takes into account the following elements: the upfront payment of €150 million at closing, the transfer of liabilities worth €260 million into the joint venture, Solvay's exit conditions after three years, and the projected additional cash payments, currently targeted at €280 million. The additional cash payments at exit will be adjusted based on the joint venture's average REBITDA performance during the three-year period, with a minimum exit payment set at €95 million. Based on the fair value estimations and assumed REBITDA performance of the venture, at June 30, 2014, an impairment charge of €476 million was recognized. These impairment charges were allocated to property plant and equipment and accruals for costs of disposal (€335 million) and to goodwill (€143 million). The Group's share of these charges resulted in a loss of €422 million, after taking into account the portion attributable to noncontrolling interests.

Since 2012, Solvay Indupa has been held as a discontinued operation and, in December 2013, an agreement was signed to sell Solvay's 70.59% majority stake in Indupa to Brazilian chemical producer Braskem. On November 12, 2014, the Brazilian competition authority (CADE) notified its decision not to approve of this sale. Solvay confirms that its strategic direction remains unaffected and that it is examining alternative options to sell its participation in Solvay Indupa. As a disposal within 12 months is considered highly probable, Solvay Indupa remains classified as non-current assets held for sale and discontinued operations at December 31, 2014. Solvay Indupa's 2013 and 2014 net income, recognized in discontinued operations, is the result of impairment charges stemming from the fair value adjustment taken after signing the share purchase agreement with Braskem in December 2013. This impairment equalled €68 million and was recognized in 2013.

Net income for the year

Net income amounted to €13 million in the year ended December 31, 2014 compared to €315 million in the year ended December 31, 2013. This decrease in net income results mainly from higher gross margins by €254 million, which was negatively affected by an increase in non-recurring items, higher discounting costs in financial expenses and loses from discontinued operations.

Adjusted net income for the year

	For the year ended December 31,	
	2014	**2013(1)**
	(in € millions)	
Net Income IFRS	13	315
Adjustments to IFRS net income		
Amortization of PPA on intangible fixed assets	110	143
Tax on adjustments	(36)	(39)
PPA amortization on discontinued operations	2	3
Adjusted Net Income	89	422

Note:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

Adjusted Net Income amounted to €89 million for the year ended December 31, 2014 compared to €422 million for the year ended December 31, 2013.

Adjusted net income eliminates the distorting effects of the increases in depreciation and amortization charges within the income statement that resulted from recording the assets and liabilities of the Rhodia acquisition at fair market value.

Results of Operations—Year ended December 31, 2013 compared to year ended December 31, 2012

Income Statement

	For the year ended December 31,	
	2013(1)	2012(2)
	(in € millions)	
Sales	10,150	10,910
Revenue from non-core activities	434	395
Net sales	9,715	10,515
Cost of goods sold	(7,844)	(8,546)
Gross margin	2,305	2,364
Commercial and administrative costs	(1,189)	(1,076)
Research and development costs	(238)	(247)
Other operating gains and losses	(83)	(97)
Earnings from associates and joint ventures accounted for using equity method	34	183
Non-recurring items	(239)	55
EBIT	591	1,181
Net Financial Charges	(213)	(362)
Result before taxes	378	820
Income taxes	(170)	(241)
Result from continuing operations	209	579
Result from discontinued operations	106	1
Net income for the year	315	580
Non-controlling interests	(44)	(17)
Net income (Solvay share)	270	563

Notes:
(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.
(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012 and the impact of revised IAS 19.

Sales

The table below shows gross sales, non-core sales and net sales for the years ending December 31, 2013 and 2012, respectively:

	For the year ended December 31,	
	2013(1)	2012(1)
	(in € millions)	
Sales	10,150	10,910
Revenue from non-core activities	434	395
Net sales	9,715	10,515

Notes:
(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.
(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

Net sales decreased by €800, or 7.6% from €10,515 in the year ended December 31, 2012 to €9,715 million in the year ended December 31, 2013. This decrease was mainly due to unfavorable foreign exchange developments that had the effect of decreasing sales by €318 million. Decreasing prices, due to a deflationary raw material environment, had the effect of decreasing sales by €185 million. Lower organic volume and mix effect reduced net sales by €183 million, partly as a result of the CER phase-out in 2013. Changes in scope had the effect of decreasing sales by €178 million, which was mainly due to the reclassification of Eco Service business as a discontinued operation in 2013. This was partly offset by the retrospective application of the new IFRS 11 standard to the 2013 financial statements, which served to increase consolidated Net Sales by €65 million. The integration of Chemlogics, which was consolidated for the last two months of 2013, also has a positive impact on consolidated Net Sales.

Net Sales by Segment

The following table breaks down Solvay's net sales by segment and by business line for the nine months ended September 30, 2015 and 2014 and for the years ended December 31, 2013 and 2012.

	For the year ended December 31,	
	2013[(1)]	**2012**[(2)]
	(in € millions)	
Advanced Formulations	2,432	2,565
Of which Novecare	1,581	1,684
Of which Aroma Performance	365	376
Of which Coatis	486	506
Advanced Materials	2,551	2,743
Of which Specialty Polymers	1,288	1,348
Of which Silica	416	382
Of which Rare Earth Systems	298	434
Of which Special Chemicals	549	579
Performance Chemicals	2,902	3,162
Of which Soda Ash & Derivatives	1,351	1,398
Of which Peroxides	470	413
Of which Acetow	658	616
Of which Eco Services	0	314
Of which Emerging Biochemicals	424	421
Functional Polymers	1,763	1,888
Of which Polyamides	1,556	1,688
Of which Chlorovinyls	206	200
Corporate & Business Services	67	157
Of which Energy Services	67	154
Of which CBS	0	3
Net Sales	9,715	10,515

Notes:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

Performance Chemicals is the largest operating segment in terms of net sales and represented approximately 29.9% and 30.1% of net consolidated Net Sales in 2013 and 2012, respectiveley. Advanced Formulations and Advanced Materials are the next largest operating segments but are roughly of equivalent size in terms of net sales. For example, the Advanced Formulations operating segment represented approximately 25.0% and 24.4% of net sales in 2013 and 2012, respectively, while Advanced Materials accounted for 26.3% and 26.1% of net sales during the same respective periods. Functional Polymers is the smallest operating segment, accounting for 18.1%, and 18.0% of consolidated net sales in 2013 and 2012, respectively. The Corporate and Business Services unit is generally speaking a cost-center and is not structured to generate revenue; the trading of carbon emissions credits were accounted for within Corporate and Business Services's Energy Services business until the CER trading credits system was phased out in 2013 and these explain the majority of Corporate and Business Services 2013 and 2012 revenues.

Net Sales by Country

The following table breaks down Solvay's Net Sales by destination region and by destination country of the relevant purchaser for the years ended December 31, 2013 and 2012:

	For the year ended December 31,	
	2013(1)	2012(2)
	(in € millions)	
Belgium	151	105
Germany	909	917
Italy	485	517
France	495	574
Great Britain	240	315
Spain	271	283
European Union—other	644	647
Sub-total European Union	3,196	3,358
Other Europe(3)	254	192
Total Europe	3,450	3,550
United States	1,809	2,317
Canada	96	132
Total North America	1,906	2,449
Brazil	858	890
Mexico	113	117
Latin America—other	172	180
Total Latin America	1,142	1,187
Russia	172	158
Turkey	81	79
China	755	792
India	176	167
Japan	349	402
South Korea	350	342
Thailand	445	440
Egypt	55	55
Other	835	894
Total Asia and Rest of the World	3,218	3,329
Net Sales	9,715	10,515

Notes:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

(3) "Other Europe" includes Switzerland, Norway and other European states not part of the European Union.

In 2013, the largest portion of the Group's sales, 32.9%, was made in the European Union in 2014 (compared to 31.9% in 2012), with Germany accounting for 28.4% of the European Union sales in the same period (Germany remained the largest producer of Solvay products in 2012). The next two largest consumer nations for Solvay products were France and Italy.

The North America region accounted for approximately 19% to 20% of Solvay's sales over the period, of which the United Sates accounted for approximately 95% of North American sales throughout the period under discussion. By contrast, Latin America consistently accounted for approximately 11% to 12% of Group sales throughout the period, with sales in Brazil accounting for approximately 75% of Latin American sales over this period. Sales in Asia and the rest of the world accounted for approximately 33% of Group sales, while China alone accounted for approximately 23% of these Asia/ROW sales during the period.

REBITDA

The table below shows REBITDA and REBITDA as a percentage of consolidated Group net sales for the years ended December 31, 2012 and 2013:

	For the year ended December 31,	
	2013[1]	2012[2]
	(in € millions)	
REBITDA	1,611	1,896
REBITDA as % of Net Sales	16.6%	18.0%

Notes:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

REBITDA for the Group decreased by €285 million, or 15.0%, from €1,896 million in the year ended December 31, 2012 to €1,611 million in the year ended December 31, 2013. This decrease was mainly due to lower volume, which depressed REBITDA by €126 million, in a challenging macro-economic environment. Lower REBITDA was also partly a result of the CER phase-out. Overall pricing power was preserved in a deflationary raw material context: the reduction in selling prices decreased REBITDA by €185 million, but this was more than offset by savings in raw material and energy costs of €193 million. Changes in scope had the effect of decreasing REBITDA by €91 million, which was mainly due to the reclassification of Eco Services as a discontinued operation in 2013. The retrospective application of IFRS 11 and the integration of Chemlogics had a positive impact on REBITDA equal to €41 million on 2013 REBITDA.

As a result, REBITDA as a percentage of net sales decreased from 18.0% in the year ended December 31, 2012 to 16.6% in the year ended December 31, 2013.

Net Sales and REBITDA by Business segments

The Group follows net sales and REBITDA for each business segment. Analysis of the Net Sales and margin performance for the five operating segments are presented below.

Advanced Formulations

The table below shows Net Sales and REBITDA for the Advanced Formulations operating segment for the years ended December 31, 2013 and 2012:

	For the year ended December 31,	
	2013[1]	2012[2]
	(in € millions)	
Net sales	2,432	2,565
REBITDA	347	518

Note:

(1) 2013 figures have been restated to reflect the re-allocation of costs from shared functions and services from the Corporate & Business Services unit to the Advanced Formulations GBU following the European chlorovinyls and Eco Services divestitures, as if these had occurred on January 1, 2013.

In 2013, Advanced Formulations' sales amounted to €2,432 million compared to €2,565 million in 2012. In 2013, this operating segment was mainly impacted by a decline in guar prices, compared to high prices in 2012 in Novecare's guar business. Novecare's other businesses grew, in particular Agro, Oil &Gas (guar excluded) and Coatings. Coatis' sales fell as a result of tough competition in Brazil and the depreciation of the local currency. Aroma Performance' sales were down overall, however volume growth in fluor was offset by price decreases in hydroquinone. High hydroquinone prices in 2012 resulted from tight supplies after an unexpected operational outage at a large competitor.

In 2013, REBITDA in Advanced Formulations amounted to €347 million, compared to €518 million in 2012. The Novecare business was impacted by a high base effect in 2012 as native guar prices peaked with the Hichem joint venture, accounting for approximately €100 million of the decrease in REBITDA between 2012 and 2013. Secondly, an exceptional adverse guar derivative margin accounted for a decrease in REBITDA of approximately €50 million on this business. The performance of Coatis improved during the year, despite Brazil's difficult economic situation, due to positive pricing power driven by sales contracts indexed in US dollars. Aroma Performance' REBITDA was affected by the price decreases in Hydroquinone. The comparability of the 2012 and 2013 periods is also affected by the re-allocation of costs arising from shares functions and services from the Corporate & Business Services unit into the Advanced Formulations GBU, which accounted for a decrease of €22 million in 2013 REBITDA compared to 2012 REBITDA. That reallocation primarily concerns unallocated residual costs that arise when the Group divests businesses, less savings that have been delivered.

Advanced Materials

The table below shows Net Sales and REBITDA for the Advanced Materials operating segment for the years ended December 31, 2013 and 2012:

	For the year ended December 31,	
	2013(1)	2012(2)
	(in € millions)	
Net sales	2,551	2,743
REBITDA	624	627

Notes:

(1) 2013 figures have been restated to reflect the re-allocation of costs from shared functions and services from the Corporate & Business Services unit to the Advanced Materials GBU following the European chlorovinyls and Eco Services divestitures, as if these had occurred on January 1, 2013.

Advanced Materials Net Sales in 2013 totaled €2,551 million compared to €2,743 million in 2012. Net sales were mainly affected by foreign exchange headwinds, mainly US dollar and Japanese yen compared to euro, and price decreases in Rare Earth Systems (now part of Special Chem), which was penalized by approximately 31% compared to prior year sales.

In 2013, REBITDA in Advanced Materials decreased by 1% to €624 million from €627 million in 2012. This performance was supported by the positive momentum in Specialty Polymers, Silica and Special Chemicals. Rare Earth Systems (now part of Special Chem) was penalized by sustained price decreases in rare earths and subsequently decreasing margins, which however stabilized during the year. Specialty Polymers posted growth in a difficult environment thanks to the delivery of its excellence programs. Silica benefited from its strong position in the energy efficient tire market and Special Chemicals (now part of Special Chem) succeeded in the execution of its strategic exit from its loss-making Life Science businesses. The comparability is also affected by the restatement of the 2013 REBITDA for the re-allocation shared costs from the Corporate & Business Services unit to the Advanced Materials and other GBUs, accounting for a €22 million decrease in 2013 REBITDA in this GBU compared to 2012 REBITDA. That reallocation primarily concerns unallocated residual costs that arise when the Group divests businesses, less savings that have been delivered.

Performance Chemicals

The table below shows Net Sales and REBITDA for the Performance Chemicals operating segment for the years ended December 31, 2013 and 2012:

	Year ended December 31,	
	2013(1)	2012(2)
	(in € millions)	
Net sales	2,902	3,162
REBITDA	682	750

Note:

(1) 2013 figures have been restated to reflect the re-allocation of costs from shared functions and services from the Corporate & Business Services unit to the Performance Chemicals GBU following the European chlorovinyls and Eco Services divestitures, the adoption of IFRS 11—"Joint Arrangements" as if these had occurred on January 1, 2013.

The Performance Chemicals operating segment's Net Sales declined to €2,902 million in 2013 compared to €3,162 million in 2012. This decrease was due to perimeter changes which led to the restatement of 2013 figures, reflecting the classification of Eco Service business as a discontinued business, which was partly offset by the positive impact of the retrospective application of IFRS 11 to 2013. The total combined impact of these effects on 2013 net sales was a decrease by €223 million. The underlying net sales evolution was largely flat, with growth in Acetow, which benefited from higher prices that offset price pressure in Essential Chemicals (Peroxides and Soda Ash & Derivatives) and Eco Services. In Emerging Biochemicals increased volumes compensated for lower price levels.

The decrease in Performance Chamicals REBITDA from €750 million in 2012 to €682 million in 2013 is largely the result of perimeter changes and IFRS restatements mentioned above. Moreover, as mentioned above, the comparability of 2013 and 2012 REBITDA is affected by a restatement of 2013 REBITDA that accounts for the absorption of re-allocated shared costs attributed to the Performance Chemicals GBU. The total combined impact of these changes on 2013 REBITDA was a decrease of €42 million. The record results at Acetow did not fully offset the result at Emerging Biochemicals which continued to be affected by poor demand in both PVC and Epichlorohydrin as well as price pressure from competition. Acetow enjoyed strong demand and volumes, coupled with pricing power. Eco Services volumes were stable in 2013. Essential Chemicals delivered strong REBITDA despite challenging market conditions in the flat glass sector early in 2013 and despite pricing pressure in certain export markets; performance in the Essential Chemicals business was however supported by improved results in US Green River operations.

Functional Polymers

The table below shows Net Sales and REBITDA for the Functional Polymers operating segment for the years ended December 31, 2013 and 2012:

	Year ended December 31,	
	2013(1)	**2012**(2)
	(in € millions)	
Net sales	1,763	1,888
REBITDA	89	100

Notes:

(1) 2013 figures have been restated to reflect the re-allocation of costs from shared functions and services from the Corporate & Business Services unit to the Functional Polymers GBU following the European chlorovinyls and Eco Services divestitures, as if these had occurred on January 1, 2013

(2) 2012 Net Sales and REBITDA have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

In 2013, Functional Polymers Net Sales amounted to €1,763 million, representing a decline of 7% compared to 2012 sales of €1,888 million, due to lower volume and selling prices of Polyamide & Intermediates and Fibras in a difficult competitive environment. Unfavorable foreign exchange rates reduced Net Sales in this segment by approximately 3% in 2013 compared to sales in 2012.

In 2013, REBITDA in Functional Polymers decreased by 11.0% compared to 2012 results. The successful structural repositioning of Engineering Plastics bolstered performance with volume increases and strong pricing power. However, REBITDA performance in Functional Polymers was held back in 2013 by a difficult competitive environment for Polyamide & Intermediates and for Fibras. As mentioned above, comparability between the 2013 and 2012 REBITDA is also affected by the restatement of the 2013 REBITDA to account for the absorption of shared costs from CBS into the various GBUs; this re-allocation had a negative impact equal to approximately €4 million on Functional Polymers's REBITDA in 2013 as compared to 2012.

Corporate & Business Services

The table below shows Net Sales and REBITDA for the Corporate & Business Services operating segment for the years ended December 31, 2013 and 2012:

	For the year ended December 31,	
	2013[(1)]	**2012[(2)]**
	(in € millions)	
Net sales	67	157
REBITDA	(131)	(99)

Notes:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

(2) 2012 REBITDA has been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

Net sales and REBITDA in Corporate and Business Services for 2013 amounted to €67 million and a loss of €131 million, respectively. The end of CERs sales resulted in a REBITDA drop of €90 million compared to 2012. Excellence initiatives across corporate functions and services helped to neutralize cost inflation, while costs linked to the Group's 150-year anniversary celebration and new branding efforts where offset by oneoffs like the positive impact from the realignment of insurance policies of the Group.

The comparability is also affected by the restatement of the 2013 REBITDA for the allocation of the shared Functions' services costs in its Corporate & Business Services ("**CBS**") unit to the Global Business Units, representing an increase of 2013 REBITDA by €38 million. That reallocation primarily concerns unallocated residual costs that arise when the Group divests businesses, less savings that have been delivered.

Cost of goods sold

The cost of goods sold decreased by €702 milllion, or 8.2%, from €8,546 million in the year ended December 31, 2012 to €7,844 million in the year ended December 31, 2013. This decrease was mainly due to the foreign exchange rate effects, and more specifically in respect of the Brazilian real, the US dollar and the Japanese yen depreciations compared to the euro. The decrease in costs of goods sold was also due to lower raw materials prices in a general deflationary context in most businesses and to a lesser extent to the positive impact of competitiveness improvement excellence initiatives. In addition, changes in scope had the effect of decreasing cost of goods sold by €129 million, which was mainly due to the reclassification of Eco Service business as a discontinued business in 2013. This change in scope effect was partly offset by the integration of Chemlogics, consolidated 2 months in 2013.

As a result, costs of goods sold as a percentage of net sales decreased from 81.3% in the year ended December 31, 2012 to 80.7% in the year ended December 31, 2013.

Gross margin

Gross margins refer tot Net Sales minus Cost of Goods sold and results from the factors outlined above.

Commercial and administrative costs

Commercial and administrative costs increased by €113 million, or 10.5%, from 1,076 in the year ended December 2012 to 1,189 in the year ended December 2013. This increase is primarily due to the inflation of fixed costs experienced over the different regions where the Group operates and to some exceptional expenses linked especially to the integration of Rhodia, such as IT and consultant costs. This increase was partly offset by changes in scope that had the effect of decreasing commercial and administrative costs, which was mainly due to the restatement of 2013 figures to reflect the disposal of Eco Service business (December 2014) as a discontinued business.

Research and development costs

The table below breaks down Solvay's research and innovation expense in 2013 and 2012, respectively:

	For the year ended December 31,	
	2013[(1)]	2012[(2)]
	(in € millions)	
Research & development costs (as in income statement)	(238)	(247)
Correction factors: + capitalization - depreciation + netted grants	(42)	(26)
Total research and development spending	(280)	(273)

Notes:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

Although total research and development spending increased from €273 million to €280 million, the costs booked in the income statement decreased by €10 million, or 3.9% from €247 million in the year ended December 31, 2012 to €238 million in the year ended December 31, 2013. This was primarily the result of higher capitalisation of development costs since 2013.

Other operating gains and losses

The table below breaks down Solvay's consolidated other operating gains and losses in the years ended December 31, 2013 and 2012, respectively:

	For the year ended December 31,	
	2013[(1)]	2012[(2)]
	(in € millions)	
Start-up, formation and preliminary study costs	(24)	(35)
Recurring capital gain on sales of fixed assets	10	7
Net foreign exchange gain and losses	4	0
Amortization of intangibles resulting from PPA Rhodia	(143)	(131)
Balance of other gains and losses	69	62
Other operating gains and losses	(83)	(97)

Notes:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

Other operating gains and losses decreased by €14 million, or 14.9%, from €97 million in the year ended December 31, 2012 to €83 million in the year ended December 31, 2013. When excluding depreciation of PPA on fixed assets relative to Rhodia's acquisition, other operating gains and losses amounted to a gain of €60 million in 2013, as compared to a gain of €35 million in 2012. This change was mainly due to the realignment, in 2013, of insurance policies of the Group, that led to the reversal of provisions for an accounting gain €22 million.

The €143 million of depreciation on intangibles in 2013 mainly related to fixed assets accrued to Solvay's Statement of Financial Position under the purchase price accounting methods applied to the Rhodia acquisition (€143 million in 2013 and €131 million in 2012). The increase in PPA amortization charge is mainly due to the accelerated depreciation of Carbon Emissions Rights under a favorable supply agreement.

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

The table below presents the joint ventures accounted for using the equity method which had the highest impact on the 2013 and 2012 income statements, respectively

	For the year ended December 31,	
	2013[1]	2012[2]
	(in € millions)	
Rusvinyl OOO	(11)	(2)
Peroxidos do Brasil Ltda	13	12
Solvay & CPC Barium Strontium	5	5
Hindustan Gum & Chemicals Ltd	21	129
Other	5	40
Total	34	183

Notes:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

Earnings from associates and joint ventures, accounted for using the equity method, amounted to a gain of €34 million in the year ended December 31, 2013 compared with a gain of €183 million in the year ended December 31, 2012.

The decrease of €149 million is largely driven by the reduction of Indian native-guar JV Hindustan Gum & Chemicals' (Hichem) result after 2012 exceptional guar pricing conditions.

Non-recurring items

The table below breaks down net non-recurring items from continuing operations included in Solvay's consolidated income statement in 2013 and 2012, respectively:

	For the year ended December 31,	
	2013[1]	2012[2]
	(in € millions)	
Restructuring	(115)	(110)
Costs related to non ongoing activities	(32)	(7)
M&A costs and capital gains/losses	(22)	53
Major litigations	(5)	(25)
Impairment	(65)	144
Non-recurring items	(239)	55

Notes:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

In 2013, the non-recurring items are mainly related to the following:

In the year ended December 31, 2013, the €115 million charge for restructuring costs was primarily due to €46 million in relation to Rhodia's integration and €45 million in relation to the restructuring of the Soda Ash and Derivatives in the Europe-Middle East-Africa (EMEA) region. The €65 million impairment charges mainly relate to €30 million in impairment of Plextronics, an OLED company that Solvay fully acquired out of bankruptcy in 2014, and €32 million in relation to the Benvic unit, which was classified as held for sale in 2013. Net costs related to non ongoing activities result in a charge of €32 million in 2013, of which €25 million relates to litigation and environmental costs.

In the year ended December 31, 2012, the impairment loss on Soda Ash CGU booked in 2010 was partially reversed (generating a gain of €149 million). The €110 million charges for restructuring costs was primarily composed of €92 million in social costs and consulting fees in relation to Rhodia's integration. The €53 million capital gains relates mainly to the €70 million capital gains of Pipelife joint venture and capital gain of corporate buildings Solvay SA (€28 million);

The increase in 2013 of the cost related to non ongoing activities, mainly composed of environmental remediation costs, was partially offset by the reduction in the same year of the costs related to major litigation, resulting in additional charges of €5 million in 2013 compared to 2012.

Net Financial Charges

The table below breaks down the elements of net financial charges for the years ended December 31, 2013 and 2012, respectively:

	For the year ended December 31,	
	2013(1)	2012(2)
	(in € millions)	
Cost of borrowings—Interest expense on financial liabilities at amortized cost	(190)	(167)
Interest income on lending and short-term deposits	25	16
Other gains and losses on net indebtedness	(2)	(8)
Cost of discounting provisions	(87)	(200)
Income/loss from available-for-sale investments	40	(3)
Net financial charges	(213)	(361)

Notes:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

Net financial charges decreased by €148 million, or 40.2%, from €361 million in the year ending December 31, 2012 to €213 million in the year ending December 31, 2013.

The evolution of the cost of borrowings at the end of 2013 compared to 2012 is partly explained by the fact that the 2012 financial charges included €17 million one-off non cash income related to the decision, taken in 2013, to exercise the call option in 2014 on the outstanding €500 million Rhodia senior bond, maturing in 2018. This exercise of this call option, had the consequence of accelerating the amortization of the acretion, which is the difference between value and par.

Other gains and losses on net debt indebtedness decreased from a loss of €8 million at the end of 2012 to a loss of €2 million at the end of 2013. At the end of 2013, this included a net positive income related to the mark-to-market of an interest rate swap (€5 million) that was traded in early 2013 to secure potential funding in 2014, but that was no longer needed as per management decision.

The cost of discounting provisions (namely, related to Post-employment benefits and HSE Liabilities) decreased from €200 million at the end of 2012 to €87 million at the end of 2013. This decrease of €113 million is mainly due to the sum of the three following impacts:

- in 2012 a one off cost resulting from decrease in discount rates for environmental provisions (€49 million), mainly in the Eurozone and in Brazil;
- in 2013 a one off gain resulting from increase in discount rates for environmental provisions (€41 million), mainly in Brazil and to a lower extent in the UK and in North America;
- lower discount rate to compute net interest costs in 2013 (vs 2012) on post-employment benefit (€21 million).

Result before taxes

Solvay's results before taxes decreased by €442 million, from €820 million in the year ending December 31, 2012 to €378 million in the year ending December 31, 2013 as a result of the elements and factors outlined above.

Income taxes

The tax charge for the years ended December 31, 2013 and 2012 can be broken down as follows:

	For the year ended December 31,	
	2013[1]	2012[2]
	(in € millions)	
Current taxes related to current year	(133)	(232)
Current taxes related to prior years	(37)	7
Deferred income tax	5	4
Tax effect of changes in the nominal tax rates on deferred taxes	(4)	(20)
Total	(170)	(241)

Notes:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

Income tax expense decreased by €71 million, from a charge of €241 million in the year ended December 31, 2012 to a charge of €170 million for the year ended December 31, 2013.

Result from continuing operations

Solvay's results from continuing operations for the years ended December 31, 2012 and 2013 are the result of the elements and factors described above.

Result from discontinued operations

The table below presents results from discontinued operations for the years ended December 31, 2013 and 2012, respectively:

	For the year ended December 31,	
	2013[1]	2012[2]
	(in € millions)	
Sales of Discontinued	2,798	2,462
Breakdown discontinued operations		
Loss recognized as result of remeasurement to fair value less costs to sell	(68)	(102)
EBIT Pharma (post closing litigation)	105	102
EBIT Chlorovinyls	80	89
EBIT Solvay Indupa	0	(28)
EBIT Eco Services	64	0
Financial charges Pharma	0	3
Financial charges Chlorovinyls	(11)	(18)
Financial charges Solvay Indupa		(26)
Financial charges Eco Services	(1)	0
Tax Chlorovinyls	(42)	(31)
Tax Solvay Indupa		11
Tax Eco Services (mainly on capital gain)	(22)	0
Total Result from Discontinued Operations	106	1
attributed to:		
• owners of the parent	106	46
• non-controlling interests	0	(45)

Notes:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

Discontinued operations include:

- Pharma post closing adjustments, which mainly relates to a €100 million milestone payment due in 2013, as defined in the terms and conditions of the disposal of Pharma business in 2010, and insurers indemnity in 2012;
- Eco Services business in 2013, which is due to the restatement of 2013 figures to reflect the disposal of Eco Service business (December 2014) as a discontinued business.
- Solvay Indupa in 2012 net income (€ (43) million) and impairment loss resulting from remeasurement to fair value at year end 2012 (€ (102) million).

Solvay Indupa (Chlorovinyls South America) remains classified in discontinued operations in 2013. Solvay Indupa in 2013 discontinued operations net income results from impairment loss related to change in fair value after signing the share purchase agreement with Braskem in December 2013 (€ (68) million in 2013).

Benvic (PVC compound) is an asset held for sale at the end of 2013, but is not in discontinued operations as it is not considered a major line of business.

Under the Chlorovinyls joint venture plan with INEOS, the associated activities have been presented in discontinued operations since September 30, 2013. Chlorovinyls Europe net income amounts to €27 million in 2013 and €41 million in 2012.

Net income for the year

Net income amounts to €315 million in 2013 versus €580 million in 2012. This decrease in net income results mainly from:

- lower REBITDA (€ (285) million);
- non-recurring items (€ (239) million in 2013 compared to €55 million in 2012);
- lower discounting costs in financial expenses (€113 million);
- higher result from discontinued operations (€105 million).

Adjusted net income for the year

The table below presents adjusted net income for the years ended December 31, 2013 and 2012, respectively:

	For the year ended December 31,	
	2013[(1)]	**2012**[(2)]
	(in € millions)	
Net Income IFRS	315	580
Adjustments to IFRS net income		
Adjustment of Rhodia inventories at fair value (PPA)	0	45
Amortization of PPA on intangible fixed assets	143	131
Tax on adjustments	(39)	(50)
PPA amortization on discontinued operations	3	0
Adjusted Net Income	422	707

Notes:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

Adjusted Net Income eliminates the distorting effects of the increases in depreciation and amortization charges within the income statement that resulted from recording the assets and liabilities of the Rhodia acquisition at fair market value.

Liquidity and Capital Resources

Solvay generates significant net cash from operating activities. This cash flow represents Solvay's principal source of liquidity and is sufficant to finance Solvay's ongoing cash needs and investments for the foreseeable future. Investments in the growth of Solvay and the ongoing rebalancing of its portfolio are composed of acquisitions of new business lines and subsidiaries, as well as the construction of industrial capacity. These are financed through Solvay's its financial resources, proceeds from disposals and debt, in line with Solvay's policy of maintaining a sound financial structure. Solvay's most recent acquisition prior to Cytec, was Chemlogics in 2013, which was financed through available cash resources and was followed by the issuance of €1.2 billion in hybrid debt, that was accounted for as equity, to strengthen the Group's balance sheet. Solvay believes that it has has adequate resources to meet its short-term and long-term cash requirement and its working capital as of the date of this Prospectus is sufficient for the Company's present requirements, that is, for the 12 month period following the date of this Prospectus. The Cytec acquisition will be financed through the debt offerings described below, as well as a rights offering. For more information on the Cytec financing, see "*The Acquisition—Financing the Acquisition*".

Cash Flow Statement

The table below presents summary cash flow for the nine months ended September 30, 2015 and the twelve months ended December 31, 2014, 2013 and 2012 respectively:

	For the nine months ended September 30,		For the year ended December 31,		
	2015	2014	2014	2013[(1)]	2012[(2)]
	(in € millions)				
Cash flow from operating activities	746	753	1,621	1,299	1,457
Cash flow from investing activities	(994)	(810)	(650)	(1,745)	(520)
Cash flow from financing activities	44	(1,002)	(1,690)	686	(1,081)
Net change in cash and cash equivalents	(204)	(1,059)	(718)	240	(144)

Notes:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

Cash Flow from Operating Activities

Net cash from operating activities is primarily impacted by changes in working capital requirements and income tax paid, as well as results before taxes, which have been analysed in previous pages of this operating and financial review.

The table below presents Solvay's cash flow from operations for the nine months ended September 30, 2015 and the years ended December 31, 2014, 2013 and 2012:

	For the nine months ended September 30,		For the year ended December 31,		
	2015	2014	2014	2013[(1)]	2012[(2)]
	(in € millions)				
Net income	416	(127)	13	315	580
Adjustments to net income					
Depreciation, amortization and impairments	682	1,098	1,430	963	794
Earnings from associates and joint ventures accounted for using the equity method	8	(9)	34	(35)	(184)
Net financial charges and Income/loss from available-for-sale investments	195	270	356	248	401
Income taxes expense	240	199	314	236	295
Changes in working capital	(489)	(374)	236	20	54
Changes in provisions	(150)	(154)	(213)	(245)	(310)
Dividends received from associates and joint ventures accounted for using equity method	14	13	19	44	53
Income taxes paid	(196)	(158)	(217)	(268)	(179)
Other	27	(5)	(351)	20	(47)
Cash flow from operating activities	746	753	1,621	1,299	1,457

Notes:
(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.
(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

For the nine months ended September 30, 2015, net cash generated from operating activities was €746 million, and was relatively stable compared to €753 million generated from operating activities in the nine months ended September 30, 2014.

For the year ended December 31, 2014, net cash generated from operating activities was €1,621 million, an increase of €322 million, or 25%, compared to €1,299 million generated from operating activities in the year ended December 31, 2013. This increase relates primarily to an improvement of €236 million in working capital, due to improved collections policies and important cash inflows related to added value taxes recovery. The decrease of €351 million shown under the line item "Other" represents the gross capital gain of Eco Services, which is has been classified in cash flow from investing activities as a sale of investment.

For the year ended December 31, 2013, net cash generated from operating activities were €1,299 million, a decrease of €158 million, or 11%, from €1,457 million generated from operating activities in the year ended December 31, 2012. This was driven by higher income taxes paid, in line with the 2012 result before taxes of €820 million in 2012.

Working Capital Analysis

Working capital is calculated as the net change period over period of the level of inventories, trade receivables and trade payables. In terms of trade receivables, there is no significant concentration of credit risk at Group level as a result of the fact that the receivables risk is spread over a large number of customers and markets. The ageing of trade receivables is presented in note 37D to the consolidated financial statements.

The table below presents the change in working capital for the nine months ended September 30, 2015 and 2014 and the twelve months ended December 31, 2014, 2013 and 2012 respectively.

Change in working capital

	For the nine months ended September 30,		For the year ended December 31,		
	2015	**2014**	**2014**	**2013(1)**	**2012(2)**
	(in € millions)				
Working capital from continuing operations	(334)	(409)	105	(67)	38
Working capital from discontinued operations	(155)	35	131	87	16
Total	(489)	(374)	236	20	54

Notes:
(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.
(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

For the nine months ended September 30, 2015, the change in working capital amounted to negative cash generation of €489 million, of which €334 million was used for continuing operations, whereas for the nine months ended September 30, 2014, the change in working capital amounted to negative cash generation of €374 million, of which €409 million was used for continuing operations.

In 2014 the change in working capital amounted to positive cash generation of €236 million, of which €105 million was generated from continuing operations. This positive result was due to very low ratio working capital on sales at year end as significant progress was made in the management of collections. The client Days Sales Outstanding ("**DSO**") improved by 2 days in 2014 representing €90 million in cash generation compared to 2013. Working capital generated from discontinued operations in 2014 equaled €131 million, which was mainly due to €102 million in cash generation from the Pharma business and €20 million in working capital generated by the Indupa business in Latin America.

In 2013 the change in working capital generated €20 million, which includes working capital consumption of €67 million for continuing operations and cash generation of €87 million from discontinued operations. This working capital generation from discontinued operations in 2013 can primarily be attributed to cash from the Chlorovinyls business. In 2012 the change in working capital amounted to €54 million, of which €38 million was generated by continuing operations and €16 million was generated by discontinued operations.

Cash Flow from Investing Activities

The table below presents Solvay's consolidated cash flow from investing activities for the nine months ended September 30, 2015 and the twelve months ended December 31, 2014, 2013 and 2012 respectively:

	For the nine months ended September 30,		For the year ended December 31,		
	2015	2014	2014	2013(1)	2012(2)
	(in € millions)				
Acquisition (-) of subsidiaries	(47)	(91)	(304)	(878)	(2)
Acquisition (-) of investments—Other(3)	(12)	(91)	(107)	(103)	(39)
Acquisition (-) of tangible assets	(676)	(591)	(923)	(797)	(736)
Acquisition (-) of intangible assets	(57)	(41)	(64)	(70)	(49)
Subtotal Capital Expenditure	(792)	(814)	(1,398)	(1,848)	(826)
Sale (+) of tangible and intangible assets	23	13	21	33	109
Sale (+) of investments	(195)	0	721	44	191
Loans to associates and non consolidated companies	(5)	10	5	4	0
Dividend from available-for-sale financial assets	0	0	0	4	1
Changes in non-current financial assets	(25)	(19)	1	18	4
Cash flow from investing activities	(994)	(810)	(650)	(1,745)	(520)

Notes:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

(3) Primarily acquisitions of interests in associates and joint ventures.

Cash flow from investing activities is generated by the sale of tangible assets, intangible assets and other investments, including subsidaries and business lines, net of capital expenditures, which may take the form of acquisitions of tangible and intangible assets, subsidiaries and other investments.

For the nine months ended September 30, 2015, net cash flows used in investing activities amounted to a net outflow of €994 million, which primarily related to the acquisition of tangible and intangible assets for €733 million and a tax cash-out from the disposal of Eco Services for €232 million.

For the year ended December 31, 2014, net cash flows used in investing activities amounted to a net outflow of €650 million, which primarily related to the acquisition of tangible and intangible assets for €988 million, the acquisition of subsidiaries for €304 million, investments in associates and joint ventures for €107 million. These cash outflows were partially offset in 2014 by cash inflow from the sale of investments for €721 million. The capital expenditures related to discontinued operations amounts to €127 million in 2014 and consisted of purchases and sales of tangible and intangible assets only.

For the year ended December 31, 2013, net cash flows used in investing activities amounted to a net outflow of €1,745 million, which primarily related to the acquisition of tangible and intangible assets for €867 million, the acquisition of subsidiaries for €878 million, investments in associates and joint ventures for €103 million. These cash outflows were partially offset in 2013 by cash inflow from the sale of investments for €44 million. The capital expenditures related to discontinued operations amounts to €133 million in 2013 and consisted of purchases and sales of tangible and intangible assets only. The acquisition of subsidiaries in 2013 amounted to €878 million and was mainly related to the acquisition of Chemlogics and it is composed of the total consideration transferred in cash of €888 million, net of the cash held by the Company at acquisition of €7 million. The disposal of investments in 2013 refered to the sale of the AGEAS shares for €50 million. The acquisition of associates and joint ventures in 2013 of €103 million mainly related to the capital increase in the RusVinyl PVC joint venture of €86 million and in the hydrogen peroxyde joint venture with Sadara in Saudi Arabia of €24 million.

For the year ended December 31, 2012, net cash flows used in investing activities amounted to a net outflow of €520 million, which primarily related to the acquisition of tangible and intangible assets for €785 million. These cash outflows were partially offset in 2012 by cash inflow from the sale of tangible and intangible assets for €109 million and the sale of investments for €191 million. The capital expenditures related to discontinued operations amounts to €145 million in 2012 and consisted of purchases and sales of tangible and intangible assets only.

Capital Expenditures Analysis

All capital expenditure above €10 million must be presented to the investment committee of the executive committee and investments above €50 million require board approval. The criteria for approval of growth capital expenditure projects includes an internal rate of return of more than or equal to 15%. As of December 31, 2014, existing capital expenditure commitments for the Group equalled €131 million, of which €6 million related to joint ventures.

An analysis of capital expenditure by period and by operating segment is laid out below.

Nine months ended September 30, 2015

The following table presents Sovay's capital expenditure for the nine months ended September 30, 2015, broken down by operating segment:

	Nine months ended September 30, 2015					
	Advanced formulations	Advanced Materials	Performance Chemicals	Functional Polymers	Corporate & Business Services	Group Total
			(in € millions)			
Capital expenditures—Tangible and intangible assets	152	236	177	105	62	733
Capital expenditures—Subsidiaries and Investments	23	6	0	13	18	59
Total CapEx	175	242	177	118	80	793

The acquisition of tangible and intangible assets amounted to €733 million. It included approximately €300 million of maintenance capital expenditure, while the rest related to growth capital expenditure projects including expansions of existing facilities, as well as new plants. Some major projects in the period are:

- Novecare's expansion of ethoxylation capacity in Asia and the United States;
- Aroma: Vanillin production new plant in Zhenjiang (China), boosting its production capacities by 40%;
- Specialty Polymers' investment in Changshu (China);
- Specialty Polymers' PEEK expansion in India and plant in the United States;
- Peroxides: build-up of a Megaplant H_2O_2 JV in Saudi Arabia with Sadara (JV Dow-Aramco)
- Soda Ash and Derivatives: build-up of a large sodium bicarbonate plant in Thailand and expansion in the United States

2014

The following table presents Sovay's capital expenditure for the year ended December 31, 2014, broken down by operating segment:

	2014					
	Advanced formulations	Advanced Materials	Performance Chemicals	Functional Polymers	Corporate & Business Services	Group Total
			(in € millions)			
Capital expenditures—Tangible and intangible assets	166	267	301	183	69	988
Capital expenditures—Subsidiaries and Investments	50	231	—	107	23	411
Total CapEx	216	498	301	290	92	1,398

The acquisition of tangible and intangible assets amounted to €988 million in 2014, and related to various projects, many of them extending over several years, including the following:

- Novecare's expansion of ethoxylation capacity in Asia and the United States;
- Aroma: Vanillin production new plant in Zhenjiang (China), boosting its production capacities by 40%;
- Specialty Polymers' investment in Changshu (China);
- Silica: build-up of a new Highly Dispersible Silica (HDS) plant in Wloclawek (Poland);
- Peroxides: build-up of a Megaplant H_2O_2 JV in Saudi Arabia with Sadara (JV Dow-Aramco)
- Peroxides: Eagle (60Kt H_2O_2 plant at Zhengiang (China));
- Soda Ash and Derivatives: build-up of a large sodium bicarbonate plant in Thailand;
- Soda Ash and Derivatives: investments linked to competitiveness improvements.

The acquisition of subsidiaries and investments amounted to €411 million in 2014 and includes the following items :

- Acquisition of subsidiaries for €304 million is, mainly related to the acquisition of Ryton® PPS for €198 million. Other acquisitions are Erca Quimica Brazil, Flux Schweiß- und Lötstoffe GmbH and Solvay Biomass Energy.
- Acquisition of associates and joint ventures for €107 million, mainly related to the capital increase in the RusVinyl PVC joint venture of €98 million.

The sale in 2014 of investments related to the disposal of Eco Services, which amounted to €721 million.

For the year ended December 31, 2014, the ratio of capital expenditure to REBITDA was 48%.

2013

The following table presents Sovay's capital expenditure for the year ended December 31, 2013, broken down by operating segment:

	2013 Capital Expenditures[1]					
	Advanced formulations	Advanced Materials	Performance Chemicals	Functional Polymers	Corporate & Business Services	Group Total
			(in € millions)			
Capital expenditures—Tangible and intangible assets	136	213	244	176	99	867
Capital expenditures—Subsidiaries and Investments	881	1	—	86	13	981
Total CapEx	1,017	214	244	262	112	1,848

Note:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

The acquisition of tangible and intangible assets amounted to €867 million in 2013 and related to various projects, many of them extending over several years, including the following:

- Novecare's expansion of ethoxylation capacity in Asia and the United States;
- Novecare's new surfactant plant in Germany;
- Doubling of Aroma Performance's production capacity for specialty fluorinated derivatives at its plant in Salindres (France);
- The investment in Specialty Polymers in Changshu (China);
- Silica: build-up of a new Highly Dispersible Silica (HDS) plant in Wloclawek (Poland).

The acquisition of subsidiaries and investments amounted to €981 million in 2013 and includes the following items:

- Acquisition of subsidiaries for €878 million, mainly related to the acquisition of Chemlogics and it is composed of the total consideration transferred in cash of €888 million, net of the cash held by the Company at acquisition of €7 million;
- Acquisition of associates and joint ventures of €103 million mainly related to the capital increase in the RusVinyl PVC joint venture of €86 million and in the hydrogen peroxyde joint venture with Sadara in Saudi Arabia of €24 million.

The disposal of investments in 2013 mainly consisted in the sale of the AGEAS shares for €50 million.

For the year ended December 31, 2013, the ratio of capital expenditure to REBITDA was 43%.

2012

The following table presents Sovay's capital expenditure for the year ended December 31, 2012, broken down by operating segment:

	2012 Capital Expenditures[1]					
	Advanced formulations	**Advanced Materials**	**Performance Chemicals**	**Functional Polymers**	**Corporate & Business Services**	**Group Total**
			(in € millions)			
Capital expenditures—Tangible and intangible assets	115	198	201	210	61	785
Capital expenditures—Subsidiaries and Investments	4	16	12	—	9	41
Total CapEx	119	214	213	210	70	826

Note:
(1) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

The acquisition of tangible and intangible assets amounted to €785 million in 2012 and related to several growth investments in Solvay's growth engines and highly resilient businesses. The most significant being:

- the Epichlorohydrin production unit in Thailand based on natural glycerin (Epicerol® process);
- the investment in Specialty Polymers in China (Changshu);
- the PVDF and VF2 capacity debottlenecking at Tavaux (France);
- the conversion to membrane technology of the electrolysis units in Lillo (Belgium) and Tavaux (France);
- Energy Services cogeneration plant in Brazil;
- Rare Earths: Investment in recycling at Saint Fons (France);
- Novecare: project to increase the production capacity of guar derivatives in Vernon (Texas).

The sale of tangible and intangible assets for €109 million in 2012 mainly related to Corporate & Business Support with the sale of non-strategic land and properties in four different locations.

The sale of investments for €191 million in 2012 refers mainly to the sale of the Pipelife JV to Wienerberger for €162 million.

For the year ended December 31, 2012, the ratio of capital expenditure to REBITDA was 38%.

Cash Flow from Financing Activities

The table below presents Solvay's consolidated cash flow from financing for the nine months ended September 30, 2015 and the twelve months ended December 31, 2014, 2013 and 2012 respectively:

	For the nine months ended September 30,		For the year ended December 31,		
	2015	2014	2014	2013(1)	2012(2)
	(in € millions)				
Capital increase (+) / redemption (-)	0	0	0	0	(28)
Proceed from bond issuance classified as equity	0	0	0	1,191	0
Acquisition (-) / sale (+) of treasury shares	(59)	(8)	(41)	(1)	142
Net change in borrowings	364	(975)	(1,214)	(104)	(379)
Changes in other current financial assets	231	491	134	205	(294)
Interests paid	(143)	(224)	(234)	(201)	(176)
Hybrid Dividends paid	(29)	(15)	(41)	0	0
Dividends paid	(289)	(270)	(291)	(343)	(278)
Other	(31)	(1)	(3)	(61)	(67)
Cash flow from financing activities	44	(1,002)	(1,690)	686	(1,081)

Notes:

(1) 2013 figures have been restated to reflect Eco Services business as a discontinued business and the adoption of IFRS 11—*"Joint Arrangements"* from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

For the nine months ended September 30, 2015, cash flows from financing activities resulted in net proceeds of €44 million compared to a net use of €1,002 million in the nine months ended September 30, 2014. The group's cash inflows in the nine months ended September 30, 2015 primarily relate to additional drawdowns of €866 million under the Group's €1 billion Belgian treasury note program and net proceeds of €231 million from other current financial assets. This was partially offset by the repayment of a retail bond of €500 million in June 2015, the payments of dividends for €289 million and interests for €143 million. For the nine months ended September 30, 2014, cash flows from financing activities was a net outflow of €1,002 million, which primarily related to financial debt repayments amounting to €500 million for EMTN bonds maturing in January 2014, €500 million for Rhodia senior high yield notes in May 2014 and US$400 million early redemption of Rhodia senior High Yield notes in May 2014, which were partially offset by the issuance of treasury notes for €363 million.

For the year ended December 31, 2014, cash flows from financing activities was a net use of €1,690 million compared to a net proceed of €686 million in the year ended December 31, 2013 and a net use of 1,081 million in the year ended December 31, 2012.

For the year ended December 31, 2014, the cash flows used in financing activities consisted in several financial debt repayments amounting to €500 million for EMTN bond maturing in January 2014, €500 million upon the exercise of the first call option for Rhodia senior high yield notes maturing initially in 2018 and US$400 million early redemption of Rhodia senior High Yield notes maturing initially in 2020. This was partially offset throughout the year by the issuance of Belgian treasury notes of €75 million in 2014 under the Group's available program of €1 billion, with the rest of the program remaining undrawn.

For the year ended December 31, 2013, Solvay's cash flows generated from financing activities was mainly due to the issuance in November 2013 of €1.2 billion hybrid bond (treated as equity under IFRS), which followed the acquisition of Chemlogics for US$1,345 million financed with available cash. The aim of the hybrid issuance was to further strengthen the Group's financial position ahead of its refinancing of debt maturities from 2014 onwards. The other cash flows used for financing activities of €61 million include the payments for the liquidity clause related to share based payments signed as part of the Rhodia acquisition (€32 million).

For the year ended December 31, 2012, net cash flows generated from financing activity was €1,081 million, which consisted mainly of €379 million in net outflow on borrowings, and €294 million in net change in other financial assets as a result of the placement of cash received from the disposal of Pharma Business in a money market fund.

Free Cash Flow

Free Cash Flow is used as a liquidity measure because the Group believes that it gives a more accurate reflection of the available liquid resources that the Group has at its disposable than existing IFRS measures.

Free Cash Flow is derived by adding IFRS cash flow from operating activities (including dividends from associates and joint ventures) and IFRS cash flow from investing activities, net of three elements : (i) acquisitions and sales of subsidiaries (ii) acquisitions and sales of other investments and (iii) loans to associates and non-consolidated subsidiaries.

	For the nine months ended September 30,		For the year ended December 31,		
	2015	2014	2014	2013[(1)]	2012[(2)]
	(in € millions)				
Cash flow from operating activities	746	753	1,621	1,299	1,457
Cash flow from investing activities	(994)	(810)	(650)	(1,745)	(520)
Net acquisition (-) of subsidiaries	(47)	(91)	(304)	(878)	(2)
Acquisition (-) of investments—Other	(12)	(91)	(107)	(103)	(39)
Sale (+) of investments	(195)	0	721	44	191
Loans to associates and non consolidated companies	(5)	10	5	4	0
Total Free Cash Flow (FCF)	11	114	656	487	787
Of which FCF from continuing operations	22	32	511	198	679
Of which FCF from discontinued operations	(11)	82	145	289	108

Notes:

(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"Joint Arrangements" from January 1, 2013.

(2) 2012 figures have been restated to reflect Chlorovinyls as a discontinued business from January 1, 2012.

For the nine months ended September 30, 2015, free cash flow was €11 million, compared to €114 million generated in the nine months ended September 30, 2014. The decrease mainly related to higher cash used for the acquisition of tangible and intangible assets, which amounted to €733 million for the nine months ended September 30, 2015 compared to €632 for the same period in 2014.

For the year ended December 31, 2014, free cash flow was €656 million, an increase of €169 million, or 35%, from the free cash flow of €487 million generated in 2013. The increase mainly related to higher cash flow from operating activities which increased by €322 million, partially offset by an increase in the acquisition of tangible assets of €126 million.

For the year ended December 31, 2013, free cash flow was €487 million, a decrease of €300 million, or 38%, from the free cash flow of €787 million generated in 2012. The decrease mainly related to lower cash flow from operating activities which decreased by €158 million, an increase in the acquisition of tangible assets of €61 million and lower sales of tangible and intangible assets of €76 million.

Cash and cash equivalents

Cash and cash equivalents amounted to €1,132 million as of September 30, 2015, €1,251 million as of December 31, 2014, €1,961 million as of December 31, 2013 and €1,768 million as of December 31, 2012.

The Group estimates that cash in an average of €250 million is restricted cash in the sense that it is managed by joint ventures, in house reinsurance companies or located in countries with restrictive monetary policy.

Cash and cash equivalents include an amount of €17 million as of September 30, 2015 which has been restricted in the context of the Chemlogics acquisition since 2013.

Other Current Receivables—Financial Instruments

Other Current Receivables—Financial Instruments amounted to €89 million as of September 30, 2015, €309 million as of December 31, 2014, €481 million as of December 31, 2013 and €758 million as of December 31, 2012. They mainly included investments in money market funds, bonds, and treasury bills with maturity of more than three months and other current financial assets (primarily interest due)

Financial debt

The table below presents Solvay's total financial indebtedness at September 30, 2015, and at December 31, 2014, 2013 and 2012, respectively:

	As of September 30,	As of December 31,		
	2015	2014	2013(1)	2012
		(in € millions)		
Subordinated loans	500	499	498	504
Bonds	493	491	1,832	2,366
Long-term finance lease obligations	39	2	3	3
Long-term debts to financial institutions	0	300	300	366
Other long-term debts	212	193	176	82
Amount due within 12 months (shown under current liabilities)	304	505	519	60
Other short-term borrowings (including overdrafts)	1,146	348	255	271
Total financial debt (short and long-term)	2,693	2,338	3,584	3,652

Note:
(1) 2013 figures have been restated to reflect Eco Services as a discontinued business and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

As of September 30, 2015, financial debt (short and long term) amounted to €2,693 million compared to €2,338 million as of December 31, 2014. This debt consisted in €1,243 million in long-term financial debt and €1,451 million of short-term financial debt.

Net Debt

Net Debt is used as a key performance indicator because it represents the amount of financial debt that is not covered by available cash and cash equivalents and liquid instruments. Net Debt has no directly comparable IFRS financial measure, but is calculated using several asset and liability categories from the statements of financial position, as shown in the table below.

Net Debt is defined as short and long-term financial debt, minus cash and cash equivalents and minus Other Current Receivables—Financial Instruments. Net debt can be reconciled to the component Balance Sheet items as of September 30, 2015 and 2014 and as of December 31, 2014, 2013 and 2012 as shown below:

	For the nine months ended September 30,	For the years ended December 31,		
	2015	2014	2013(1)	2012
		(in € millions)		
Short term financial debt	1,451	853	775	331
Long term financial debt	1,243	1,485	2,809	3,321
Total Financial debt	2,693	2,338	3,584	3,652
Other current receivables—financial instruments	(89)	(309)	(481)	(758)
Cash and cash equivalents	(1,132)	(1,251)	(1,961)	(1,768)
Net Debt	1,473	778	1,141	1,125
Liabilities (+) / Assets (-)				

Note:
(1) 2013 figures have been restated to reflect Eco Services as a discontinued operation and the adoption of IFRS 11—"*Joint Arrangements*" from January 1, 2013.

Net debt amounted to €1,473 million as of September 30, 2015, €778 million as of December 31, 2014, €1,141 million as of December 31, 2013 and €1,125 million as of December 31, 2012.

Net debt increased by €695 million or 89% between December 31, 2014 and September 30, 2015. The increase was driven by an increase in financial debt of €355 million, a decrease in Other current receivables—Financial instruments of €220 million and a decrease in cash and cash equivalents of €119 million. The increase in financial debt relates to additional drawdowns of €866 million under the Group's €1 billion Belgian treasury note program, partially offset by the repayment of a retail bond of €500 million in June 2015. This increase in net debt is explained by the increase in working capital of €489 million in the nine months ended 2015, a €220 million in taxes on the sale of Eco Services paid in the first quarter of 2015, and the payment of the interim and final dividend as well as the coupon on the Company's hybrid bond (treated as equity in IFRS) in the first six months of 2015.

Net debt decreased by €363 million or 32% between December 31, 2013 and December 31, 2014. The decrease was driven by the drop in financial debt of €1,246 million mainly due to several debt repayments in 2014, totalling €1,365 million; this decrease in net debt was further improved by the inflow of €721 million in cash proceeds from the disposal of Eco Services.

Net debt was relatively stable between December 31, 2013 (€1,141 million) and December 31, 2012 (€1,125 million).

As of September 30, 2015, the largest borrowings had an aggregated nominal amount of €1,414 million and consisted of the following items:

- EMTN bond issue of €500 million nominal value maturing in 2018 (carrying amount €491 million as of December 31, 2014), which carries a fixed rate of 4.75% (5.71% tap for €200m).
- A loan from the European Investment Bank of €300 million maturing in January 2016, which carries a fixed rate of 3.9%
- Deeply subordinated bond placed on the market in 2006, maturing 2104, with a nominal value of €500 million maturing in 2104 (carrying amount €499 million as of December 31, 2014). It is subordinated to the other debts of the Group and is listed in Luxembourg. The coupon carries a fixed rate of 6.375% for the first ten years. In 2016 the coupon converts to a floating rate equal to 3-month Euribor plus 335 basis points, until maturity in 2104. Solvay has an option to redeem this issue at par starting in 2016. The issuer has a coupon non-payment option governed by the rules of the coupon carry-forward mechanism.
- €58 million in debt resulting from the nonrecourse term loan signed in 2011 between MTP HPJV C.V. and two Thai banks for a nominal amount of 8.5 bn THB as, with maturity in 2021. MTP HPJV C.V. holds Solvay's 50% share in the MTP HP JV (Thailand) Ltd. joint operation.
- €56 million in debt resulting from the loan signed in 2015 between Solvay Specialty Polymers (Changshu) Co., Ltd and a Chinese bank for a nominal amount of CNY 650 million, with maturity in 2021.

In addition the Group has drawn €941 million under its €1 billion Belgian treasury note program as of September 30, 2015. The average maturity of these treasury notes is less than six months and average interest less than 0.15%.

The table below presents the amounts and maturities on Solvay's main credit and debt agreements as of September 30, 2015:

	Amount	**Maturity**
	(in € millions)	
EMTN bonds issued by Solvay SA (Belgium)	500	2018
(tap)		
European Investment Bank	300	2016
Deeply subordinated debt issued by Solvay Finance SA (France) with support from Solvay SA (Belgium)*	500	2104(1)
Hybrid bonds		
Total		

Note:

(1) With the possibility to exercise a first call in June 2016.

There are no financial covenants affecting outstanding debt agreements signed either by Solvay SA, or any of the Group's holding companies as of the date of this Prospectus. As of the date of this Prospectus, no defaults have occurred or are ongoing on the above-mentioned financial debt.

Financing the Acquisition

The total cash needs of Solvay in connection the Acquisition are up to US$5.8 billion. Solvay currently intends to finance this amount with the following sources:

- a rights issue by Solvay SA for an amount of €1.5 billion;
- the Bonds;
- euro-denominated senior debt securities to be issued by Solvay SA; and
- US dollar-denominated senior debt securities to be issued by Solvay Finance (America) LLC, a US subsidiary of Solvay SA, with a guarantee from Solvay SA.

On November 26, 2015 Solvay announced that Solvay SA will issue €1.0 billion floating rate bonds due December 1, 2017, €750,000,000 1.625 per cent. bonds due December 2, 2022 of Solvay SA and €500,000,000 2.750 per cent. bonds due December 2, 2027 (the "**Euro Senior Bonds**") on December 2, 2015. Solvay SA expects to use approximately €1.35 billion of the proceeds of the Euro Senior Bonds to finance the Acquisition and the remaining proceeds to partially refinance existing short-term and long-term financial indebtedness. See Section "*Description of the Guarantor—General Overview—Recent Developments—Bond issuances*."

If the closing of the Acquisition takes place prior to the completion of the rights issue, Solvay intends to borrow any necessary amounts under a multi-currency unsecured bridge loan facility that Solvay and Solvay Finance (America), LLC signed with Credit Suisse AG, London Branch and Morgan Stanley Bank International Limited as arrangers providing for drawings of up to US$5.8 billion for this purpose. If the bridge loan is drawn, Solvay intends to refinance it with the net proceeds of the rights offering within a reasonable timeframe in order to maintain its credit rating. The bridge loan matures in July 2016 and may be extended by a further 12 months thereafter. The bridge loan is described in more detail below.

The rights offering and the separate debt capital markets offerings are not conditioned upon one another and may be consummated at various times. The decision to proceed with each offering will be made independently, subject to market conditions, from the decision to proceed with any other offering. The size and terms of each offering will be determined at the time of such offering, and the actual financing arrangements may vary from those set out above. The completion of the Merger is not conditioned upon Solvay's receipt of financing.

The euro-denominated senior securities and the Bonds will provide Solvay the option to redeem them at 101% of their principal amount if, within six months following issuance, the Acquisition has not been completed or Solvay has publicly announced that it does not intend to pursue it. The US dollar-denominated securities will contain a similar provision, but with a mandatory redemption at 101% of the principal amount if the Acquisition has not been completed in six months following issuance or Solvay has publicly announced that it does not intend to pursue it.

$5,800,000,000 Bridge Loan

On July 31, 2015, Solvay Finance (America), LLC as borrower and Solvay S.A. as guarantor (together, obligors) entered into a multicurrency term loan facility agreement (the "**Bridge Loan**"), with Credit Suisse AG, London Branch and Morgan Stanley Bank International Limited as mandated lead arrangers and bookrunners and BNP Paribas Fortis' role as bookrunner, of up to US$5.8 billion or its equivalent in euros for purposes of financing all or a portion of the cash consideration for the Acquisition.

The Bridge Loan may be drawn at any time on one or more occasions until the earlier of (i) July 27, 2016, (ii) five dates after the effective date of the Acquisition and (iii) the date on which Solvay abandons or withdraws from the Acquisition. It matures on July 31, 2016. In the absence of a continuing default, the borrower (or the guarantor on its behalf) may extend the maturity date by one year to July 31, 2017.

Borrowings under the Bridge Loan bear interest at the rate of LIBOR (in the case of U.S. dollar borrowings) or EURIBOR (in the case of euro borrowings) plus a margin that varies according to Solvay SA's credit rating and consistent with prevailing market rates for this type of transaction.

The obligations of the obligors under the Bridge Loan are several. Amounts repaid may not be redrawn. The Bridge Loan includes covenants that, among other things, restrict liens and disposals and prohibit any merger that may materially affect the capacity of Solvay to fulfill its obligations under the Bridge Loan. The events of default include cross acceleration and the group ceasing, in a material way, to carry on the business it carried on at the date of the Bridge Loan or entering into any unrelated business.

Drawings under the Bridge Loan are conditional upon receipt of conditions precedent documents as well as (i) no major default (as defined therein) continuing or resulting from the drawing and (ii) (a) the merger documents being in compliance in all material respects with applicable takeover regulations and containing all the material terms relating to the Acquisition on the date of publication and (b) certain of the obligors' other representations being true in all material respects.

If Solvay cannot draw funds under the Bridge Loan, and the proceeds from the rights offering are not sufficient to pay the consideration due upon the closing of the Acquisition, it may have to seek other financing to complete the Acquisition. Any such other financing could be on terms that are less favorable to Solvay. See Section "*Risk Factors—Risks related to the Acquisition*—Solvay will face financial risks in financing the Acquisition and due to its increased level of debt".

Solvay intends to replace or refinance drawings under the Bridge Loan, if any, with financing pursuant to euro and USD debt securities and the Bonds and intends to refinance any outstanding amounts under the Bridge Loan with the proceeds of the rights offering. No assurances can be given as to whether Solvay will be able to replace or refinance the Bridge Loan, if drawn, or as to what the terms of any such refinancing or replacement might be. See Section "*The Acquisition—Financing the Acquisition*".

Under the Bridge Loan, the borrower must prepay advances and cancel available commitments in amounts equal to:

- the net proceeds received by a member of the Group from asset disposals, other than proceeds that (i) are reinvested within 12 months of their receipt, (ii) do not exceed €50 million in relation to a single disposal or series of related disposals or (iii) do not exceed €500 million, when aggregated with all other net disposal proceeds; and
- the proceeds received by a member of the Group from the issuance of shares or other equity or equity-linked instruments or from loan facilities, bank debt, debt capital market instruments or securities, other than (i) project or receivables finance with limited or no recourse to any member of the Group, (ii) project finance in relation to certain joint ventures, (iii) intra-group issuances of equity, (iv) intra-group borrowings, (v) debt existing on the date of the Bridge Loan, including additional debt under existing facilities, (vi) revolving credit facilities for working capital and (vii) debt used to refinance certain existing Group loans and obligations and to comply with the Group's liquidity reserves policy.

Credit lines and other liquidity reserves

As of September 30, 2015, the Group has undrawn credit facilities of approximately €2.4 billion mainly consisting of the following revolving credit facilities and term loan agreements:

- A €1.5 billion undrawn committed credit facility to Solvay SA for general corporate purpose, maturing in 2020, with an extension possibility until 2021;
- A €550 million undrawn committed credit facility to Solvay SA for general corporate purpose, maturing in 2018;
- Solvay SA and Solvay Finance (America), LLC (together as obligors) entered into several bilateral undrawn revolving credit facilities with several banking partners for an approximate amount of €300 million, with first maturity after 2016.

In addition to the above mentioned financing sources, the Group has access to the following instruments: a Belgian short-term notes program in an amount of €1 billion, of which €941 million were issued as of September 30, 2015 (€941 million at the end of September 2015, €75 million at the end of 2014 and unused in 2013), and a US commercial paper program in an amount of US$ 500 million, unused at the end of September 2015. The two programs are covered by back-up credit facilities including those described below.

In addition, to secure the financing for the Acquisition of Cytec, Solvay secured on July 29, 2015 a bridge loan facility for a maximum amount of US$5.8 billion, with an initial 12-month maturity possibly extended for an additional 12 months under some specific conditions.

The following is a description of the terms of Solvay's material financing arrangements.

€1,500,000,000 Revolving Credit Facility

On June 24, 2014, Solvay SA and Solvay Finance (America), LLC (together as obligors) entered into a multicurrency revolving credit facility under Belgian law of up to €1,500,000,000 ("**€1,500,000,000 Revolving Credit Facility**") for general corporate purposes, including bridge financing of acquisitions. Drawings by Solvay Finance (America), LLC are guaranteed by Solvay SA.

The final maturity date has been extended to June 24, 2020 and a second request may be made to extend the maturity to June 24, 2021. Amounts repaid under the facility may be re-borrowed up to the available commitment. As of the end of September 2015, the facility was undrawn.

Borrowings under the €1,500,000,000 Revolving Credit Facility bear interest at a rate of EURIBOR (in the case of euro borrowings) or LIBOR (in the case of U.S. dollar borrowings) plus a margin that varies according to Solvay SA's credit rating and consistent with prevailing market rates for this type of transaction.

The obligations of the obligors under this facility are several and not joint. The €1,500,000,000 Revolving Credit Facility includes covenants that, among other things, restrict liens and disposals, and prohibit any merger that may materially affect the capacity of Solvay to fulfil its obligations under the facility. Notably, they require Solvay SA to ensure that Solvay Finance (America), LLC remains its subsidiary. The events of default include cross acceleration, in the event of non-payment of certain other debts and the group materially ceasing to carry on the business it carried on June 24, 2014 or entering into any unrelated business.

Drawings under the €1,500,000,000 Revolving Credit Facility are conditioned upon (i) receipt of documents attesting to the satisfaction of required conditions precedent, (ii) the absence of a market disruption event (as defined in the agreement), (iii) no event of default having occurred and at that time continuing.

€550,000,000 Revolving Credit Facility

On November 4, 2011, Solvay SA, Solvay Finance (America) LLC, and Solvay Finance France SA (together as obligors) entered into a multicurrency revolving credit facility under Belgian law of up to €550,000,000 ("**€550,000,000 Revolving Credit Facility**") for general corporate purposes, including bridge financing of acquisitions.

The final maturity date has been extended to November 4, 2018. As of the end of September 2015, the facility was undrawn.

Borrowings under the €550,000,000 Revolving Credit Facility bear interest at a rate of EURIBOR (in the case of euro borrowings) or LIBOR (in the case of U.S. dollar borrowings) plus a margin that varies according to Solvay SA's credit rating and consistent with prevailing market rates for this type of transaction.

The Obligations of the obligors under this facility are several. The €550,000,000 Revolving Credit Facility includes covenants that, among other things, restrict liens and disposals, and prohibit any merger that may materially affect the capacity of Solvay to fulfil its obligations under the facility. Notably, this facility requires Solvay SA to ensure that Solvay Finance (America) LLC and Solvay Finance France SA remain its subsidiaries. The events of default include cross acceleration and the group failing in a material way to cease to carry on the business it carried on at November 4, 2011 or entering into any unrelated business.

Drawings under the €550,000,000 Revolving Credit Facility are conditional upon receipt of conditions precedent documents as well as (i) the absence of a market disruption event (as defined therein) and (ii) no event of default having occurred and at that time continuing.

Drawings by Solvay Finance (America), LLC and Solvay Finance France SA are guaranteed by Solvay SA. Drawings by Solvay Finance (America), LLC are subject to additional conditions relating to the ability of participating banks to make an advance through a facility office or an affiliate.

Other Debt

Rusvinyl

"**RusVinyl**" LLC is a Russian-Belgian joint venture operating a Polyvinyl Chloride (PVC) Integrated Plant near Kstovo in the Nizhniy Novgorod region. The shareholders of the joint venture company are Sibur, a petrochemical holding company in Russia, and Solvay, through Solvin Holding Nederland BV. The plant has the capacity to produce 300 kilotons of PVC- suspension, 30 kilotons of PVC- emulsion and 225 kilotons of caustic soda.

In 2011, Rusvinyl and the banks, Sberbank of Russia, European Bank for Reconstruction and Development ("EBRD"), BNP Paribas, ING Bank N.V. and HSBC., signed a multifacility loan agreement for an amount of €750 million for a period of up to 12.5 years to finance the construction of RusVinyl's PVC plant, Russia's largest integrated petrochemical complex. The signed agreement consists of a €150 million loan from Sberbank of Russia, a €150 million loan from the EBRD and €450 million in loans from BNP Paribas, ING Bank N.V. and HSBC and guaranteed by COFACE and ONDD, the Export Credit Agencies of France and Belgium.

The Facility is guaranteed by the Sponsors (Solvay and Sibur) during the pre-Completion period and there is some Liquidity Support Undertaking features agreed between the sponsors and the lenders for the post-completion period. The guaranteed amount at the end of September 2015 is €297 million for Solvay. An adequate security package has been designed accordingly.

Inovyn

INOVYN Ltd (UK) is a joint venture between Solvay and Ineos for production of PVC, caustic soda, caustic potash and chlorine derivatives. It was formed on July 1, 2015. Inovyn operates 17 manufacturing sites in eight European countries. Inovyn has the capacity to produce 1.95 million tonnes of aggregate PVC resin and 2.35 million tonnes of caustic soda.

The joint venture, through Kerling Ltd (fully owned by Inovyn) is financed with senior secured notes due Februrary 1, 2017, in an aggregate principal amount of €785 million, with an interest rate of 10.625% and senior secured notes due June 30, 2016; in an aggregate principal amount of €75 million with an interest rate of 10%. The notes are secured on the assets of certain of the Inovyn's subsidiaries. On July 1, 2015, Inovyn amended an existing securitization facility of Kerling and the total committed facility amount available was increased to €300 million and the term extended to July 1, 2018. This facility is secured on certain of Inovyn's trade receivables. Inovyn is currently preparing the refinancing of the senior secured notes. The timing of this refinancing is subject to market conditions.

Contingent liabilities

The table below presents Solvay's consolidated contingent liabilities as of September 30, 2015 and as of December 31, 2014, 2013 and 2012, respectively:

	As of September 30,	For the year ended December 31,		
	2015	2014	2013	2012
	(in € millions)			
Liabilities and commitments of third parties guaranteed by the Company	902	1,027	946	783
Environmental contingent liabilities	246	246	216	170
Litigation and other major commitments	29	35	21	2

As of December 31, 2014, the liabilities and commitments of third parties guaranteed by the Company relate mainly to guarantees given in the framework of:

- the joint venture project with Sadara for the construction and operation of an hydrogen peroxide plant in Saudi Arabia. A construction funding guarantee has been granted by Solvay to its partner to guarantee its share of the funding obligations of the project. In parallel, a similar guarantee for the funding obligations of the project by the partners has been granted to Solvay;
- RusVinyl, the joint venture with SIBUR for the construction and operation of a PVC plant in Russia. A guarantee of €344 million has been provided on a several basis by each sponsor, SolVin and Sibur, and which corresponds for each to 50% of the amount in principal of RusVinyl project finance plus interests and costs;
- VAT payment (€355 million).

Within the framework of the annual review of contingent liabilities, environmental contingent liabilities for a total amount of €246 million have been identified.

Contractual Obligations

Leases

Finance lease obligations for Solvay are described in detail in Note 27 to the audited consolidated financial statements for the year ended December 31, 2014. Operating leases for Solvay relate primarily to leases on office space and warehouses. The maturity profile of estimated future minimum payments under the various operating lease obligations as of December 31, 2014, 2013 and 2012, is shown below:

	2014	2013	2012
	(in € millions)		
Within one year	85	80	75
In years two to five inclusive	242	245	253
Beyond five years	97	95	148
Total Operating Lease obligations	424	420	476

Critical Accounting Policies

Many accounting estimates and assumptions are made in the application of IFRS and these estimates and assumptions can have a material impact on reported financial condition, operating performance and on the comparability of such reported information over different reporting periods. These accounting estimates and assumptions may be material due to the level of judgment necessary to account for highly uncertain matters, including the susceptibility of such matters to change. Below, Solvay highlights critical accounting policies, judgements 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 net present value of those flows. For further information on impairment calculations and amounts, see note 28 to the 2014 consolidated financial statements and note 26 to the 2013 consolidated financial statements contained herein.

Deferred Tax Assets

The carrying amount of a deferred tax asset is reviewed at each reporting date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that the Group will earn sufficient taxable profits in the future against which the deductions can be offset. Any such reduction in the carrying amount of a deferred tax asset can be reversed to the extent that it becomes probable that sufficient taxable profits will be available to utilize these deferred tax assets. In order to estimate the value of deferred tax assets, management estimates future taxable profits, which are inherently uncertain.

The amount of a deferred tax assets for past losses are generally determined on the basis of five-year revenue forecasts, except for holding companies where ten-year financial revenue forecasts have been used since 2014 due to the highly predictable nature of such earnings. Prior to 2014, a five-year forecast model was also used for revenue from these holding companies. For further information on the amounts recognized with respect to deferred tax assets, see note 9 to the 2014 audited consolidated financial statements and note 8 to the 2013 audited consolidated financial statements contained herein.

Employee Benefits Obligations

Solvay offers and has offered its employees many different types of benefits packages, including defined benefit retirement plans. Obligations under all main employee benefits plans are assessed annually by independent actuaries. The determination of the carrying amount of such obligations is, however, based on management estimations of many factors, that are subject to inherent uncertainty, including discount rates, inflation rates, future salary increases, projected turn-over of employees, and future medical costs. Discount rates and inflation rates used to estimate pension obligations are defined globally by management. Other assumptions, such as future salary increases and expected rates of medical care cost increases, are estimated by local management.

During the fourth quarter of 2014, updated US mortality tables were published. The Group expects to apply those mortality tables as from 2015. Their application at December 31, 2014 would have increased the defined benefit obligation and decreased other comprehensive income by approximately €16 million. The actuarial assumptions used in determining the defined benefit obligations at December 31, 2014 and 2013, respectively, as well as the annual cost for each respective year can be found in note 35.A to the 2014 consolidated Financial statements and note 32.A to the 2013 consolidated financial statements contained in Section "*Historical Financial Information of the Guarantor*".

Environmental Provisions

The group recognizes a provision for certain environmental costs when it has incurred a present obligation as a result of a past event, such as when a site is set up, or equipment is installed. Many such provisions are the result of local environmental regulations. These costs include site clean-up, site shutdown, and product and equipment disposal. Environmental provisions are based on forecasts that are formulated jointly by Solvay's Environmental Remediation competency center and the Finance Department. Such provisions may be increased or decreased from one period to the next, as the environmental remediation or compliance risk increases or dissipates. The forecasts expenses are discounted to present value using discount rates set by management in accordance with IFRS.

The discount rates are fixed by geographical area and correspond generally to the average risk-free rate, based on the interest rate on 10-year government bonds. These rates are set annually by Solvay's Finance Department and can be revised based on the evolution of economic parameters of the country involved. To reflect the passage of time, the provisions are increased each year on a prorated basis at the discount rates defined above. The charges that pass through the income statement as a result of the annual adjustments to these provisions are classified as "Cost of Discounting Provisions". More information can be found in note 35.C to the 2014 audited consolidated financial statements and note 32.C to the 2013 audited consolidated financial statements contained herein.

Provisions for Litigation

At least once per quarter, all significant civil, administrative, or criminal suits or threats of litigation are reviewed by Solvay's in-house lawyers with the support of external counsel, when appropriate. This review, which is conducted in cooperation with Solvay's Finance Department and Insurance Department, includes an assessment of the need to recognize provisions or remeasure existing provisions. The assessments and estimates of the size and/or probability of any future loss in litigation of settlement is inherently subjective and uncertain. A report describing the risks of such litigation is submitted to the Executive Committee by the Group General Counsel and reviewed by the Audit Committee and the Board of Directors. Solvay's provisions for litigation are primarily related to tax disputes. More information can be found in note 35.D to the 2014 audited consolidated financial statements and note 32.D to the 2013 audited consolidated financial statements contained herein.

Fair Value Adjustments for Business Combinations

In accordance with IFRS 3 Business Combinations, the Group measures the assets, liabilities and contingent liabilities acquired in a business combination at fair value. Fair value adjustments are based on external appraisals or valuation models, which may evaluate, for example, contingent liabilities and intangible assets which were not recognized by the acquiree. Internal Solvay benchmarks are often used for valuing specific production equipment. All of these valuation methods rely on various assumptions set by management or external experts, such as estimated future cash flows, remaining useful economic life, and others. These assumptions are by their nature uncertain and subject to change. More information can be found in note 26 to the 2014 audited consolidated financial statements and note 26 to the 2013 audited consolidated financial statements contained in Section "*Historical Financial Information of the Guarantor*".

Classification as Held for Sale

Non-current assets are classified as Held for sale if their carrying amount will be recovered 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 is available for immediate sale in its present condition. Among other conditions, management must be committed to the sale and expect the assets to qualify for recognition as a completed sale within one year from the date of classification. However, in some cases, an asset may remain classified as held for sale for a period exceeding one year if it remains unsold due to events or circumstances beyond the Group's control.

Chlorovinyls business was classified as a disposal group held for sale in 2013. In 2015 Solvay's European Chlorovinyls businesses became part of the Inovyn joint venture with Ineos; Solvay plans to exit this joint venture in mid-2018.

On November 12, 2014, the Brazilian competition authority (CADE) notified its decision to reject the intended acquisition of Solvay's 70.59% majority stake in Solvay Indupa by Brazilian chemical producer Braskem. Solvay confirms that its strategic direction remains unaffected and that it is examining alternative options to sell its participation in Solvay Indupa. As a disposal within 12 months is considered highly probable, Solvay Indupa remained classified as non-current assets held for sale in the balance sheet and as discontinued operations in the income statement at December 31, 2014. To assess the fair value of the Group interest in Solvay Indupa, management has referred to the amount of the deal signed with Braskem and rejected at year end by Brazilian competition authority. More information can be found in note 34 to the 2014 audited consolidated financial statements and note 13 to the 2013 audited consolidated financial statements contained in Section "*Historical Financial Information of the Guarantor*".

Research and Innovation

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); and the technical, financial and other resources required to complete the project are available. Solvay's management is responsible for determining if the above criteria are fulfilled for all development expenditures. The capitalized development costs are amortized on a straight-line basis over their useful lives. Development expenditure which does not satisfy the above conditions is expensed as incurred.

Capitalized expenditures include employee expenses, the cost of materials and services directly attributed to the projects, and an appropriate share of overheads related to development including, where applicable, the related borrowing costs. Capitalized expenditures are 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 amortization period generally ranges from three to fifteen years. The accrued development asset is tested for impairment, if and when there is indication of a loss in value, and annually for projects in the course of development.

THE ACQUISITION

Overview

On July 28, 2015, Solvay and Tulip Acquisition Inc. ("**Tulip**"), Solvay's wholly owned subsidiary formed exclusively for the purpose of effecting the Merger (as defined below), entered into an Agreement and Plan of Merger (the "**Merger Agreement**") with Cytec Industries Inc. A majority of Cytec shares were voted to approve the Merger at a special shareholders meeting of Cytec on November 24, 2015. The closing of the Merger is expected to be completed, and the certificate of merger filed, in December 2015.

Pursuant to the Merger Agreement among Solvay, Tulip and Cytec, upon the terms and subject to the conditions set forth therein, (i) Tulip will merge with and into Cytec (the "**Merger**"), (ii) each outstanding share of Cytec common stock (other than certain exceptions set out in the Merger Agreement, including shares of Cytec owned by Cytec, Solvay or any stock owned by subsidiaries of Solvay or Cytec, and shares held by stockholders who had perfected and not withdrawn a demand for statutory appraisal rights, if any), will be converted into the right to receive US$75.25 in cash, without interest and less any applicable withholding tax and (iii) each outstanding share of Tulip common stock will be converted into shares of the surviving corporation. Cytec will become the surviving corporation in the Merger and will continue to do business as "Cytec Industries Inc." following the Merger, while Tulip will cease to exist. As a result, upon completion of the Merger, Cytec will become an indirect wholly owned subsidiary of Solvay (the "**Acquisition**").

Annex A to this Prospectus contains information about Cytec that has been extracted by Solvay from Cytec's filings with the SEC, including its historical financial statements as of and for each of the years ended December 31, 2014, 2013 and 2012 and as of and for the nine months ended September 30, 2015.

Rationale for the Acquisition

The Acquisition represents a significant step in Solvay's portfolio transformation. Solvay believes that the combination of Solvay and Cytec will create a stronger, more competitive and sustainable global company and will provide significant benefits to key stakeholders, including shareholders, consumers, employees, wholesalers and business partners. The Acquisition supports Solvay's aim of addressing society's sustainability challenges while becoming a higher-growth, higher margin and less cyclical company. It is expected to enhance Solvay's resilience by reducing the volatility of profit-generation by increasing the share of business arising from less-volatile specialty chemicals segments.

Solvay expects to take advantage of the collective expertise of both companies' management and employees, and expects to benefit from the high margins and cash generation associated with Cytec's existing businesses. Solvay believes that Cytec, headquartered in New Jersey with 4,600 employees across the globe, and which generated sales of US$2.0 billion in 2014, will contribute to its long-term growth prospects. Cytec sources almost half of its sales from North America, nearly a third from EMEA and the remainder from Asia Pacific and Latin America. The geographic markets served by Solvay are expected to stay relatively stable after the Acquisition, while Cytec will bring stronger American capabilities and innovation presence, including 3,000 of Cytec's workforce, supporting Solvay's position in the United States.

The Acquisition accelerates Solvay's expansion into aerospace adds composite capabilities in automotive as a new platform and reinforces Solvay expertise in specialty chemicals for mining. Cytec is among the world leaders in composite materials for aerospace, including unique expertise in thermoplastics and thermosets, and in mining chemicals. Cytec is recognized by its customers as a consistently successful innovator and provider of high-performance and value-added solutions.

Aerospace

Solvay expects the Acquisition to complement its existing portfolio of aerospace industry offerings and to lead it to become the second largest industry participant in aerospace composites, with aerospace development outside the US and EU benefitting from Solvay's enhanced global position.

Through the Acquisition of Cytec, Solvay expects to gain critical scale and immediate customer intimacy in aerospace. Cytec is one of a few producers that have passed a qualification process allowing it to supply major commercial aircraft manufacturers such as Boeing and Airbus, close client relationships that Solvay expects to continue.

In the fast-growing composite materials sector, which represents two-thirds of its sales, Cytec's principal market is primary and secondary structures for aircrafts, including wings, fuselage and interior and engine parts. Cytec is currently the second largest producer by sales of light-weight composites for the aerospace industry, a key strategic market for Solvay that is supported by growing sustainability-driven demand from large aerospace customers.

With the Acquisition, Solvay expects to benefit from an order backlog with respect to replacement and new generation airplanes and anticipates an approximately 4% compound annual growth rate in aircraft production.

Automotive

Cytec is also developing new technological applications for lightweight composites in automotive. In the automotive market, Solvay's strong positions with original equipment manufacturers and tier-one suppliers is anticipated to help bolster Cytec's growth and provide a platform for innovation, while Cytec brings particular strength in polymer synthesis and carbon fiber expertise to Solvay. Solvay is targeting the mass-market luxury car segment with reduced production cycle times with thermosets, and anticipates strong synergies with Solvay's customer relationships and existing thermoplastic technology.

Solvay expects the Acquisition to position it to benefit from an approximately 3% compound annual growth rate in car production, driven by greater penetration in the luxury cars market and a demand for weight reduction driven by regulation.

Mining

Cytec is the leader in specialty chemical formulations tailored to enhance mining separation processes, and the number one supplier of mining process separation to copper and alumina producers. Solvay expects Cytec's particular expertise in mining applications, including high pressure phosphine technologies, to complement its existing special chemicals separation processes technology. Cytec's competitive technology provides yield-enhancement solutions for declining copper ore grades, positioning Solvay well for increasing copper production and new start-ups despite the recent downturn in metal prices.

Solvay expects base metal demand from urbanization to continue to benefit from GDP growth rates in the mining sector.

Sustainability: Addressing society's challenges

The Acquisition supports Solvay's aim of addressing society's sustainability challenges while becoming a higher-growth, higher margin and less cyclical company. With Cytec, Solvay will stand out for its capacity in reducing CO2 emissions through its light-weight solutions in order to meet regulatory CO2 emissions requirements and in dealing with the increasing scarcity of resources such as poor-grade ore through more efficient and cleaner mining technologies.

Integration of Cytec

Solvay anticipates integrating Cytec's business lines into its two existing growth engine operating segments: Advanced Formulations and Advanced Materials. Cytec's aerospace and industrial materials composites businesses are expected to be integrated into Advanced Materials as firmly growth-oriented businesses. Cytec's in-process separation and additives technologies for mining as well as its niche additives and phosphine specialty chemical businesses are expected to become part of Solvay's Advanced Formulations segment, contributing to both growth-engine and cash-generating power in this segment.

Recurring synergies

Solvay's management expects the transaction to underpin REBITDA growth momentum by driving top line growth and margin expansion. Solvay expects short-term recurring synergies of more than €100 million (REBITDA equivalent), to be substantially realized by 2018 chiefly through:

- general and administrative costs reductions;
- supply chain & procurement improvement; and
- excellence measures and culture, leveraging both companies' practices.

Significant revenue synergies have been identified, including:

- cross-selling opportunities with GBU Specialty Polymers, both in aerospace and automotive, as well as with Novecare in oil and gas, agrochemicals and electronics;
- accelerated specialty polymers penetration in aeronautics; and
- new product developments in specialty chemicals;

The non-recurring implementation costs are estimated at €75 million.

Over the longer term, Solvay expects convergence of IT systems and excellence practices to contribute further to cost reductions. It expects revenue synergies over the longer-term from composites penetration in automotive and other industrial markets, further aerospace developments and global positioning, and enhanced innovation projects pipeline on composites and specialty chemicals. Solvay expects Cytec to contribute to overall returns, as the acquisition of Cytec is expected to be earnings and cash accretive after the first year and to be accretive to CFROI within three to five years.

The cost savings and synergies information related to Solvay above constitute forward-looking statements and may not be representative of the actual cost savings and synergies that will result from the Acquisition. Such information included in this Prospectus reflects potential opportunities for savings and synergies identified by Solvay, including based on information made available by Cytec. Both the potential opportunities for cost savings and synergies identified by Solvay and the information made available by Cytec are based on estimates and assumptions that are inherently subject to significant uncertainties which are difficult to predict, and accordingly there can be no assurance that these cost savings and synergies will be realized. The expectations and estimates above with respect to synergies and implementation costs and anticipated growth rates are forward-looking statements, and actual results may differ materially due to many factors. See "*Forward Looking Statements*".

Merger Agreement and related agreements

Merger Agreement

The summary of certain terms of the Merger Agreement below and elsewhere in this Prospectus is qualified in its entirety by reference to the Merger Agreement. This summary does not purport to be complete and may not contain all of the information about the Merger Agreement that is important to prospective investors.

The representations, warranties and covenants contained in the Merger Agreement were made only for purposes of the Merger Agreement and as of a specific date and may be subject to more recent developments, were solely for the benefit of the parties to the Merger Agreement, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating risk between parties to the Merger Agreement instead of establishing these matters as facts, and may apply standards of materiality in a way that is different from what may be viewed as material by prospective investors. For the foregoing reasons, prospective investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of Solvay, Tulip or Cytec or any of their respective subsidiaries or affiliates.

The Merger

On July 28, 2015, Solvay, Cytec and Tulip entered into the Merger Agreement. Pursuant to the Merger Agreement, Tulip will merge with and into Cytec with Cytec surviving as an indirect wholly-owned subsidiary of Solvay for the purposes of this section, (the "**Surviving Corporation**").

Solvay or Cytec are entitled to terminate the Merger Agreement prior to the effective time of consummation of the Merger in the circumstances described below in Section "*The Acquisition—Termination of the Merger Agreement*".

The completion of the Merger

The closing of the Merger is expected to be completed and the certificate of merger filed in December 2015. The Merger is subject to, and the parties' obligations to complete the Merger are conditioned on, the fulfilment or satisfaction of certain conditions which are described below in the Section "*The Acquisition—Conditions to the Merger*". Each of the conditions to the Merger must be satisfied or waived at or prior to the effective time of the Merger.

Merger consideration

The total cash needs of Solvay in connection with the Acquisition, including transaction charges, fees and expenses, are up to US$5.8 billion. In connection with the Merger, each share of Cytec common stock outstanding immediately prior to the effective time of the Merger (other than dissenting shares) will be converted into the right to receive from Solvay $75.25 in cash, without interest (the "**Merger Consideration**").

Each share of Cytec stock held by Cytec as treasury stock or owned by Solvay immediately prior to the effective time of the Merger will be cancelled, and no payment will be made with respect thereto (excluding the outstanding shares of Cytec stock held in the rabbi trust pursuant to Cytec's supplemental savings plan).

Dissenting shares will not be converted into the right to receive the Merger Consideration, and a holder thereof will be entitled to receive only the payment provided by Section 262 of the Delaware Law with respect to such dissenting shares, unless such holder fails to perfect, withdraws or otherwise loses the right to appraisal.

Representations, warranties and covenants

Each of Solvay, Tulip and Cytec made certain representations and warranties in the Merger Agreement.

Cytec agreed to various covenants and agreements in the Merger Agreement, including, among other things, and subject to certain exceptions, to conduct its business in the ordinary course consistent with past practice between the execution of the Merger Agreement and the effective time of consummation of the Merger, and not to engage in specified transactions, including certain corporate changes, during such period. Under the terms of the Merger Agreement, between the execution of the Merger Agreement and the effective time of consummation of the Merger, Cytec is permitted to pay regular quarterly dividends (which could not, in the case of each such quarterly dividend, exceed US$0.125 per share).

Solvay and Tulip agreed to covenants and agreements in the Merger Agreement, including, among other things, and subject to certain exceptions, Solvay and Tulip agreed not to directly or indirectly, take any action with respect to the various sources of debt financing defined in section 5.06 of the Merger Agreement or any replacement financing that would, or would reasonably be expected to, individually or in the aggregate, cause Solvay to fail at closing to have funds sufficient to pay the aggregate Merger Consideration and to pay the fees and expenses required to be paid by Solvay, Tulip and the Surviving Corporation in connection with the Merger, the financing contemplated by the Merger Agreement and any replacement financing.

Solvay and Tulip also agreed to use their respective reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to arrange, maintain the effectiveness of and consummate the debt financing.

Agreements to take further actions and to use reasonable best efforts

Subject to the terms and conditions set forth in the Merger Agreement, Cytec and Solvay agreed to use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable law to consummate the Merger and the other transactions contemplated by the Merger Agreement, including amongst other things and subject to certain conditions set out in the Merger Agreement (i) preparing and filing, or cooperating in the preparing and filing, as applicable, as promptly as practicable with any governmental authority or other third party all documentation to effect all filings, notices, petitions, statements, registrations, submissions of information, applications and other documents that are necessary, proper or advisable to consummate the Merger and the other transactions contemplated by the Merger Agreement; (ii) obtaining and maintaining all approvals, consents, registrations, permits, authorizations and other confirmations required to be obtained from any governmental authority or other third party that are necessary, proper or advisable to consummate the Merger and the other transactions contemplated by the Merger Agreement (iii) furnishing all information required for any filings, notices, petitions, statements, registrations, submissions of information, applications and other documents to be made in connection with the consummation of the Merger and the other transactions contemplated by the Merger Agreement, making an appropriate response, after consultation with the other parties to the Merger Agreement, to any request for additional information or documentary material from any governmental authority or other third party in compliance with such request and timely responding to any questions, after consultation with the other parties to the Merger Agreement, from any governmental authority or other third party in connection with the Merger and the other transactions contemplated by the Merger Agreement; (iv) resolving such objections, if any, as may be asserted by any Governmental Authority or other third party with respect to the Merger and the other transactions contemplated by the Merger Agreement; and (v) executing and delivering any additional instruments necessary to consummate the Merger and the other transactions contemplated by the Merger Agreement and to fully carry out the purposes of the Merger Agreement.

Solvay and Cytec agreed to cooperate in the making of, or make, as applicable, as promptly as practicable after the date of the Merger Agreement, with respect to the transactions contemplated by the Merger Agreement various filings related to approval of the transaction as set out in the Merger Agreement and further discussed in Section "*The Acquisition—Regulatory Approval*" below.

Access to Information

Cytec agreed to give to Solvay, its counsel, financial advisors, auditors and other authorized representatives reasonable access during normal business hours to the offices, properties, employees, books and records of Cytec and its Subsidiaries and furnish to Solvay, its counsel, financial advisors, auditors and other authorized representatives such financial and operating data and other information as Solvay may reasonably request, subject to certain limitations set out in the Merger Agreement.

No solicitation of other offers

In connection with the Merger Agreement, Cytec agreed not to, directly or indirectly, (i) solicit, initiate or take any action to knowingly facilitate the submission of any acquisition proposal, (ii) enter into or participate in any discussions or negotiations with, furnish any information relating to Cytec or any of its Subsidiaries or afford access to the business, properties, assets, books or records of Cytec or any of its Subsidiaries to, otherwise cooperate in any way with, or knowingly assist, participate in, facilitate or encourage any effort by any third party that is seeking to make, or has made, an acquisition proposal, (iii) withhold, withdraw or modify Cytec's Board recommendation in a manner adverse to Solvay (or recommend an acquisition proposal) (an "**Adverse Recommendation Change**") or (iv) enter into any agreement in principle, letter of intent, term sheet, merger agreement, acquisition agreement or other similar instrument to effect an Acquisition Proposal with the person making such Acquisition Proposal (an "**Alternative Acquisition Agreement**")

The Merger Agreement sets out certain exceptions allowing Cytec, directly or indirectly through its representatives or other intermediaries, to engage in or participate in negotiations or discussions with any third party and its representatives that make an acquisition proposal that the Board of Directors of Cytec reasonably believe to be or could reasonably be expected to lead to a Superior Proposal.

"**Superior Proposal**" means a bona fide, unsolicited written acquisition proposal on terms that, if consummated, the Board of Directors of Cytec determines in good faith, after considering the advice of a financial advisor of nationally recognized reputation and outside legal counsel, would be more favorable from a financial point of view to Cytec's stockholders than the transaction contemplated by the Merger Agreement (taking into account any proposal by Solvay to amend the terms of the Merger Agreement) and that the Board of Directors of Cytec determines, in its good faith judgment, is reasonably likely to be consummated in accordance with its terms, taking into account all legal, regulatory and financial aspects of the proposal and the person making the proposal.

Additionally, subject to the Merger Agreement, the Board of Directors of Cytec is allowed to make an Adverse Recommendation Change or take action to terminate the Merger Agreement, to enter into an Alternative Acquisition Agreement in connection with a Superior Proposal or an Adverse Recommendation Change in response to an event or circumstance material to Cytec and its subsidiaries taken as a whole that was not known or reasonably foreseeable (or the impact of which was not known or reasonably foreseeable) to the Board of Directors of Cytec or the named executive officers listed in Cytec's proxy statement on Schedule 14A, dated March 6, 2015, as of the date of the Merger Agreement that did not relate to the receipt of any acquisition proposal only if the Board of Directors of Cytec determine in good faith, after consultation with outside legal counsel, that the failure to take such action would be reasonably likely to be inconsistent with its fiduciary duties under Delaware Law.

Conditions to the Merger

Conditions to the Obligations of Each Party.

The obligations of Cytec, Solvay and Tulip to consummate the Merger are subject to the satisfaction or waiver at or prior to closing of each of the following conditions:

(i) Cytec stockholder approval having been obtained in accordance with Delaware Law;

(ii) no applicable law prohibiting in the consummation of the Merger;

(iii) Certain regulatory approvals having been obtained as set out in the Merger Agreement and described below in Section "*The Acquisition—Regulatory Approval*".

Conditions to the obligations of Solvay and Tulip.

The obligations of Solvay and Tulip to consummate the Merger are subject to the satisfaction or waiver at or prior to the closing of the following further conditions:

(i) Cytec having (i) performed in all material respects all of its obligations required to be performed by it at or prior to the effective time of the Merger, (ii) the representations and warranties of Cytec contained in the Merger Agreement having been true and correct, as set out in the Merger Agreement and (iii) Solvay having received a certificate signed by an executive officer of Cytec to the foregoing effect;

(ii) there not having occurred any event, occurrence, revelation or development of a state of circumstances or facts which, individually or in the aggregate, had or would reasonably be expected to be a material adverse effect on Cytec;

(iii) Certain regulatory approvals having been obtained as set out in the Merger Agreement and described below in Section "*The Acquisition—Regulatory Approval*".

Conditions to the obligations of Cytec.

The obligations of Cytec to consummate the Merger are subject to the satisfaction or waiver at or prior to the closing of the Merger of the following further conditions:

(i) (i) each of Solvay and Tulip having performed in all material respects all of its obligations required to be performed by it at or prior to the effective time of the Merger, (ii) representations and warranties of Solvay contained having been true and correct in all material respects as set out by the Merger Agreement and (iii) Cytec having received a certificate signed by an executive officer of Solvay to the foregoing effect; and

(ii) There not having occurred any event, occurrence, revelation or development of a state of circumstances or facts which, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on Solvay.

Termination of the Merger Agreement

The Merger Agreement could be terminated and the Merger could be abandoned at any time prior to the consummation of the Merger (notwithstanding any approval of the Merger Agreement by the stockholders of Cytec):

(i) by mutual written agreement of Cytec and Solvay;

(ii) by either Cytec or Solvay, if: (i) the Merger is not consummated on or before the six-month anniversary of the signing of the Merger Agreement, provided that if certain conditions to closing set forth in Section 9.01(c), Section 9.01(d) or Section 9.02(c) of the Merger Agreement are not satisfied but all other conditions to closing are satisfied or, to the extent permissible, waived (or, in the case of conditions that by their nature were to be satisfied at closing or on the closing date, were capable of being satisfied on such date), then the end date for the Merger would be, without any action on the part of the parties, extended for three additional months; provided, however, that the right to terminate this Agreement pursuant to Section 10.01(b)(i) of the Merger Agreement is not available to any party whose breach of any provision of the Merger Agreement results in the failure of the Merger to be consummated by such time; (ii) there being any applicable law that restrains, enjoins or otherwise prohibits Cytec or Solvay from consummating the Merger and that is final and non appealable; or (iii) at Cytec stockholder meeting held for the purposes of approval of the Merger (including any adjournment or postponement thereof), Cytec stockholder approval had not been obtained; or

(iii) by Solvay, if: (i) an Adverse Recommendation Change occurs, or after receipt or public announcement of an Acquisition Proposal, Cytec's Board of Directors fails to reaffirm Cytec's board recommendation after a written request to do so from Solvay; (ii) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Cytec set forth in the Merger Agreement occurs that would cause certain conditions set forth in Section 9.02(a) of the Merger Agreement not to be satisfied, and such condition is incapable of being satisfied by the end date; or (iii) there is an intentional and material breach of Section 6.02 or Section 6.03 of the Merger Agreement; or

(iv) by Cytec, if: (i) prior to Cytec's Stockholder Meeting held for the purposes of the approval of the Merger, the Board of Directors of Cytec made an Adverse Recommendation Change in compliance with the terms of the Merger Agreement, in order to enter into an Alternative Acquisition Agreement in connection with a Superior Proposal; provided, that Cytec had paid any amounts due pursuant to Section 11.04(b) of the Merger Agreement in accordance with the terms and at the times specified therein; or (ii) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Solvay or Tulip set forth in the Merger Agreement occurs that would cause the condition set forth in Section 9.03(a) of the Merger Agreement not to be satisfied, and such condition is incapable of being satisfied by the end date.

Termination fees

If the Merger Agreement is terminated by Cytec or by Solvay, a termination fee in the amount of US$140 million would be payable by Cytec to Solvay in certain cases and subject to the terms and conditions of the Merger Agreement.

Specific performance

The parties agreed that irreparable damage would occur if any provision of the Merger Agreement is not performed in accordance with its specific terms or were otherwise breached, and that monetary damages, even if available, would not be an adequate remedy therefor and therefore fully intend for specific performance to be an available remedy for breaches of the Merger Agreement. Accordingly, the parties to the Merger Agreement agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of the Merger Agreement or to enforce specifically the performance of the terms and provisions of the Merger Agreement in any federal court located in the State of Delaware or any Delaware state court, without proof of actual damages, this being in addition to any other remedy to which they are entitled at law or in equity.

Amendments and waivers

At any time before the consummation of the Merger, each of the parties to the Merger Agreement is entitled to waive compliance with any of the agreements or conditions contained in the Merger Agreement but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement or, in the case of a waiver, by each party against whom the waiver is to be effective; provided that after Cytec stockholder approval was obtained there would be no amendment or waiver that would require the further approval of the stockholders of Cytec under Delaware Law without such approval having first been obtained.

Indemnification and insurance

Solvay agreed to, and agreed to cause the Surviving Corporation, and each of Solvay and the Surviving Corporation agreed, to:

(i) indemnify and hold harmless the present and former officers, directors and employees of Cytec (each, an "**Indemnified Person**"), in each case, to the fullest extent permitted by applicable law, against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or related to such Indemnified Person's services as a director or officer of Cytec, as a director, officer or member of any Subsidiaries of Cytec or as a trustee or fiduciary of any pension or other employee benefit plan of Cytec or any of its subsidiaries, whether asserted or claimed prior to, at or after the effective time of the Merger, including, for the avoidance of doubt, in connection with (i) Merger and the other transactions contemplated by the Merger Agreement and (ii) actions to enforce this provision or any other indemnification or advancement right of any Indemnified Person.

(ii) For six years after the effective time of the Merger, Solvay agreed to cause to be maintained in effect the provisions in the Surviving Corporation's certificate of incorporation and bylaws that were in effect as of the date of the Merger Agreement (or in such documents of any successor to the business of the Surviving Corporation) regarding elimination of liability of directors, indemnification of officers, directors and employees and advancement of expenses that are no less advantageous to the intended beneficiaries than the corresponding provisions in existence on the date of the Merger Agreement.

(iii) Solvay and the Surviving Corporation agreed to maintain in effect for not less than six years from the effective time of the Merger the current policies of directors and officers liability insurance and fiduciary liability insurance maintained by Cytec and Cytec's Subsidiaries for the Indemnified Persons and any other employees, agents or other individuals otherwise covered by such insurance policies prior to the effective time of the Merger (the "**Insured Persons**") or prior to the effective time of the Merger, at Cytec's option, Cytec could have or, if Cytec were to be unable to, Solvay would cause the Surviving Corporation as of the effective time of the Merger to, obtain and fully pre-pay the premium for the non-cancellable extension of the directors' and officers' liability insurance and fiduciary liability insurance maintained by Cytec and Cytec's Subsidiaries (collectively, "**D&O Insurance**").

Employee benefits Employee benefit plans and options

From and after the effective time of the Merger and ending on the first anniversary of the closing date (or such shorter period of employment, as the case may be), Solvay has agreed to, or has agreed to cause the Surviving Corporation to, provide to each employee who is actively employed by Cytec or its Subsidiaries at the effective time of the Merger (each, a "**Covered Employee**" as defined in the Merger Agreement and subject to the exceptions described in the Merger Agreement), a base salary or base wage, target annual bonus and long-term incentive compensation opportunities, broad-based severance entitlements and pension, welfare and other employee benefits that are substantially comparable in the aggregate to the base salary or base wage, target annual bonus and long-term incentive compensation opportunities, broad-based severance entitlements and pension, welfare and other employee benefits provided by Cytec or its subsidiaries to such Covered Employee immediately prior to the effective time of the Merger.

Financing the Acquisition

Financing package

The total cash needs of Solvay in connection the Acquisition, including transaction charges, fees and expenses, are up to US$5.8 billion. Solvay currently intends to finance this amount with the following sources:

- a rights issue by Solvay SA for an amount of €1.5 billion;
- the Bonds;
- euro-denominated senior debt securities to be issued by Solvay SA; and
- US dollar-denominated senior debt securities to be issued by Solvay Finance (America) LLC, a US subsidiary of Solvay SA, with a guarantee from Solvay SA.

On November 26, 2015 Solvay announced that Solvay SA will issue €1.0 billion floating rate bonds due December 1, 2017, €750,000,000 1.625 per cent. bonds due December 2, 2022 of Solvay SA and €500,000,000 2.750 per cent. bonds due December 2, 2027 (the "**Euro Senior Bonds**") on December 2, 2015. Solvay SA expects to use approximately €1.35 billion of the net proceeds of the Euro Senior Bonds to finance the Acquisition and the remaining proceeds to partially refinance existing short-term and long-term financial indebtedness. See Section "*Description of the Guarantor—General Overview—Recent Developments—Bond issuances*."

If the closing of the Acquisition takes place prior to the completion of the rights issue, Solvay intends to borrow any necessary amounts under a multi-currency unsecured bridge loan facility that Solvay and Solvay Finance (America), LLC signed with Credit Suisse AG, London Branch and Morgan Stanley Bank International Limited as arrangers providing for drawings of up to US$5.8 billion for this purpose. If the bridge loan is drawn, Solvay intends to refinance it with the net proceeds of the rights offering within a reasonable timeframe in order to maintain its credit rating. The bridge loan matures in July 2016 and may be extended by a further 12 months thereafter.

The rights offering and the separate debt capital markets offerings are not conditioned upon one another and may be consummated at various times. The decision to proceed with each offering will be made independently, subject to market conditions, from the decision to proceed with any other offering. The size and terms of each offering will be determined at the time of such offering, and the actual financing arrangements may vary from those set out above. The completion of the Merger is not conditioned upon Solvay's receipt of financing.

The euro-denominated senior securities and the Bonds will provide Solvay the option to redeem them at 101% of their principal amount if, within six months following issuance, the Acquisition has not been completed and Solvay has publicly announced that it does not intend to pursue it. The US dollar-denominated securities will contain a similar provision, but with a mandatory redemption at 101% of the principal amount if the Acquisition has not been completed in six months following issuance or Solvay has publicly announced that it does not intend to pursue it.

Solvay intends to keep Cytec's debt securities in place rather than refinancing them. Subject to closing of the Merger and to the approval of its Board of Directors, Solvay SA expects to provide a guarantee in respect of the currently outstanding bonds of Cytec.

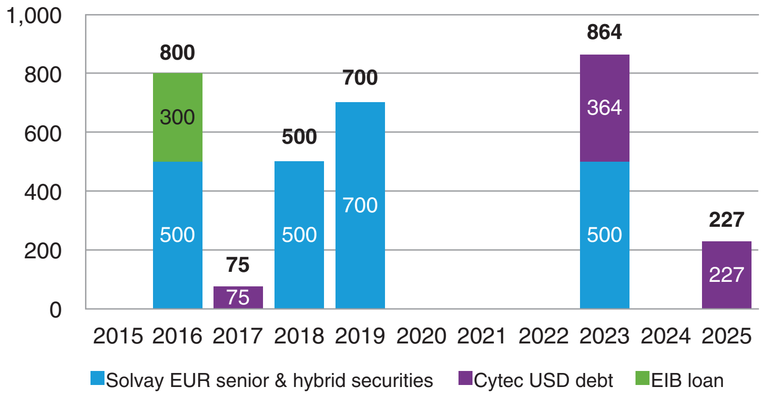
The composition of the acquisition consideration and Solvay's hedging of US$1.9 billion of it with a foreign exchange forward contract are described in note 4.3 to the Unaudited Pro Forma Consolidated Financial Information set out in Section "*Unaudited Pro Forma Consolidated Financial Information*".

The financing arrangements already in place are further described in Section "*Operating and Financial Review—Liquidity and Capital Resources*".

The debt maturity profile of Solvay and Cytec at September 30, 2015, in € million equivalents assuming a U.S. dollar/euro exchange rate of 1.10, is set out in the table below.

Debt Maturity Profile

€ m eq. – As of 30 September 2015



For more information on how the financing of the Acquisition will impact Solvay, Cytec and the combined company, see "*Risk Factors—Solvay will face financial risks in financing the Acquisition and due to its increased level of debt*" and "*The Acquisition and incurrence of related financial indebtedness could cause a downgrading of Solvay's or Cytec's credit ratings*".

Ratings impact

On July 30, 2015 Moody's affirmed the Baa2 senior unsecured rating of Solvay SA and its guaranteed subsidiaries Solvay Finance SA and Solvay Finance (America), LLC. Although Moody's stated that the Acquisition should have a beneficial impact on the quality of Solvay's earnings and the predictability of its cash flow, Moody's also affirmed Solvay's Baa2 rating but changed Solvay's outlook to negative citing a material increase in Solvay's indebtedness required to finance the Acquisition and a significant degree of execution and integration risk.

On July 29, 2015 S&P placed Solvay SA on CreditWatch negative and stated that, although they anticipated the Acquisition should strengthen Solvay's business, they expect to downgrade Solvay's long-term rating by up to two notches following the closing of the Acquisition, from BBB+ to BBB-. S&P stated that the proposed financing would result in a material decline of Solvay's credit metrics. On November 18, 2015, S&P confirmed that they will likely proceed to a two notches downgrading following the closing of the Acquisition and stated that they concurrently expect to assign a stable outlook.

Solvay remains committed to maintaining an investment grade credit rating supported by its strong cash flow generating capabilities. Moody's stated that the substantial amount of common equity to be raised through a rights offering clearly demonstrates Solvay's commitment to safeguarding its investment grade status.

Both Moody's and S&P are anticipated to assign a 50% equity content to the Bonds, which will be accounted for as equity under IRFS. Solvay has generally paid ordinary dividends and distributions on its existing hybrid instruments. See Section "*Liquity and Capital Resources*" and "*Operations and Financial Review—the Bonds*" note 42 to the Unaudited Pro Forma Consolidated Financial Information.

Legal Proceedings Relating to the Merger

On September 17, 2015, an alleged stockholder of Cytec filed a complaint related to the Acquisition in the Superior Court of New Jersey, Passaic County on behalf of a putative class of Cytec's stockholders. The lawsuit names as defendants Cytec, Cytec's directors, Solvay and Tulip. The complaint generally alleges that Cytec's directors breached their fiduciary duties by, among other things, conducting a flawed sales process and approving the merger agreement at an inadequate price, agreeing to a transaction through which the individual defendants will receive certain change of control benefits, and by disseminating a preliminary proxy statement in connection with the merger that is allegedly inaccurate or misleading in various respects. The complaint further alleges that these supposed breaches of duty were aided and abetted by Solvay and Tulip. The complaint generally seeks, among other things, compensatory and/or rescissory damages and an award of attorneys' fees. On October 13, 2015, the Cytec defendants filed a motion to dismiss this action and on November 11, 2015, the plaintiff in this Action voluntarily dismissed the case.

On October 6, 2015 another class action suit seeking to enjoin the Acquisition or, if the Acquisition is completed, to rescind it or award rescissory damages and seeking compensatory damages was filed in the United States District Court for the District of Delaware against Cytec and Cytec's directors, principally alleging inadequate disclosure in Cytec's preliminary proxy statement concerning the Acquisition. Neither Solvay nor Tulip is named as a defendant in this action. The defendants have stated that they believe that the claims asserted in the litigation have no merit.

On October 21, 2015 an alleged stockholder of Cytec filed a complaint related to the Acquisition in the United States District Court for the District of Delaware on behalf of himself and the other public stockholders of Cytec. The lawsuit names as defendants Cytec, Cytec's directors, Solvay and Tulip. The complaint generally alleges that Cytec's directors breached their fiduciary duties by, among other things, conducting a flawed sales process and approving the merger agreement at an inadequate price and by disseminating a preliminary proxy statement in connection with the merger that is allegedly inaccurate or misleading in various respects. The complaint further alleges that these supposed breaches of duty were aided and abetted by Solvay and Tulip. The complaint generally seeks, among other things, rescission or setting aside of the Acquisition or rescissory damages and an award of attorneys' fees. The defendants have not yet answered or otherwise responded to the complaint. The defendants have stated that they believe that the claims asserted in the litigation have no merit.

Other than as disclosed here there is no other litigation with respect to the Acquisition. Solvay does not expect these proceedings to affect the Acquisition. For more information on risks posed by these lawsuits, see Section "*Risk Factors—Risks Related to the Acquisition—Actions taken to enjoin the Merger or otherwise limit Solvay's rights following the Acquisition could significantly reduce the expected advantages of the Acquisition and could have a material adverse effect on Solvay*".

Regulatory approvals

HSR Act and Competition Law Approvals

Completion of the Merger is conditioned upon the expiration or termination of any applicable waiting period under the HSR Act and under the competition laws of the European Union, Brazil, Israel, Japan, Mexico, South Korea, Turkey and Ukraine as set out in the schedules to the Merger Agreement. Authorization, approval and/or clearance under applicable antitrust/competition laws has been obtained in the United States under the U.S. Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended (the "**HSR Act**") and in Mexico, Turkey, Ukraine, Japan, South Korea and Israel under the relevant competition laws of the respective jurisdictions.

At any time before or after consummation of the merger, the DOJ or the FTC (notwithstanding the termination of the waiting period under the HSR Act) or a state or non-US governmental entity could take such action under applicable antitrust or competition laws as it deems necessary or desirable in the public interest, including seeking to enjoin the completion of the Merger and seeking divestiture of substantial assets of the Cytec, Solvay or Tulip. Private parties may also seek to take legal action under antitrust or competition laws under certain circumstances. There can be no assurance that all of the regulatory approvals described below, or any other regulatory approvals that might be required to consummate the merger, will be obtained and, if obtained, there can be no assurance as to the timing of any approvals, ability to obtain the approvals on satisfactory terms or the absence of any litigation challenging such approvals. There can also be no assurance that the DOJ, the FTC or any other governmental entity or any private party will not attempt to challenge the Merger on antitrust or competition law grounds, and, if such a challenge is made, there can be no assurance as to its result.

Timeline of HSR Act and Competition Law Approvals

On August 25, 2015, Solvay and the Company filed notification of the proposed merger with the FTC and DOJ under the HSR Act. On September 24, 2015, the waiting period expired indicating the successful conclusion of the HSR approval process.

Applicable filings in the European Union, Brazil, Israel, Japan, Mexico, South Korea, Turkey, and Ukraine were made in due course.

Authorization, approval and/or clearance under applicable antitrust/competition laws has been obtained in the United States under the HSR Act and in Mexico, Turkey, Ukraine, Japan, South Korea and Israel under the relevant competition laws of the respective jurisdictions.

In the European Union and Brazil the review process by the relevant antitrust authorities is still ongoing and expected to be finalized by the beginning of December.

The consummation of the Merger is not conditioned on any antitrust or competition law regulatory filings in the United States or in any other jurisdiction, other than those described above.

United States National Security Regulations and Approvals

The consummation of the Merger is also conditioned upon the following conditions:

- the parties to the Merger Agreement receiving written notice that any review, investigation or other proceeding under Exon-Florio with respect to the Merger has concluded without any action or recommendation for suspension or prohibition, or the President of the United States shall not, within fifteen calendar days of a CFIUS report to him, have announced a decision to take any action to block, suspend or otherwise prevent the consummation of the Merger;
- Solvay receiving the written approval of DSS to operate the business of Cytec pursuant to a FOCI mitigation arrangement; and
- DDTC not having sent written notice to Solvay or Cytec that DDTC will neither approve (i) the registration of Cytec as a manufacturer or exporter of defense articles under ITAR nor (ii) the transfer from Cytec to Solvay of Cytec's registration as a manufacturer or exporter of defense articles under ITAR.

Exon-Florio provides for national security reviews and, where appropriate, investigations by CFIUS, when a foreign company acquires or seeks to acquire control of a US company. CFIUS consists of representatives of various government agencies including, among others, the Departments of Treasury, State, Defense, Energy, Justice, Commerce and Homeland Security, the U.S. Trade Representative, and, as a non-voting member, the Director of National Intelligence. CFIUS is chaired by the Treasury Department. CFIUS conducts an initial 30-day review of transactions of which it is notified. For transactions involving entities controlled by a foreign government (within the meaning of "control" under the Exon-Florio regulations) and/or certain sensitive assets or that otherwise present particular national security concerns, CFIUS typically conducts an additional investigation that must be completed within 45 days. Also, with CFIUS's consent, the parties may withdraw and refile a CFIUS notice, thereby re-initiating the review process and "re-starting" the clock for the review period. If CFIUS determines, after completing a 30-day review and 45-day investigation, that a transaction may threaten U.S. national security, it may send, a report to the President of the United States recommending that he exercise his authority under Exon-Florio to block or otherwise interfere with the transaction. The President then has 15 days to decide whether to block the transaction or to take other action.

CFIUS considers many factors in determining whether a proposed transaction threatens to impair national security, including domestic production needed for national defense requirements, the capability of domestic industries to meet national defense requirements, and the potential effects on U.S. international technological leadership in areas affecting national security. The U.S. government agencies involved take into consideration the parties' current and anticipated compliance with various regulations relating to national security, such as the requirement to obtain export licenses for exports of controlled technical data. The agencies, and in particular the Department of Defense through DSS, also examine any classified and other defense-related contracts of the U.S. company being acquired. Under the NISPOM, for which the DSS has primary implementing authority, a U.S. company that is subject to foreign ownership, control or influence ("**FOCI**") may not perform classified contracts unless steps are taken to mitigate the FOCI. The CFIUS process therefore includes consideration of the parties' intentions to mitigate FOCI if, as the case with the Company, the U.S. company being acquired performs classified contracts or handles or stores classified information.

Timeline of United States National Security Regulations and Approvals

Cytec and Solvay submitted a joint voluntary notice to CFIUS of the planned Merger on September 3, 2015.

On October 2, 2015, Solvay and Cytec Engineered Materials, the subsidiary of Cytec that holds the facility security clearance, submitted a commitment letter to DSS to describe the proposed FOCI-mitigation measures.

DSS is currently reviewing the parties' proposed FOCI-mitigation measures concurrently with the CFIUS review of the transaction. The ongoing CFIUS investigation period is scheduled to be completed no later than November 30, 2015.

In addition, Cytec is registered with DDTC as a manufacturer and exporter of "defense articles" as that term is defined under ITAR. The ITAR require that a registrant notify DDTC at least 60 days prior to the consummation of any transaction that would result in "the sale or transfer to a foreign person of ownership or control" of a registrant. The ITAR do not provide for DDTC to grant or withhold consent for a transaction that would result in foreign ownership or control, although DDTC retains the right to invalidate a registration or revoke any approved State Department export licenses or agreements. As the U.S. Department of State is also a CFIUS member agency, it could have also raised any issues or concerns about a transaction in the CFIUS process.

Cytec notified DDTC of the transaction on September 21, 2015. On November 23, 2015, the notice period applicable to the merger pursuant to ITAR expired and DDTC had not sent written notice to Solvay or Cytec that DDTC did not approve (i) the registration of Cytec as a manufacturer or exporter of defense articles under ITAR nor (ii) the transfer from Cytec to Solvay of Cytec's registration as a manufacturer or exporter of defense articles under ITAR.

The parties are not aware of any circumstances that would lead DDTC to invalidate the Company's registration, revoke its licenses or agreements issued thereunder, refuse to approve either the registration of the surviving corporation as a manufacturer or exporter of defense articles under ITAR or the transfer from the surviving corporation to Solvay of the surviving corporation's registration as a manufacturer or exporter of defense articles under ITAR or seek redress in the CFIUS process; nevertheless, there can be no assurance that DDTC will refrain from taking any such actions.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following Unaudited Pro Forma Consolidated Financial Information contains unaudited pro forma consolidated income statements for the year ended December 31, 2014 and the nine months ended September 30, 2015, an unaudited pro forma consolidated statement of financial position as of September 30, 2015, and unaudited pro forma consolidated statement of comprehensive income for the year ended December 31, 2014 and the nine months ended September 30, 2015. This Unaudited Pro Forma Consolidated Financial Information has been derived from assumptions described below and included in the following sections of this prospectus: "Use of Proceeds," "Operating and Financial Review", and "The Acquisition" and has also been derived from and should be read in conjunction with the following documents:

- the audited consolidated financial statements of Solvay as of and for the year ended December 31, 2014, prepared in accordance with IFRS;
- the unaudited consolidated interim financial statements of Solvay as of and for the nine-month period ended September 30, 2015, prepared in accordance with IFRS;
- the audited consolidated financial statements of Cytec as of and for the year ended December 31, 2014, prepared in accordance with U.S. GAAP;
- the unaudited consolidated interim financial statements of Cytec as of and for the nine-month period ended September 30, 2015, prepared in accordance with U.S. GAAP,

all of which are included elsewhere in this Prospectus.

The Unaudited pro forma consolidated income statements reflect the Acquisition and the Financing, as if they had occurred on January 1, 2014, and the Unaudited Pro Forma Consolidated Statement of Financial Position reflects the Acquisition and the Financing, as if they had occurred on September 30, 2015 as described further in this Chapter.

Cytec has prepared its audited consolidated financial statements as of and for the year ended December 31, 2014, and its unaudited consolidated interim financial statements as of and for the nine-month period ended September 30, 2015, in US dollars and in accordance with U.S. GAAP. Solvay reports its financial results in euros and in conformity with IFRS. IFRS differs from U.S. GAAP in certain significant respects. For the purpose of preparing the Unaudited Pro Forma Consolidated Financial Information, Cytec historical financial information has therefore been adjusted for material known differences between U.S. GAAP and IFRS. However, some material differences may exist between U.S. GAAP and IFRS that have not resulted in pro forma adjustments, as detailed below. In addition, certain items may have been reclassified due to the conversion from U.S. GAAP to IFRS and different accounting policies. In addition, some differences have not been addressed as part of the conversion exercise when they related to items that would have been re-measured to fair value as part of the purchase price allocation exercise.

The Unaudited Pro Forma Consolidated Financial Information is presented for illustrative purposes only. The unaudited pro forma adjustments are based on available information and certain assumptions that Solvay believes are reasonable and give effect to events that are directly attributable to the Acquisition and the Financing and are factually supportable. In addition, the Unaudited Pro Forma Consolidated Financial Information does not purport to represent what Solvay's financial position or results of operations would have actually been if the Acquisition and the Financings had been completed on January 1, 2014 or any other date nor does it purport to represent Solvay's results of operations for any future period or its financial condition at any future date. The unaudited pro forma consolidated financial information does not reflect any cost savings or other synergies that may result from the Acquisition nor does it reflect any special items such as restructuring and integration costs that may be incurred as a result of the Acquisition.

The Unaudited Pro Forma Consolidated Financial Information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities and Exchange Act of 1934. Neither the adjustments nor the resulting pro forma financial information have been audited. In evaluating the Unaudited Pro Forma Consolidated Financial Information, investors should carefully consider the consolidated financial statements included elsewhere in this Prospectus.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF SOLVAY FOR THE YEAR ENDED DECEMBER 31, 2014 AND AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

Introduction

On July 28, 2015, Solvay SA (the "**Company**") entered into a definitive merger agreement with U.S.-based Cytec Industries Inc. ("**Cytec**") to acquire 100% of its share capital for US$75.25 per share in cash (the "**Acquisition**"). The merger is subject to customary closing conditions, including regulatory approvals and Cytec shareholders' approval. The transaction is expected to close in the fourth quarter of 2015.

Since the Acquisition is expected to have a material impact on the financial position and results of operations of the Solvay Group ("**Solvay**" or the "**Group**"), the following unaudited pro forma consolidated financial information was prepared by the Company, comprising unaudited pro forma consolidated income statements for the year ended December 31, 2014 and the nine months ended September 30, 2015, an unaudited pro forma consolidated statement of financial position as of September 30, 2015, and unaudited pro forma consolidated statements of comprehensive income for the year ended December 31, 2014 and the nine months ended September 30, 2015, and pro forma notes (together, the "**Unaudited Pro Forma Consolidated Financial Information**").

The purpose of the Unaudited Pro Forma Consolidated Financial Information is to show the material effects that the Acquisition would have had on the historical consolidated financial statements of the Group as if it had occurred as of January 1, 2014 with respect to the unaudited pro forma consolidated income statements, and as of September 30, 2015 with respect to the unaudited pro forma consolidated statement of financial position.

The Unaudited Pro Forma Consolidated Financial Information has been prepared in accordance with the basis of preparation described in the accompanying note 1 of this Unaudited Pro Forma Consolidated Financial Information. As the Acquisition has not yet been completed, pro forma adjustments are based upon available information and certain assumptions that management of Solvay believes are reasonable.

Based on its nature, the Unaudited Pro Forma Consolidated Financial Information addresses only a hypothetical situation and, therefore, does not represent the Group's actual financial position or results after completion of the Acquisition.

The Unaudited Pro Forma Consolidated Financial Information is presented for illustrative purposes only and is not indicative of the result of operations or the financial position that the Group would have had if the Acquisition had occurred as of January 1, 2014 in the unaudited pro forma consolidated income statements and as of September 30, 2015 in the unaudited pro forma consolidated statement of financial position, nor is the Unaudited Pro Forma Consolidated Financial Information indicative of the future operating results or financial position of the Group.

The Unaudited Pro Forma Consolidated Financial Information includes the following notes:

- Note 1 – Basis of preparation
- Note 2 – Historical financial information of Cytec and Solvay,
- Note 3 – Adjustments to the historical financial information of Cytec,
    - Note 3.1 – Presentation
    - Note 3.2 – Conversion from US GAAP to IFRS and accounting policies alignments
    - Note 3.3 – Preliminary purchase price allocation
- Note 4 – Pro forma adjustments
    - Note 4.1 – Determination of the consideration transferred
    - Note 4.2 – Description and accounting treatment of the Financing of the acquisition
    - Note 4.3 – Acquisition costs

Preliminary purchase price allocation only includes identification and valuation of tangible and intangible assets, as well as share-based payment awards. The final purchase price allocation will be performed at the acquisition date and will address all identifiable assets acquired and liabilities assumed in accordance with IFRS 3 *Business Combinations*.

Unaudited pro forma consolidated income statement for the year ended December 3

	Cytec historical information under Solvay presentation	Cytec historical information under Solvay presentation converted into €	Purchase price allocation adjustments	US GAAP to IFRS adjustments and accounting policies alignment
	(in US$ million)	*(in € million)*	*(in € million)*	*(in € million)*
	Notes 2 and 3.1	*Note 1*	*Note 3.3*	*Note 3.2*
Sales	**2,008**	**1,511**	**—**	**—**
Revenue from non-core activities	—	—	—	—
Net sales	**2,008**	**1,511**	**—**	**—**
Cost of goods sold	(1,404)	(1,057)	(24)	30
Gross margin	**604**	**455**	**(24)**	**30**
Commercial and administrative costs	(299)	(225)	(4)	14
Research and development costs	(57)	(43)	(3)	4
Other operating gains and losses	(18)	(13)	(112)	—
Earnings from associates and joint ventures	(0)	(0)	—	—
Non-recurring items	(3)	(2)	—	—
EBIT	**227**	**171**	**(143)**	**48**
Cost of borrowings	(15)	(11)	—	—
Interest on lendings and short term deposits	0	0	—	—
Other gains and losses on net indebtedness	(23)	(17)	—	—
Cost of discounting provisions	—	—	—	(1)
Income/loss from available-for-sale financial assets	—	—	—	—
Result before taxes	**190**	**143**	**(143)**	**47**
Income taxes	(46)	(35)	44	(11)
Result from continuing operations	**144**	**108**	**(99)**	**36**
Result from discontinued operations	10	7	—	—
Net income for the year	**154**	**116**	**(99)**	**36**
Non-controlling interests	—	—	—	—
Net income (Group share)	**154**	**116**	**(99)**	**36**
REBITDA	**312**	**235**	**9**	**48**

Unaudited pro forma consolidated income statement for the nine months ended Septemb

	Cytec historical information under Solvay presentation	Cytec historical information under Solvay presentation converted into €	Purchase price allocation adjustments	US GAAP to IFRS adjustment and accounting policies alignment
	(in US$ million)	*(in € million)*	*(in € million)*	*(in € million*
	Notes 2 and 3.1	*Note 1*	*Note 3.3*	*Note 3.2*
Sales	**1,521**	**1,365**	**—**	**—**
Revenue from non-core activities	—	—	—	—
Net sales	**1,521**	**1,365**	**—**	**—**
Cost of goods sold	(1,040)	(934)	(3)	14
Gross margin	**480**	**431**	**(3)**	**14**
Commercial and administrative costs	(198)	(177)	4	3
Research and development costs	(37)	(33)	(0)	0
Other operating gains and losses	(12)	(11)	(101)	—
Earnings from associates and joint ventures	—	—	—	—
Non-recurring items	(6)	(5)	—	—
EBIT	**227**	**204**	**(100)**	**16**
Cost of borrowings	(12)	(11)	—	—
Interest on lendings and short term deposits	1	1	—	—
Other gains and losses on net indebtedness	—	—	—	—
Cost of discounting provisions	—	—	—	(2)
Income/loss from available-for-sale financial assets	—	—	—	—
Result before taxes	**216**	**194**	**(100)**	**15**
Income taxes	(58)	(52)	30	(4)
Result from continuing operations	**158**	**142**	**(70)**	**11**
Result from discontinued operations	(1)	(1)	—	—
Net income for the year	**157**	**141**	**(70)**	**11**
Non-controlling interests	—	—	—	—
Net income (Group share)	**157**	**141**	**(70)**	**11**
REBITDA	**299**	**268**	**9**	**16**

Unaudited pro forma consolidated statement of comprehensive income for the year ended De

	Cytec historical information under Solvay presentation	Cytec historical information under Solvay presentation converted into €	Purchase price allocation adjustments	US GAAP to IFRS adjustments and accounting policies alignment
	(in US$ million) *(1)*	*(in € million)* *(2)*	*(in € million)* *(3)*	*(in € million)* *(3)(4)*
Net income	**154**	**116**	**(99)**	**36**
Hyperinflation	—	—	—	—
Available-for-sale financial assets	—	—	—	—
Cash flow hedge derivatives	—	—	—	—
Currency translation differences	—	—	—	—
Unrecognised actuarial gains and losses on defined pension plans	(4)	(3)	—	(47)
Income tax relating to items of other comprehensive income	1	1	—	11
Other comprehensive income, net of related tax effects	**(2)**	**(2)**	**—**	**(36)**
Total comprehensive income	**152**	**114**	**(99)**	**—**

Notes:—

(1) Cytec historical consolidated statement of comprehensive income excluding the historical currency translation differences.

(2) Cytec historical consolidated statement of comprehensive income excluding any currency translation differences, convert note 1.

(3) No translation adjustment computed as the Acquisition is assumed to have occurred on September 30, 2015 for the statemen the income statements.

(4) Recognition of the re-measurement of the net defined liability related to pension plans in Other Comprehensive Income under

(5) Solvay historical consolidated statement of comprehensive income.

Unaudited pro forma consolidated statement of comprehensive income for the nine months ended

	Cytec historical information under Solvay presentation	Cytec historical information under Solvay presentation converted into €	Purchase price allocation adjustments	US GAAP to IFRS adjustments and accounting policies alignment
	(in US$ million) *(1)*	*(in € million)* *(2)*	*(in € million)* *(3)*	*(in € million)* *(3)(4)*
Net income	**157**	**141**	**(70)**	**11**
Hyperinflation	—	—	—	—
Available-for-sale financial assets	—	—	—	—
Cash flow hedge derivatives	—	—	—	—
Currency translation differences	—	—	—	—
Unrecognised actuarial gains and losses on defined pension plans	(2)	(2)	—	(14)
Income tax relating to items of other comprehensive income	1	1	—	4
Other comprehensive income, net of related tax effects	**(1)**	**(1)**	—	**(10)**
Total comprehensive income	**155**	**140**	**(70)**	**0**

Notes:—

(1) Cytec historical consolidated statement of comprehensive income excluding the historical currency translation differences.

(2) Cytec historical consolidated statement of comprehensive income excluding any currency translation differences, convert note 1.

(3) No translation adjustment computed as the Acquisition is assumed to have occurred on September 30, 2015 for the statemen the income statements.

(4) Recognition of the re-measurement of the net defined liability related to pension plans in Other Comprehensive Income under

(5) Solvay historical consolidated statement of comprehensive income.

Unaudited pro forma consolidated statement of financial position as of September 3

	Cytec historical information under Solvay presentation	Cytec historical information under Solvay presentation converted into €	Purchase price allocation adjustments	US GAAP to IFRS adjustment and accounting policies alignment
	(in US$ million)	*(in € million)*	*(in € million)*	*(in € million*
	Notes 2 and 3.1	*Note 1*	*Note 3.3*	*Note 3.2*
Non-current assets	**1,933**	**1,726**	**4,519**	**(46)**
Intangible assets	186	166	2,279	—
Goodwill	502	448	2,072	—
Tangible assets	1,111	991	114	—
Available-for-sale financial assets	—	—	—	—
Investments in associates and joint ventures	0	0	—	—
Other investments	0	0	—	—
Deferred tax assets	72	64	53	(24)
Loans and other non-current assets	63	56	—	(23)
Current assets	**875**	**781**	**42**	**(29)**
Inventories	322	288	—	—
Trade receivables	286	255	—	—
Income tax receivables	5	5	—	—
Other current receivables—Financial instruments	6	5	—	—
Other current receivables—Other	84	75	—	(29)
Cash and cash equivalents	171	153	42	—
Assets held for sale	—	—	—	—
Total assets	**2,808**	**2,507**	**4,561**	**(75)**
Total equity	**1,298**	**1,158**	**3,840**	**(32)**
Equity group share	1,298	1,158	3,840	(32)
Non-controlling interests	—	—	—	—
Non-current liabilities	**1,160**	**1,036**	**686**	**(48)**
Long-term provisions: employee benefits	250	223	—	—
Other long-term provisions	107	95	—	(25)
Deferred tax liabilities	35	31	674	(12)
Long-term financial debt	740	661	—	(5)
Other non-current liabilities	29	26	12	(6)
Current liabilities	**350**	**313**	**36**	**6**
Other short-term provisions	16	14	—	6
Short-term financial debt	14	13	—	—
Trade liabilities	179	160	—	—
Income tax payable	9	8	—	—
Dividends payable	—	—	—	—
Other current liabilities	132	118	36	—
Liabilities associated with assets held for sale	—	—	—	—
Total equity & liabilities	**2,808**	**2,507**	**4,561**	**(75)**

Unaudited pro forma consolidated statement of financial position as of September 30, 2015 – Detail

	Cytec historical information under Solvay presentation	Cytec historical information under Solvay presentation converted into €	Purchase price allocation adjustments	US GAAP to IFRS adjustments and accounting policies alignment (1)	Reclassifications (2)
	(in US$ million) Notes 2 and 3.1	*(in € million) Note 1*	*(in € million) Note 3.3*	*(in € million) Note 3.2*	*(in € million)*
Share capital and issue premiums	**483**	**431**	**—**	**—**	**(431)**
Treasury shares	(960)	(857)	—	—	857
Hybrid bonds	—	—	—	—	—
Retained earnings	1,829	1,633	3,840	20	(527)
Currency translation differences	(59)	(53)	—	—	53
Available-for-sale financial assets	—	—	—	—	—
Cash flow hedges	—	—	—	—	—
Defined benefit pension plan	5	4	—	(53)	48
Equity attributable to equity holders	**1,298**	**1,158**	**3,840**	**(32)**	**—**

(1) Cumulated effect of the re-measurement of the net defined liability related to pension plans for the year ended December converted at September 2015 Closing rate) and the nine months ended September 30, 2015 (US$(12) million - €(10) million) reversed in Retained earnings (see note 3.2.1); other effects reflected in Retained earnings arise from the items adjusted for t IFRS as described in note 3.2.1.: provisions, de-recognition of receivables and tax credits for a total amount of US$(36) milli

(2) Reclassification of Cytec historical positions in relation to share capital and issue premiums, treasury shares, currency transla

(3) The effect of pro forma adjustments on the equity is made of the following:

- Rights issue of €1,500 million, net of issuance cost of €23 million,
- Hybrid bond issue of €1,000 million, net of issuance cost of €9 million,
- Impacts on the Retained earnings for an amount of €(5,011) million, which is composed of:
  - estimated acquisition costs not included in the Group historical information, net of tax, for €40 million (€91 million €18 million of tax effect), and bridge loan cost not charged to the historical income statement, net of tax, for €6 mil effect), and
  - elimination of the investment in Cytec for €4,965 million.

1. Basis of preparation

The Unaudited Pro Forma Consolidated Financial Information has been established in application of European Commission regulation EC No 809/2004, using the acquisition method in compliance with IFRS.

The Unaudited Pro Forma Consolidated Financial Information has been prepared in millions of euros (EUR) and gives effect to the Acquisition as if it had occurred on January 1, 2014 for the purposes of the unaudited pro forma consolidated statements of income for the year ended December 31, 2014 and the nine months ended September 30, 2015, and on September 30, 2015 for the unaudited pro forma consolidated statement of financial position.

Only pro forma adjustments that are factually supportable and that can be estimated reliably at the date the Unaudited Pro Forma Consolidated Financial Information is prepared have been taken into account. Therefore the Unaudited Pro Forma Consolidated Financial Information does not reflect any restructuring or integration expenses that may be incurred in connection with the Acquisition and does not reflect any special items such as payments pursuant to contractual change-of-control provisions, except share-based payment awards. The Unaudited Pro Forma Consolidated Financial Information also does not reflect any cost savings potentially realizable from the elimination of certain expenses or from synergies that may be achieved once the Acquisition is complete. The Unaudited Pro Forma Consolidated Financial Information does not reflect any tax effect or saving that would result from the integration of Cytec into the tax consolidation structure of Solvay.

Subsequent to the effective date of the Acquisition, any transaction occurring between the Group and Cytec will be considered as intercompany transactions and eliminated. Balances and transactions between the Group and Cytec as of and for the periods presented are not significant and therefore no eliminations have been made in the Unaudited Pro Forma Consolidated Financial Information.

The income statement of Cytec has been converted into euros using the average USD/EUR exchange rate for the corresponding periods; the statement of financial position has been converted using the closing rate at September 30, 2015[1]. The applicable exchange rates are as follows:

Exchange rates used:	**Average for the year ended December 31, 2014**	**Average for the nine months ended September 30, 2015**	**Closing as of September 30, 2015**
USD/EUR	1.329	1.114	1.120

The Unaudited Pro Forma Consolidated Financial Information reflects the tax effect of the adjustments described in notes 3 and 4 below:

- for Cytec related adjustments except for purchase price allocation adjustments, a tax rate of 24% has been used for the year ended December 31, 2014 and 27% for the nine-month period ended September 30, 2015, corresponding to the effective tax rates derived from Cytec historical financial statements for the same periods;
- for Cytec purchase price allocation adjustments for which no push-down to Cytec legal entities has been performed at this stage, an expected effective tax rate of 30% has been used, in particular to compute the deferred tax effect on purchase price allocation adjustments; when adjustments relate to expense incurred in the USA in Cytec historical financial statements, a tax rate of 37% has been used,
- for adjustments related to acquisition and transaction costs, and based on a preliminary allocation of those costs amongst Solvay legal entities, a tax rate of 0% has been used for the items incurred at parent company level as Solvay incurred a tax loss over that period and no deferred tax assets are recognized in Solvay SA, nominal tax rates of 38% and 34% have been used for those incurred in the USA and France, respectively.

[1] As a consequence, no currency translation differences are computed as the Acquisition is assumed to have occurred on September 30, 2015 for the unaudited pro forma consolidated statement of financial position. Also, the Cytec historical consolidated statement of comprehensive income excludes any currency translation differences of the respective periods.

2. Historical financial information

The Unaudited Pro Forma Consolidated Financial Information has been derived from and should be read in conjunction with the following documents:

- the audited consolidated financial statements of Solvay as of and for the year ended December 31, 2014, prepared in accordance with IFRS as adopted by the EU;
- the unaudited consolidated interim financial statements of Solvay as of and for the nine months ended September 30, 2015, prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the EU, which have been reviewed by the Group independent auditors in accordance with International Standard on Review Engagements (ISRE) 2410 *Review of interim financial information performed by the independent auditors of the entity*;
- the audited consolidated financial statements of Cytec as of and for the year ended December 31, 2014, prepared in accordance with US GAAP;
- the unaudited consolidated interim financial statements of Cytec as of and for the nine months ended September 30, 2015, prepared in accordance with US GAAP,

all of which are included elsewhere in this Prospectus.

3 Adjustments to the historical financial information of Cytec

3.1 Presentation

Certain reclassifications have been made to the Cytec statement of financial position as of September 30, 2015 and statements of income for the year ended December 31, 2014 and for the nine months ended September 30, 2015 for the purpose of the Unaudited Pro Forma Consolidated Financial Information in order to align the Cytec presentation to the Solvay consolidated financial statements presentation.

For the statement of financial position as of September 30, 2015, the reclassifications mainly include the following:

- "Intangible assets" as reported in the Solvay financial statements include "Acquisition intangibles, net" of US$129 million, and US$57 million of "Other assets" (non-current) that relates to capitalized software, as reported in the Cytec financial statements;
- "Long-term provisions: employee benefits" as reported in the Solvay financial statements include Cytec "Pension and other postretirement benefit liabilities" (US$229 million), and the liability related to Cytec Supplemental Savings Plan (reported under Other noncurrent liabilities as reported in the Cytec financial statements) for US$21 million;
- "Other long-term provisions" as reported in the Solvay financial statements include the long-term portion of provisions for environmental, asbestos, asset retirement obligations and restructuring (US$107 million), which are reported under "Other noncurrent liabilities" in Cytec statement of financial position; likewise "Other short-term provisions" include the short-term portion of the similar provisions (US$16 million), which are recorded under "Accrued expenses" as reported in the Cytec financial statements; and
- "Short-term financial debt" as reported in the Solvay financial statements includes US$13 million of accrued interest, which is part of "Accrued expenses" as reported in the Cytec financial statements; and
- Deferred taxes: the classification of deferred tax assets and deferred tax liabilities as reported in the Cytec financial statements follows the classification of the asset or liability to which they relate (as either current or non-current). Deferred taxes are presented as non-current on the balance sheet in the Solvay financial statements. "Deferred tax assets" as reported in the Solvay financial statements include the current portion (US$35 million) and the non-current portion (US$33 million) of deferred income taxes as reported in the Cytec financial statements, together with US$4 million of deferred taxes on inter-company inventory transfer that are reported in "Other current assets" in the Cytec financial statements. "Deferred tax liabilities" as reported in the Solvay financial statements include the current portion (US$0.4 million) and the non-current portion (US$34 million) of deferred income taxes as reported in the Cytec financial statements.

The most significant reclassifications made to Cytec income statements for the year ended December 31, 2014 and for the nine months ended September 30, 2015 are the following:

- "Other (expense) income, net" under Cytec presentation (US$(6) million and US$(3) million for the year ended December 31, 2014 and for the nine months ended September 30, 2015, respectively) has been reclassified to "Other operating gains and losses", except for items identified as non-recurring according to the Solvay definition (US$3 million and US$2 million for the year ended December 31, 2014 and for the nine months ended September 30, 2015, respectively), which have been classified as "Non-recurring items";
- US$4 million of non-recurring items according to the Solvay definition have been reclassified from "Administrative and general" as reported in the Cytec financial statements to "Non-recurring items" as reported in the Solvay financial statements; and
- "Amortization of acquisition intangibles" under the Cytec presentation has been reclassified to "Other operating gains and losses" (US$14 million and US$10 million for the year ended December 31, 2014 and for the nine months ended September 30, 2015, respectively).

3.2 Conversion from US GAAP to IFRS and accounting policies alignment

3.2.1 Adjustments

Cytec prepares its financial statements according to US GAAP. For the purpose of preparing the Unaudited Pro Forma Consolidated Financial Information, Cytec historical financial information has been adjusted for material known differences between US GAAP and IFRS. Some material differences could not be estimated reliably; they have been described hereafter as part of the material known differences but have not resulted in a pro forma adjustment for the reasons detailed below.

In addition, some differences have not been addressed as part of the conversion exercise when they related to items that have been re-measured to fair value as part of the preliminary purchase price allocation exercise, as described in Note 3.3.

The main known differences identified in the context of the preparation of the Unaudited Pro Forma Consolidated Financial Information are the following:

Research and Development costs

Cytec performs research and development activities to develop value-added products and products based on proprietary technologies.

Under U.S. GAAP, Cytec expenses all costs incurred related to its research and development activities. Under IFRS, certain development costs may qualify as internally generated intangible assets if the specific recognition criteria under IAS 38 *Intangible Assets* are met.

Cytec's current monitoring and internal reporting processes related to research and development activities do not allow for a proper tracking of costs incurred in the development phase that may qualify for capitalization under IAS 38. As a result, the Unaudited Pro Forma Consolidated Financial Information has not been adjusted to reflect this U.S. GAAP to IFRS difference.

Employee benefits

Cytec offers defined contribution and defined benefit plans to its employees.

Under US GAAP, Cytec elected to recognize the re-measurements of the net defined benefit liability or asset in earnings and inventory in the period they occur, while under IFRS, re-measurements of the net defined liability related to Pension Plans (while there is no such difference relating to Other post-employment benefits) are fully recognized in Other Comprehensive Income ("OCI"). This difference resulted in an expenses reversal net of tax of €36 million (€29 million in "cost of goods sold", €14 million in "Commercial and administrative costs", €4 million in "Research and development costs" and a €11 million deferred tax effect) and €10 million (€14 million in "Cost of goods sold" and a €4 million deferred tax effect) in the unaudited pro forma consolidated income statements for the year ended December 31, 2014 and for the nine months ended September 30, 2015, respectively.

Cytec measures the plan assets and benefit obligations of its defined benefit plans only as of each year-end closing date and as such no re-measurements of the net defined benefit liability or asset were recognized for the nine months ended September 30, 2015. The €10 million effect in that period corresponds to the reversal of that part of re-measurement that was recognized in inventory as of December 31, 2014 and was released to the historical income statement in the nine months period ended September 30, 2015.

The Unaudited Pro Forma Consolidated Financial Information has not been adjusted to reflect the alignment of actuarial assumptions between Cytec and Solvay.

Provisions

Solvay management considers a provision recognized by Cytec in accordance with U.S. GAAP related to possible claims for damages caused to be a possible obligation, as its existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Cytec. Consequently, this provision has been derecognized from the unaudited pro forma consolidated statement of financial position as of September 30, 2015, for a total amount of €29 million in "Other long-term provisions".

Under IFRS, the amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date which is the amount that Cytec would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time. In instances where there is a continuous range of possible outcomes, the use of mid-point of the range is used under IFRS for measuring the provision when there is equal likelihood within the range as is the situation for one of Cytec's environmental provisions. As U.S. GAAP requires the use of the lower end of the range, an additional liability of €4 million has been recognized in "Other long-term provisions" in the unaudited pro forma consolidation statement of financial position as of September 30, 2015.

The corresponding tax effects of €7 million on the above adjustments have been reported in "Deferred tax assets".

De-recognition of receivables

Certain long-term receivables representing reimbursements to be received from third parties in relation to claims against Cytec and compensation for damages do not meet the criteria of virtually certain under IAS 37 *Provisions, contingent liabilities and contingent assets*. These receivables have been derecognized from the unaudited pro forma consolidated statement of financial position as of September 30, 2015 for a total amount of €46 million, of which €17 million in "Loans and other non-current assets" and €29 million in "Other current receivables—Other".

The corresponding tax effects of €12 million on the above adjustments have been reported in "deferred tax liabilities".

The de-recognition of the receivable recognized in "loans and other non-current assets" in the unaudited pro forma consolidated statement of financial position as of September 30, 2015 resulted in a €2 million expense in "Cost of goods sold" in the unaudited pro forma consolidated income statement for the nine months ended September 30, 2015, in connection with the reversal of the movement recognized in Cytec historical income statement.

Share-based payment awards

In the context of the Acquisition, Cytec share-based payment awards outstanding as of the Acquisition date have been assumed to be settled in cash, as described in note 3.3. Those share-based payment awards have been analyzed, valued and recognized according to IFRS 3 Business Combinations. Therefore they are not analyzed as part of the U.S. GAAP to IFRS conversion exercise.

Tax credits

Some deferred tax assets related to tax credits have been derecognized as Solvay considers revenue forecasts over five years, except for financial companies where ten-year financial revenue forecasts are highly predictable and are consequently used, while Cytec considered the expiry horizon of the tax credits, which is longer than five years. This resulted in the de-recognition of deferred tax assets for an amount of €17 million in the unaudited pro forma consolidated statement of financial position as of September 30, 2015 with no corresponding income statement effect.

3.2.2 Reclassifications

The classification of certain balance sheet positions differs between US GAAP and IFRS. For the purpose of preparing the Unaudited Pro Forma Consolidated Financial Information, the following reclassifications have been made to the unaudited pro forma consolidated statement of financial position as at September 30, 2015:

- Uncertain tax positions: under US GAAP, a liability for uncertain tax positions is classified as a current liability only to the extent that cash payments are anticipated within 12 months of the reporting date. Otherwise, such amounts are reflected as non-current liabilities. There is no specific guidance under IFRS on the presentation of liabilities for uncertain tax positions. Therefore uncertain tax positions balances have been reclassified to "Other short-term provisions". The US$6 million (€6 million) balance as at September 30, 2015 has been reclassified from "Other non-current liabilities" to "Other short-term provisions".
- Debt issuance costs: under US GAAP, these costs are capitalized while they are presented as a deducti#on of the related debt under IFRS. The US$6 million (€5 million) balance as at September 30, 2015 has been reclassified from "Loans and other non-current assets" to "Long-term financial debt".

In addition, interest cost and return on plan asset income in connection with post-employment benefits have been reclassified from "Cost of goods sold", "Commercial and administrative costs" and "Research and development costs" to "Cost of discounting provisions" in the unaudited pro forma consolidated income statements for the year ended December 31, 2014 for a total amount of US$1 million (€1 million) and for the nine months ended September 30, 2015 for US$2 million (€2 million).

Subsequent to the Acquisition, further adjustments or reclassifications may prove to be required when the Group obtains full access to the information of Cytec.

3.3 Preliminary purchase price allocation

The Acquisition has been accounted for as a business combination in accordance with IFRS 3 Business Combinations which requires that identifiable assets acquired and the liabilities assumed be measured at their fair values as of the acquisition date.

Solvay appointed an external appraiser to perform a preliminary valuation of some of Cytec intangible and tangible assets, as well as share-based payment awards. At this stage, the purchase price allocation is preliminary and has not addressed, in particular, inventories and contingent liabilities. The fair value re-measurement of inventory will affect in full the consolidated income statement after the Acquisition. Regarding contingent liabilities, based on Cytec's public disclosures and the limited access to Cytec information given to Solvay's advisors, the Group has not identified any material dispute or environmental risk that would lead them to believe material contingent liabilities would need to be recognized in the opening balance sheet. However, subsequent to the Acquisition, when the Group obtains full access to the information of Cytec, recognition of such contingent liabilities in the fields of environmental, asset retirement obligations and tax contingent risks may be identified and recognized in accordance with the requirements of IFRS 3 *Business Combinations*.

The excess of the consideration transferred, as defined in note 4.1, over the fair value of the identifiable assets acquired and the liabilities assumed has been recognized as goodwill. However, the purchase price allocation adjustments are preliminary and have been made solely for the purpose of preparing the Unaudited Pro Forma Consolidated Financial Information, and as such are hypothetical and subject to revision based on a final determination of fair values after the effective date of the Acquisition.

Intangible and tangible assets

The fair value of the intangible assets recognized in the Unaudited Pro Forma Consolidated Financial Information mainly consists of acquired customer relationships for €1,758 million and acquired technologies for €687 million. The related amortization charge is recognized in “Other operating gains and losses” for €123 million and €109 million, for the year ended December 31, 2014 and the nine months ended September 30, 2015, respectively. Tangible assets have been revalued for €117 million. The depreciation charge of tangible assets has been recognized in “Cost of goods sold” and “Research and development costs” (€22 million and €2 million, respectively, for the year ended December 31, 2014, and €5 million and €0 million, respectively, for the nine months ended September 30, 2015).

Previous assets recognized in Cytec consolidated financial statements arising, in particular, from Cytec past acquisitions have been derecognized for €616 million. They consist in goodwill for €448 million, intangible assets for €165 million and tangible assets for €3 million.

Share-based payment awards

At the date of Acquisition, Cytec has outstanding share-based payment transactions in the form of stock options, equity-settled stock appreciation rights, restricted stocks, restricted stock units and deferred stocks. Based on the terms of the Agreement and Plan of Merger, those transactions will be cancelled and converted into a right to receive cash, either on the Acquisition date or on a deferred basis.

In accordance with IFRS 3 Business Combinations, amounts attributable to pre-combination services have been accounted for as part of the consideration transferred while amounts attributable to post-combination services have been recognized as expense, classified as “Cost of goods sold”, “Commercial and administrative costs”, and “Research and development costs”, in the unaudited pro forma consolidated income statements for the year ended December 31, 2014 and the nine months ended September 30, 2015.

The fair value of the instruments before the modification arising from the Acquisition has been determined using a standard option pricing model (Black & Scholes) based on a share price of US$75.25, whereas the fair value of the instruments after the plans modification has been assessed based on the amount of cash to be received according to the terms of the Agreement and Plan of Merger.

As indicated in note 4.1, the analysis and assessment of the share-based payment awards has resulted in the recognition of an additional consideration of US$179 million (€160 million), and a compensation cost of US$19 million (€14 million) for the year ended December 31, 2014 and US$2 million (€2 million) for the nine months ended September 30, 2015, with a corresponding deferred tax effect of US$7 million (€5 million) and US$1 million (€1 million), respectively. The compensation cost, gross of tax, has been recorded in “Cost of goods sold” for US$6 million (€4 million) for the year ended December 31, 2014 and US$1 million (€1 million) for the nine months ended September 30, 2015, in “Commercial and administrative costs” for US$13 million (€10 million) and US$1 million (€1 million), respectively, and in “Research and development costs” for US$1 million (€1 million) and US$0 million (€0 million), respectively.

The majority of payroll charges have been accrued based on a US tax regime where the social security rate amounts to 6.2% and the social security charges are capped at US$118,500 per year and per beneficiary, and a rate of 1.45% for the other social charges. Actual amounts may differ from this estimate when social charges are processed through the payroll, and all the country-specific regimes apply. They have been recognized in “Other current liabilities” for €6 million in the unaudited pro forma consolidated statement of financial position as of September 30, 2015.

A portion of share-based payment awards that is included in the consideration transferred will not be settled in cash upon Acquisition. That portion has been classified as “Other non-current liabilities” for €12 million and as “Other current liabilities” for €30 million in the unaudited pro forma consolidated statement of financial position as of September 30, 2015, with a counterpart in “Cash and cash equivalents” as they represent that portion of the consideration transferred that will not be settled in cash on the Acquisition date.

For the purpose of preparing the Unaudited Pro Forma Consolidated Financial Information, the historical compensation charge recognized by Cytec in its historical consolidated income statements for the year ended December 31, 2014 and the nine months ended September 30, 2015 has been eliminated, resulting in a US$11 million (€9 million) and a US$10 million (€9 million) adjustment, respectively. The corresponding deferred tax effects amount to US$4 million (€3 million) and US$3 million (€3 million), respectively. The historical compensation charge, gross of tax, has been eliminated from “Cost of goods sold” for US$3 million (€2 million) and US$3 million (€3 million), respectively, from “Commercial and administrative costs” for US$8 million (€6 million) and US$6 million (€6 million), respectively, and from “Research and development costs” for US$1 million (€1 million) and US$1 million (€0 million), respectively.

Deferred taxes

A net deferred tax liability of €621 million on the above purchase price allocation adjustments (a deferred tax liability of €769 million on the fair value of intangible assets and the step-up on tangible assets, a deferred tax asset and reduction of deferred tax liability of €114 million on the de-recognition of previous assets recognized by Cytec, and a net deferred tax asset of €34 million on share-based payment awards) have been determined for the purpose of the Unaudited Pro Forma Consolidated Financial Information based on tax rates described in Note 1.

Goodwill

The resulting preliminary goodwill has been recognized for an amount of €2,520 million, corresponding to the remaining balance not allocated as part of the preliminary purchase price allocation exercise, as follows:

(in €million)	
Historical net assets of Cytec under IFRS	1,126
De-recognition of historical assets	(616)
Fair value adjustments to intangible assets resulting from the preliminary purchase price allocation	2,445
Fair value adjustments to tangible assets resulting from the preliminary purchase price allocation	117
Share-based payment awards adjustments	(6)
Deferred tax effect on the above adjustments	(621)
Total fair value of identifiable assets acquired and liabilities assumed	**2,445**
Total consideration transferred	**4,965**
Preliminary goodwill	**2,520**

4. Pro forma adjustments

Pro forma adjustments are based upon available information and certain preliminary estimates and assumptions which are believed to be reasonable, as well as certain pro forma assumptions. In particular it is assumed that the Financing (as defined in note 4.2 of the Unaudited Pro Forma Consolidated Financial Information) has taken place on January 1, 2014 with respect to the unaudited pro forma consolidated income statements, and as of September 30, 2015 with respect to the unaudited pro forma consolidated statement of financial position.

The Unaudited Pro Forma Consolidated Financial Information does not reflect adjustment or tax effect that would result from either the exit of Cytec entities from their tax consolidation groups, or the Acquisition, including but not limited to, tax losses carried forward that would be lost upon change of control or that would, on the contrary, become realizable.

4.1 Determination of the consideration transferred

In the Unaudited Pro Forma Consolidated Financial Information, the consideration transferred for the Acquisition is based on (i) the outstanding number of Cytec shares as of September 30, 2015 and the share price that the Group agreed to pay pursuant to the Agreement and Plan of Merger dated July 28, 2015 between Solvay SA and Cytec Industries Inc., and (ii) that portion of the fair value of share-based payment awards that will be included in the consideration in accordance with IFRS 3 Business Combinations.

As of September 30, 2015, the number of outstanding shares of Cytec's common stock, other than shares held by Cytec as treasury stock amounts to 71,547,119. On the date of Acquisition, these shares will be converted into the right to receive US$75.25 in cash, without interest. The consideration thus determined amounts to US$5,384 million.

In addition, share-based payment awards have been included in the consideration transferred for an amount of US$179 million (€160 million), as discussed in note 3.3.

Total consideration used for the preparation of the Unaudited Pro Forma Consolidated Financial Information amounts to US$5,563 million. In the unaudited pro forma consolidated statement of financial position as of September 30, 2015, the consideration of US$5,563 million used to determine the preliminary goodwill has been converted at the closing rate, resulting in a purchase price of €4,965 million.

4.2 Description and accounting treatment of the Financing of the Acquisition

The Unaudited Pro Forma Consolidated Financial Information has been prepared assuming that the consideration transferred for the Acquisition will be fully financed by the following financing arrangements:

- a rights issue by Solvay SA (the "**Rights Issue**") for a total amount of €1,500 million,
- Euro hybrid bonds, to be issued by Solvay Finance SA, a French subsidiary of Solvay SA, with the guarantee of Solvay SA, for a total amount of €1,000 million,
- Euro senior notes, to be issued by Solvay SA, for a total amount of €1,100 million, and
- US dollar 144A senior notes, to be issued by Solvay Finance (America) LLC, a US subsidiary of Solvay SA, with a guarantee of Solvay SA, for a total amount of US$1,900 million (€1,696 million),

together referred to as the "**Financing**".

An additional €900 million is expected to be issued in the form of Euro senior notes to partially refinance existing short-term and long-term financial debts. The refinancing has not been reflected in the unaudited pro forma consolidated statement of financial position as it is not directly attributable to the Acquisition. As a result, the €900 million have been recognized as a long-term financial debt against an increase in the cash position of the Group in the unaudited pro forma consolidated statement of financial position. However the related interest expense has been added to, and the interest expense of the refinanced debt has been removed from, the unaudited consolidated income statements for the year ended December 31, 2014 (€23 million and €43 million, respectively) and for the nine months ended September 30, 2015 (€18 million and €33 million, respectively).

The excess of the funds raised through the Financing over the consideration transferred is assumed to finance, in particular, the acquisition costs and the transaction costs, together with that part of share-based payment awards that will be paid on the Acquisition date but which does not form part of the consideration transferred (recognized as a post-combination expense).

Assumptions made to reflect the Financing in the Unaudited Pro Forma Consolidated Financial Information, together with the corresponding accounting treatments are described below.

At the date of issue of the Unaudited Pro Forma Consolidated Financial Information, the funds related to the Financing have not yet been raised and the rights issue has not yet been approved by

Solvay shareholders meeting to be held on November 17, 2015. Therefore actual amounts may vary from the estimated amounts depending on several factors, including, among other things, (i) the share price for the Rights Issue, (ii) differences in the financing conditions eventually obtained for the bonds and notes, (iii) the timing of realization of each financing arrangement, and (iv) differences between the estimate and actual fees and expenses.

Rights Issue

Under the assumption that all shares are subscribed, the gross proceeds from the Rights Issue amount to €1,500 million. Directly attributable transaction costs have been assessed at €23 million and analyzed as entirely tax deductible but no tax effect has been recognized as discussed in note 1. Transaction costs have been recognized directly in equity.

The Unaudited Pro Forma Consolidated Financial Information does not reflect the effect of additional dividends that will be paid to Solvay shareholders as a result of the capital increase arising from the rights issue.

EUR Hybrid Bonds

These bonds qualify as an equity instrument in accordance with IAS 32 Financial Instruments: Presentation. The classification of the EUR hybrid bonds in equity is mainly based on the discretionary nature of all payments:

- no maturity (perpetual bond) as, at every reset date, the issuer has a call option, rather than a contractual obligation, to redeem the instrument;
- at the option of the issuer, interest payments can be deferred indefinitely.

Directly attributable transaction costs have been assessed at €9 million and analyzed as entirely tax deductible but no tax effect has been reflected as discussed in note 1. They have been recognized directly in equity.

EUR Senior Notes and USD Senior Notes

The issuance of senior notes for an amount of €1,100 million and US$1,900 million (€1,696 million), respectively have been reflected in the Unaudited Pro Forma Consolidated Financial Information in the long-term financial debt.

The related interest expense for the EUR Senior Notes and the USD Senior Notes amount to €24 million and €59 million, respectively, for the year ended December 31, 2014, and €18 million and €53 million, respectively, for the nine months ended September 30, 2015. They have been reported in “Cost of borrowings”.

The transaction costs directly related to the debt issuances have been deducted from the pro forma long-term financial debt as of September 30, 2015 for €10 million for the EUR Senior Notes and €9 million for the USD Senior Notes. Transaction costs have been analyzed as entirely tax deductible. However no tax effect has been recognized on the transaction costs related to the EUR Senior Notes, as discussed in note 1. With respect to the USD Senior Notes, a deferred tax liability and a current tax receivable of €3 million, calculated at a 38% tax rate, have been recognized.

The estimated amount of the USD Senior Notes, which are US dollar-denominated, has been converted into euros using the closing exchange rate at September 30, 2015.

Bridge loan

To secure the financing for the Acquisition of Cytec, a bridge loan agreement was put in place on July 29, 2015 for a maximum amount of US$5,800 million, over a one-year period, with an optional twelve-month extension. For the purposes of the Unaudited Pro Forma Consolidated Financial Information, it has been assumed that this Bridge Loan Facility will not be drawn.

However, related underwriting and syndication fees for a total amount of US$20 million (€18 million converted at the closing exchange rate at September 30, 2015) have been incurred in August 2015 and spread over the duration of the loan; an amount of €8 million (less a €3 million tax impact) is therefore included in the Solvay historical consolidated financial statements for the nine months ended September 30, 2015. For the purpose of the Unaudited Pro Forma Consolidated Financial Information, the total amount of fees has been reflected in the unaudited pro forma consolidated income statement for the year ended December 31, 2014 (€18 million) and €8 million have been eliminated from Solvay's historical consolidated income statement for the nine months ended September 30, 2015. These costs are not expected to have a recurring impact on the Group operating performance going forward. They have been reported in "Non-recurring items".

4.3 Acquisition costs

The total estimated costs related to the Acquisition amount to €91 million, before tax, and mainly include banking, legal, consulting and notary fees, as well as the cost of the contingent forward instrument.

On July 29, 2015, Solvay entered into a foreign exchange forward contract to hedge US$1,880 million of the expected purchase price, contingent upon the realization of the Acquisition. On the Acquisition date, Solvay will pay a €33 million contingency premium when it settles the instrument. This hedge matures in April 2016.

Certain costs were already included in the historical financial statements of the Group. They amounted to €33 million for the nine months ended September 30, 2015. For the purpose of preparing the Unaudited Pro Forma Consolidated Financial Information, these costs have been removed from the unaudited pro forma consolidated income statement for the nine months ended September 30, 2015, and reflected in the unaudited pro forma consolidated income statement for the year ended December 31, 2014.

Based on a preliminary analysis, €75 million of these costs have been considered tax deductible. Depending on the country where each cost has been incurred, the corresponding rate as described in note 1 has been applied, resulting in a €18 million tax benefit.

Acquisition costs are recognized as non-recurring items and hence do not impact the Group recurring operating performance. By their nature, they are not expected to have a recurring impact on the Group performance going forward.

5. Auditor's report

The Board of Directors
on behalf of Solvay SA
Rue de Ransbeek 310
B-1120 Brussels

16 November 2015

Dear Sirs,

Proposed Offering by Solvay Finance SA (the "Issuer") and irrevocably guaranteed on a subordinated basis by Solvay SA (the "Guarantor")

We have completed our assurance engagement to report on the compilation of pro forma financial information of Solvay SA (the "**Company**") by the directors of the Company (the "**Directors**").The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 September 2015, the pro forma consolidated income statement for the period ended 31 December 2014 and 30 September 2015, the pro forma consolidated statement of comprehensive income for the period ended 31 December 2014 and 30 September 2015 and related notes as set out on page numbers in the section "Unaudited pro forma consolidated financials" of the Offering Circular issued by the Company. This report is required by the Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") and is given for the purpose of complying with that requirement and for no other purpose. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are specified in Annex II items 1 to 6 of the Prospectus Directive Regulation and described in the introduction section and Notes 1 to 4 of the pro forma financial information.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the acquisition of Cytec and the related financing set out in Note 4 on the company's financial position as at 30 September 2015 and its financial performance for the periods ended 31 December 2014 and 30 September 2015 as if the acquisition of Cytec and the related financing had taken place at 30 September 2015 in respect of the pro forma statement of financial position and 1 January 2014 in respect of the pro forma income statements. As part of this process, information about the company's financial position and financial performance has been extracted by the Board of Directors from the company's financial statements for the period ended 31 December 2014, on which an audit report has been published and from the company's financial statements for the period ended 30 September 2015 on which a review report has been published.

Responsibilities

It is the responsibility of the Directors to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation.

Our responsibility is to express an opinion, as required by the Prospectus Directive Regulation, about whether the pro forma financial information has been compiled by the Directors on the basis of Annex II items 1 to 6 of the Prospectus Directive Regulation and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Basis of Opinion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information on the basis of Annex II items 1 to 6 of the Prospectus Directive Regulation.

Save for any responsibility arising under art. 9 of the Prospectus Rules under the Luxembourg Law of 10 July 2005, as amended by the Luxembourg Law of 3 July 2012 to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex IX item 13.1 of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2014 and 30 September 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of art. 9 the Prospectus Rules under the Luxembourg Law of 10 July 2005, as amended by the Luxembourg Law of 3 July 2012 we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex IX item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Eric Nys

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Eric Nys

TAXATION

The statements herein regarding taxation are based on the laws in force in the European Union, the Republic of France, the Kingdom of Belgium and the Grand Duchy of Luxembourg, respectively, as of the date of this Prospectus and are subject to any changes in law. The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Bonds. Each prospective holder or beneficial owner of Bonds should consult its tax advisor as to the European Union, France, Belgium or Luxembourg tax consequences of any investment in or ownership and disposition of the Bonds.

France

EU Savings Directive

The Savings Directive was implemented into French law under Article 242 *ter* of the French *Code général des impôts*, which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

Withholding tax

The following is an overview of certain withholding tax considerations that may be relevant to holders of the Bonds who do not concurrently hold shares of the Issuer. Persons who are in doubt as to their tax position should consult a professional tax adviser.

Payments of interest and other revenues made by the Issuer with respect to the Bonds will not be subject to the withholding tax set out under Article 125 A III of the French *Code général des impôts* unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French *Code général des impôts* (a "**Non-Cooperative State**"). If such payments under the Bonds are made in a Non-Cooperative State, a 75 per cent. withholding tax will be applicable (subject to certain exceptions and to the more favorable provisions of an applicable double tax treaty) by virtue of Article 125 A III of the French *Code général des impôts*.

Furthermore, according to Article 238 A of the French *Code général des impôts* interest and other revenues on such Bonds will not be deductible from the Issuer's taxable income if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid in such a Non-Cooperative State (the "**Deductibility Exclusion**"). Under certain conditions, any such non-deductible interest and other revenues may be recharacterized as constructive dividends pursuant to Article 109 of the French *Code général des impôts*, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 bis of the French *Code général des impôts*, at a rate of 30 per cent. or 75 per cent. subject to the more favorable provisions of a tax treaty, if applicable.

Notwithstanding the foregoing, the Law provides that neither the 75 per cent. withholding tax set out under Article 125 A III of the French Code *général des impôts* nor the Deductibility Exclusion will apply in respect of the Bonds if the Issuer can prove that the principal purpose and effect of each issue of the Bonds was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the "**Exception**"). Pursuant to the *Bulletin Officiel des Finances Publiques-Impôts* BOI—RPPM—RCM—30-10-20-40-20140211, BOI—INT—DG—20-50-20140211, BOI—IR—DOMIC—10-20-20-60—20150320, each issue of the Bonds will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of such issue of the Bonds, if the Bonds are:

- admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or
- admitted, at the time of their issue, to the clearing operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositaries or operators provided that such depositary or operator is not located in a Non-Cooperative State.

Accordingly, payments of interest and other revenues under the Bonds by the Issuer are not subject to the 75 per cent. withholding tax set out under Article 125 A III of the French *Code général des impôts* nor to the Deductibility Exclusion.

If the paying agent is established in France, pursuant to Article 125 A of the French *Code général des impôts*, and subject to certain limited exceptions, interest received by individuals who are fiscally domiciled (*domiciliés fiscalement*) in France is subject to a 24 per cent. withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding tax at an aggregate rate of 15.5 per cent. on interest paid to individuals who are fiscally domiciled (*domiciliés fiscalement)* in France.

Luxembourg

The following is a general description of certain Luxembourg tax considerations relating to the Bonds. It specifically contains information on taxes on the income from the securities withheld at source. It does not purport to be a complete analysis of all tax considerations relating to the Bonds, whether in Luxembourg or elsewhere. Prospective purchasers of the Bonds should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Bonds and receiving payments of interest, principal and/or other amounts under the Bonds and the consequences of such actions under the tax laws of Luxembourg. This overview is based upon the law as in effect on the date of this Prospectus. The information contained within this section are limited to certain taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Bonds.

Withholding Tax

All payments of interest and principal made by the Issuer in the context of the holding, disposal, redemption or repurchase of the Bonds, which are not profit sharing, can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with applicable Luxembourg laws and administrative practice, subject however to the application of the Luxembourg law of 23 December 2005 which provides for the application of a 10 per cent. withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005 implementing the Savings Directive) paid by a Luxembourg paying agent to Luxembourg individual residents.

Pursuant to the law of 23 December 2005 as amended, Luxembourg resident individuals can opt to self declare and pay a 10 per cent. levy on interest payments made or ascribed by paying agents located in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an agreement directly relating to the Savings Directive on the taxation of savings income.

The 10 per cent. withholding tax as described above or the 10 per cent. levy are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg law of 23 December 2005, as amended, is assumed by the Luxembourg paying agent within the meaning of this law and not by the relevant Issuer.

Belgium

The following is a general description of the principal Belgian withholding tax consequences for investors receiving interest in respect of, or disposing of, the Bonds and is of a general nature. It does not purport to be a complete analysis of tax considerations relating to the Bonds whether in Belgium or elsewhere.

Belgian withholding tax

For Belgian tax purposes, the following amounts are qualified and taxable as "interest": (i) periodic interest income, (ii) amounts paid by the Issuer in excess of the issue price (whether or not on the maturity date), and (iii) in case of a realization of the Bonds between two interest payment dates, the *pro rata* of accrued interest corresponding to the detention period.

Belgian resident individuals

Payments of interest on the Bonds made through a paying agent in Belgium will in principle be subject to a 25 per cent. withholding tax in Belgium calculated on the interest received after deduction of any non-Belgian withholding taxes. (The Belgian government has recently orally announced its intention to increase the general withholding tax rate which applies, amongst other, to interest payments from 25 per cent. to 27 per cent.) The Belgian withholding tax constitutes the final income tax for Belgian resident individuals. This means that they do not have to declare the interest obtained on the Bonds in their personal income tax return, provided Belgian withholding tax was levied on these interest payments.

However, if the interest is paid outside Belgium without the intervention of a Belgian paying agent, the interest received (after deduction of any non-Belgian withholding tax) must be declared in the personal income tax return and will be taxed at a flat rate of 25 per cent.

Other tax rules apply to Belgian resident individuals who do not hold the Bonds as a private investment.

Belgian resident companies

Interest payments on the Bonds made through a paying agent in Belgium to Belgian corporate investors will generally be subject to Belgian withholding tax, currently at a rate of 25 per cent. However, an exemption may apply provided that certain formalities are complied with. The exemption does not apply for income on zero coupon or capitalization bonds. The Belgian withholding tax that has been levied is creditable and refundable in accordance with the applicable legal provisions.

Belgian legal entities

Payments of interest on the Bonds made through a paying agent in Belgium will in principle be subject to a 25 per cent. withholding tax in Belgium and no further tax on legal entities will be due on the interest.

However, if the interest is paid outside Belgium without the intervention of a Belgian paying agent and without the deduction of Belgian withholding tax, the legal entity itself is responsible for the declaration and payment of the 25 per cent. withholding tax.

Belgian non-residents

The interest income on the Bonds paid through a professional intermediary in Belgium will, in principle, be subject to a 25 per cent. withholding tax, unless the Noteholder is resident in a country with which Belgium has concluded a double taxation agreement and delivers the requested affidavit. If the income is not collected through a financial institution or other intermediary established in Belgium, no Belgian withholding tax is due.

Non-resident investors that do not hold the Bonds through a Belgian establishment can also obtain an exemption of Belgian withholding tax on interest from the Bonds paid through a Belgian credit institution, a Belgian stock market company or a Belgian-recognized clearing or settlement institution, provided that they deliver an affidavit from such institution or company confirming (i) that the investors are non-residents, (ii) that the Bonds are held in full ownership or in usufruct, and (iii) that the Bonds are not held for professional purposes in Belgium.

European Directive on taxation of savings income in the form of interest payments

Individuals not resident in Belgium

Interest paid or collected through Belgium on the Bonds and falling under the scope of application of the Savings Directive will be subject to the Disclosure of Information Method.

Individuals resident in Belgium

An individual resident in Belgium will be subject to the provisions of the Savings Directive, if he receives interest payments from a paying agent (within the meaning of the Savings Directive) established in another EU Member State, Switzerland, Liechtenstein, Andorra, Monaco, San Marino, Curaçao, Bonaire, Saba, Sint Maarten, Sint Eustatius (formerly the Netherlands Antilles), Aruba, Guernsey, Jersey, the Isle of Man, Montserrat, the British Virgin Islands, Anguilla, the Cayman Islands or the Turks and Caicos Islands.

If the interest received by an individual resident in Belgium has been subject to a withholding tax (the "**Source Tax**"), such Source Tax does not liberate the Belgian individual from declaring the interest income in the personal income tax declaration. The Source Tax will be credited against the personal income tax. If the Source Tax withheld exceeds the personal income tax due, the excessive amount will be reimbursed, provided it reaches a minimum of Euro 2.5.

Tax on stock exchange transactions and tax on repurchase transactions

A tax on stock exchange transactions (*taks op de beursverrichtingen/taxe sur les opérations de bourse*) will be levied upon the sale and purchase in Belgium of the Bonds on a secondary market through a professional intermediary. The rate applicable for secondary sales and purchases in Belgium through a professional intermediary is 0.09% with a maximum amount of EUR650 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

A tax on repurchase transactions (*taks op de reporten/taxe sur les reports*) at the rate of 0.085% will be due from each party to any such transaction in which a stockbroker acts for either party (subject to a maximum of EUR 650 per party and per transaction).

However, neither of the taxes referred to above will be payable by exempt persons acting for their own account, including investors who are not Belgian residents, provided they deliver an affidavit to the financial intermediary in Belgium confirming their non-resident status, and certain Belgian institutional investors as defined in article 126.1,2° of the Code of miscellaneous duties and taxes (*Wetboek diverse rechten en taksen/Code des droits et taxes divers*) for the tax on stock exchange transactions and article 139, §2 of the same code for the tax on repurchase transactions.

As stated above, the European Commission has published a proposal for a Directive for a common financial transactions tax. The proposal currently stipulates that once the FTT enters into force, the participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of November 28, 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions and the tax on repurchase transactions should thus be abolished once the FTT enters into force. The proposal is still subject to negotiation between the participating Member States and therefore may be changed at any time.

EU Savings Directive

On June 3, 2003, the European Council of Economic and Finance Ministers adopted the Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"). Pursuant to the Savings Directive and subject to a number of conditions being met, Member States are required to provide to the tax authorities of another Member State, inter alia, details of payments of interest within the meaning of the Savings Directive (interest, premiums or other debt income) made by a paying agent located within its jurisdiction to, or for the benefit of, an individual resident in that other Member State or to certain limited types of entities established in that other Member State (the "**Disclosure of Information Method**").

For these purposes, the term "paying agent" is defined widely and includes in particular any economic operator who is responsible for making interest payments, within the meaning of the Savings Directive, for the immediate benefit of individuals or certain entities. However, throughout a transitional period, Austria, instead of using the Disclosure of Information Method used by other Member States, unless the relevant beneficial owner of such payment elects for the Disclosure of Information Method, withholds an amount on interest payments. The rate of such withholding tax is 35 per cent. until the end of the transitional period.

The transitional period will end at the end of the first full fiscal year following the later of (i) the date of entry into force of an agreement between the European Community, following a unanimous decision of the European Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra, providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on April 18, 2002 (the "**OECD Model Agreement**") with respect to interest payments within the meaning of the Savings Directive, in addition to the simultaneous application by those same countries of a withholding tax on such payments at the rate applicable for the corresponding periods mentioned above and (ii) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the Savings Directive.

A number of non-EU countries and dependent or associated territories have agreed to adopt similar measures (transitional withholding or exchange of information).

On March 24, 2014, the Council of the European Union adopted a directive (the "**Amending Directive**"), amending and broadening the scope of the requirements described above. In particular, the Amending Directive aimed at extending the scope of the Savings Directive to new types of savings income and products that generate interest or equivalent income. In addition, tax authorities would have been required in certain circumstances to take steps to identify the beneficial owner of interest payments (through a look through approach). The EU Member States had until January 1, 2016 to adopt the national legislation necessary to comply with this amending directive. Such legislation had to apply from January 1, 2017.

The Council of the European Union has adopted a Directive repealing the Savings Directive from January 1, 2016 (January 1, 2017 in the case of Austria) (in each case subject to transitional arrangements) to avoid overlap with Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended by Council Directive 2014/107/EU), pursuant to which Member States will generally be required to apply new measures on mandatory automatic exchange of information from January 1, 2016. The recitals to the Directive provide that member states of the European Union will no longer be required to implement the Amending Savings Directive.

United States

FATCA Withholding

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer believes that it is not a foreign financial institution for these purposes. A number of jurisdictions (including France) have entered into, or have agreed in substance to, intergovernmental agreements ("**IGAs**") with the United States to implement FATCA that modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of these rules to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, is not clear at this time. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the later of January 1, 2019 or the date of publication in the Federal Register of final regulations defining the term "foreign passthru payment". Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement dated November 30, 2015 (the "**Subscription Agreement**"), BNP Paribas, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, HSBC Bank plc, ING Bank N.V., Belgian Branch and Morgan Stanley & Co International plc (together, the "**Managers**") will jointly and severally agree with the Issuer, subject to the satisfaction of certain conditions contained therein, to subscribe and pay for the (i) Perp NC-5.5 Bonds at their issue price of 100 per cent. less an agreed combined management and underwriting commission and any agreed expenses, and (ii) Perp NC-8.5 Bonds at their issue price of 100 per cent. less an agreed combined management and underwriting commission and any agreed expenses. The Subscription Agreement will entitle the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, the Guarantor and their affiliates in the ordinary course of business, including in relation to the Joint Global Coordinators' role as financial advisors for the Acquisition and mandated lead arrangers and bookrunners and BNP Paribas Fortis' role as bookrunner for the bridge loan facility entered into to secure the financing of the Acquisition and BNP Paribas Fortis' role as agent and lender under the existing €1.5 billion revolving credit facility. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantor or their affiliates (including the Bonds). Certain of the Managers or their affiliates that have a lending relationship with the Issuer, the Guarantor or their affiliates routinely hedge and certain other of those Managers or their affiliates may hedge, their credit exposure to the Issuer, the Guarantor and/or affiliates consistent with their customary risk management policies. Typically, such Manager and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities (including potentially the Bonds). Any such short positions could adversely affect future trading prices of the Bonds. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. The net proceeds of the issue of the Bonds will be used by the Guarantor to fund the Acquisition and for general corporate purposes of the Group.

General

No action has been or will be taken by the Managers that would permit a public offering of the Bonds or possession or distribution of any offering material in relation to the Bonds in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of the Bonds, or distribution of any offering material relating to the Bonds, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on the Issuer or the Guarantor.

Each Manager has represented and agreed that, in making any offers or sales of Bonds or distributing any offering materials relating thereto in any country or jurisdiction, it has complied and will comply to the best of its knowledge with all applicable laws in such country or jurisdiction.

United States

The Bonds and the Subordinated Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Bonds and the Subordinated Guarantee (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Bonds and the Subordinated Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions an offers and sales of the Bonds and the Subordinated Guarantee within the United States or to, for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds and the Subordinated Guarantee are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds and the Subordinated Guarantee, an offer or sale of the Bonds or the Subordinated Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Belgium

This Prospectus has not been submitted for approval to the Belgian Financial Services and Markets Authority, and no certificate of approval has been or is intended to be provided to the Belgian Financial Services and Markets Authority by any other competent authority in the European Economic Area in accordance with article 18 of the Prospectus Directive and, accordingly, the Bonds may not be distributed in Belgium by way of an offer of securities to the public, as defined in Article 2.1(d) of the Prospectus Directive and Article 3 §1 of the law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets (as amended), save in those circumstances (commonly called "**private placement**") set out in Article 3.2 of the Prospectus Directive and Article 3 §2 of the law of 16 June 2006.

Republic of France

Each of the Managers, the Issuer and the Guarantor has acknowledged that it has not offered or sold and will not offer or sell, directly or indirectly, any Bonds to the public in the Republic of France and that offers of Bonds will be made in the Republic of France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*), to the exclusion of any individuals, as defined in Articles L.411-1, L.411-2 and D.411-1 of the *Code monétaire et financier*.

This Prospectus has not been admitted to the clearance procedures of the *Autorité des marchés financiers*.

Each of the Managers, the Issuer and the Guarantor have represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France, the Prospectus or any other offering material relating to the Bonds other than to those investors (if any) to whom offers and sales of the Bonds in the Republic of France may be made as described above.

United Kingdom

Each of the Managers has represented and agreed that:

(a) it has only communicated or caused to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

GENERAL INFORMATION

(1) This Prospectus is available on the website of the Luxembourg Stock Exchange, www.bourse.lu.

(2) The Perp-NC5.5 Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg with the Common Code number of 132389748. The International Securities Identification Number (ISIN) for the Perp-NC5.5 Bonds is XS1323897485. The Perp-NC8.5 Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg with the Common Code number of 132389772. The International Securities Identification Number (ISIN) for the Perp-NC8.5 Bonds is XS1323897725.

(3) The common depositary for Euroclear and Clearstream, Luxembourg will be BNP Paribas Securities Services, Luxembourg Branch, the address of which is 33, rue de Gasperich, Howald—Hesperange, L-2085 Luxembourg, Luxembourg.

(4) The address of Euroclear is 1, boulevard du Roi Albert II, B-1210, Brussels, Belgium and the address of Clearstream, Luxembourg is 42, avenue J F Kennedy, L-1855, Luxembourg.

(5) The issue of the Bonds will, before the Issue Date, have been authorized pursuant to the decisions of the *Président du Conseil d'administration* and *Directeur Général* of the Issuer acting pursuant to a resolution of the *Conseil d'administration* of the Issuer dated 13 November 2015 and dated November 25, 2015.

(6) The giving of the Subordinated Guarantee in respect of the issue of the Bonds has been authorized pursuant to a resolution of the *Conseil d'administration* of the Guarantor dated 28 October 2015.

(7) The yield of the Perp-NC5.5 Bonds to the First Call Date, as calculated as at the Issue Date on the basis of the issue price of the Perp-NC5.5 Bonds, is 5.125 per cent. *per annum*. It is not an indication of future yield.

(8) The yield of the Perp-NC8.5 Bonds to the First Call Date, as calculated as at the Issue Date on the basis of the issue price of the Perp-NC8.5 Bonds, is 5.875 per cent. *per annum*. It is not an indication of future yield.

(9) There has been no significant change in the financial or trading position of the Issuer since 30 June 2015.

(10) Except as disclosed on pages 219-230 in this Prospectus, there has been no significant change in the financial or trading position of the Group since 30 September 2015.

(11) There has been no material adverse change in the prospects of the Issuer or the Guarantor since 31 December 2014.

(12) Except as disclosed on pages 122-124 in this Prospectus in relation to the Guarantor, neither the Issuer nor the Guarantor is or has been involved in any governmental litigation or arbitration proceedings (including such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) during the last 12 months preceding the date of this Prospectus which may have or have had in the recent past a significant effect on the financial position or profitability of the Issuer and/or the Guarantor and/or the Group.

(13) The Issuer publishes audited annual non-consolidated accounts. The audited annual non-consolidated accounts of the Issuer will be available at the latest within 6 months from the end of the relevant financial year, in accordance with French law.

(14) The Guarantor publishes (i) audited annual consolidated and non-consolidated accounts, (ii) semi-annual consolidated accounts and (iii) quarterly consolidated accounts. The Guarantor's statutory auditors carry out a limited review of such semi-annual and quarterly consolidated accounts. The Guarantor does not currently publish semi-annual or quarterly non-consolidated accounts.

(15) So long as any of the Bonds are outstanding, the following documents will be available during usual business hours on any weekday (except Saturdays, Sundays and public holidays) for inspection and, in the case of documents listed at (i), (ii), (iii) and (iv) collection free of charge, at the specified office of each the Paying Agents:

- (i) the Agency Agreement;
- (ii) this Prospectus;
- (iii) the Subordinated Guarantee;
- (iv) the Deed of Covenant;
- (v) the documents incorporated by reference herein; and
- (vi) the articles of association of the Issuer and the Guarantor.

In addition, the documents referred to in (ii) and (v) will be published on the website of the Luxembourg Stock Exchange, www.bourse.lu.

(16) The Bonds and any Coupons and Talons appertaining thereto will bear a legend to the following effect: "*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code*." The sections referred to in such legend provide that a United States person who holds a Bond, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bond, Coupon or Talon and any gain (which might otherwise be characterized as capital gain) recognized on such sale, exchange or redemption will be treated as ordinary income.

(17) To the knowledge of the Issuer, there is no conflicting interest or any potential conflicts of interest between any duties to the Issuer owed by the persons involved in the offer of the Bonds, the members of its administrative, management and supervisory bodies and their private and other duties.

(18) To the knowledge of the Guarantor, there is no conflicting interest or any potential conflicts of interest between any duties to the Guarantor owed by the persons involved in the offer of the Bonds, the members of its administrative, management and supervisory bodies and their private and other duties.

(19) There is no natural or legal person involved in the issue of the Bonds and having an interest that is material to the issue of the Bonds, other than the Managers and their affiliates who have provided, and may in the future provide, investment banking services and other services to the Issuer, the Guarantor and their affiliates, including in relation to the Joint Global Coordinators role as financial advisors for the Acquisition.

(20) Except as disclosed on page 85 in this Prospectus in relation to the Issuer and pages 148-150, 201-202 and 221-228 in this Prospectus in relation to the Guarantor, there are no material contracts for the Issuer and the Guarantor that are not entered into in the ordinary course of the Issuer or Guarantor's business, which could result in any Group member being under an obligation or entitlement that is material to the Issuer or Guarantor's ability to meet its obligations to Bondholders.

(21) Auditors

The auditors of the Issuer and of the Guarantor are as follows:

Solvay Finance:

Deloitte & Associés
Immeuble "Park Avenue"
81, Boulevard de Stalingrad
BP 81284
69608 Villeurbanne Centre
France

Solvay SA:

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Berkenlaan 8b
1831 Diegem
Belgium

Deloitte & Associés, represented by Nathalie Lorenzo Casquet, have audited the Issuer's accounts for the years ended 31 December 2014, 2013 and 2012, without qualification, in accordance with generally accepted auditing standards in France. Deloitte & Associés are a member of the *Compagnie Régionale des Commissaires aux Comptes de Versailles*.

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises, represented by Eric Nys, have audited the Guarantor's accounts for the years ended 31 December 2014, 2013 and 2012, without qualification, in accordance with generally accepted auditing standards in Belgium. Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises are a member of *l'Institut des Reviseurs d'Entreprises*.

The consolidated financial statements and schedule of Cytec Industries Inc. as of December 31, 2014 and 2013, and for each of the years in the three-year period ended December 31, 2014, included in this Prospectus, have been audited by KPMG LLP, independent registered public accounting firm, as stated in their report, without qualification, appearing herein.

HISTORICAL FINANCIAL INFORMATION OF THE GUARANTOR

Index to the historical financial information of the Guarantor (Solvay SA)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015
(UNAUDITED)

Consolidated Income Statement (IFRS) of the 3rd quarter

	Adjusted		IFRS	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
	(in € million)			
Sales	**2,827**	**2,688**	**2,827**	**2,688**
Revenues from non-core activities	113	103	113	103
Net sales	**2,714**	**2,585**	**2,714**	**2,585**
Cost of goods sold	(2,098)	(2,037)	(2,098)	(2,037)
Gross margin	**730**	**651**	**730**	**651**
Commercial & administrative costs	(326)	(303)	(326)	(303)
Research & innovation costs	(67)	(62)	(67)	(62)
Other operating gains & losses	(12)	6	(39)	(22)
Earnings from associates & joint ventures accounted for using the equity method	(21)	(8)	(21)	(8)
Non-recurring items	(61)	(30)	(61)	(30)
EBIT	**242**	**254**	**215**	**226**
Cost of borrowings	(25)	(30)	(25)	(30)
Interest on loans & short-term deposits	2	3	2	3
Other gains & losses on net indebtedness	(8)	(2)	(8)	(2)
Cost of discounting provisions	(18)	(38)	(18)	(38)
Result before taxes	**194**	**186**	**167**	**158**
Income taxes	(58)	(68)	(49)	(58)
Result from continuing operations	**136**	**118**	**118**	**100**
Result from discontinued operations	(3)	23	(3)	23
Net income	**133**	**141**	**115**	**123**
Non-controlling interests	(12)	(8)	(12)	(8)
Net income Solvay share	**121**	**133**	**103**	**115**
Basic EPS from continuing operations (in €)	1.49	1.35	1.27	1.13
Basic EPS (in €)	1.46	1.60	1.24	1.38
Diluted EPS from continuing operations (in €)	1.47	1.34	1.26	1.12
Diluted EPS (in €)	1.44	1.58	1.23	1.37

Consolidated Income Statement (IFRS) of the 1st 9 months of the year

	Adjusted		IFRS	
	9M 2015	9M 2014	9M 2015	9M 2014
	(in € million)			
Sales	**8,374**	**7,935**	**8,374**	**7,935**
Revenues from non-core activities	338	296	338	296
Net sales	**8,036**	**7,639**	**8,036**	**7,639**
Cost of goods sold	(6,241)	(6,011)	(6,241)	(6,011)
Gross margin	**2,133**	**1,924**	**2,133**	**1,924**
Commercial & administrative costs	(985)	(889)	(985)	(889)
Research & innovation costs	(204)	(181)	(204)	(181)
Other operating gains & losses	8	16	(74)	(66)
Earnings from associates & joint ventures accounted for using the equity method	(8)	9	(8)	9
Non-recurring items	(126)	(106)	(126)	(106)
EBIT	**819**	**773**	**737**	**691**
Cost of borrowings	(81)	(121)	(81)	(121)
Interest on loans & short-term deposits	7	33	7	33
Other gains & losses on net indebtedness	(27)	(28)	(27)	(28)
Cost of discounting provisions	(66)	(124)	(66)	(124)
Result before taxes	**652**	**533**	**570**	**451**
Income taxes	(232)	(175)	(204)	(148)
Result from continuing operations	**420**	**358**	**366**	**302**
Result from discontinued operations	50	(427)	50	(429)
Net income	**470**	**(69)**	**416**	**(127)**
Non-controlling interests	(48)	16	(48)	16
Net income Solvay share	**422**	**(53)**	**368**	**(110)**
Basic EPS from continuing operations (in €)	4.63	3.96	3.98	3.29
Basic EPS (in €)	5.07	(0.63)	4.43	(1.32)
Diluted EPS from continuing operations (in €)	4.59	3.93	3.95	3.26
Diluted EPS (in €)	5.02	(0.63)	4.39	(1.31)

Reconciliation between IFRS and adjusted data

	Q3 2015	Q3 2014	9M 2015	9M 2014
	(in € million)			
EBIT (IFRS)	**215**	**226**	**737**	**691**
Non-recurring items (-)	61	30	126	106
Amortization of Rhodia PPA on fixed assets	27	27	82	82
IFRS depreciation & amortization (recurring) excluding Rhodia PPA	183	163	534	473
Adjustments of Chemlogics and Ryton inventories at Fair Value (PPA) & holdback payments	3	2	9	9
Rusvinyl adjustments (in equity earnings)	34	8	39	7
REBITDA (key performance indicator monitored by management)	**524**	**458**	**1,526**	**1,369**

The quarterly net adjustment related to Rusvinyl reflects the financial impact resulting from interest on debt and foreign exchange volatility, which combined amounted to € (34) m, impacting the equity value. The year-to-date net adjustment related to Rusvinyl reflects the financial impact resulting from interest on debt and foreign exchange volatility and the adjustment of € (20) m posted in Q1 2015 to reassess the recoverable amount of the investment, which combined amounted to € (39) m, impacting the equity value.

Consolidated statement of comprehensive income (IFRS)

	Q3 2015	Q3 2014	9M 2015	9M 2014
		(in € million)		
Net income	**115**	**123**	**416**	**(127)**
Other comprehensive income				
Recyclable items				
Hyperinflation	7	2	21	(14)
Gains & losses on available-for-sale financial assets	2	1	4	—
Gains & losses on hedging instruments in a cash flow hedge	(28)	(37)	(22)	(39)
Currency translation differences	(168)	233	103	270
Non-recyclable items				
Remeasurement of the net defined benefit liability	87	(182)	285	(331)
Income tax relating to items of other comprehensive income	**25**	**19**	**(19)**	**48**
Other comprehensive income, net of related tax effects	**(76)**	**37**	**372**	**(65)**
Total Comprehensive income	**39**	**160**	**788**	**(191)**
attributed to Solvay share	36	144	728	(191)
attributed to non-controlling interests	3	16	60	—

Consolidated statement of financial position (IFRS)

	30/09/2015	31/12/2014
	(in € million)	
Non-current assets	**11,985**	**11,529**
Intangible assets	1,480	1,543
Goodwill	3,201	3,151
Tangible assets	5,623	5,386
Available-for-sale financial assets	42	43
Investments in joint ventures & associates – equity method	363	380
Other investments	84	121
Deferred tax assets	710	710
Loans & other non-current assets	482	194
Current assets	**5,309**	**6,365**
Inventories	1,521	1,420
Trade receivables	1,575	1,418
Income tax receivables	69	52
Dividends receivable	—	1
Other current receivables – Financial instruments	89	309
Other current receivables – Other	632	500
Cash & cash equivalents	1,132	1,251
Assets held for sale	291	1,414
TOTAL ASSETS	**17,294**	**17,894**
Total equity	**7,227**	**6,778**
Share capital	1,271	1,271
Reserves	5,686	5,293
Non-controlling interests	271	214
Non-current liabilities	**5,518**	**6,088**
Long-term provisions: employees benefits	2,871	3,166
Other long-term provisions	810	854
Deferred tax liabilities	368	378
Long-term financial debt	1,243	1,485
Other non-current liabilities	227	204
Current liabilities	**4,549**	**5,029**
Other short-term provisions	347	308
Short-term financial debt	1,451	853
Trade liabilities	1,354	1,461
Income tax payable	173	355
Dividends payable	3	114
Other current liabilities	933	776
Liabilities linked to assets held for sale	287	1,162
TOTAL EQUITY & LIABILITIES	**17,294**	**17,894**

Consolidated statement of changes in equity (IFRS)

	Share capital	Issue premiums	Treasury shares	Hybrid bonds	Retained earnings	Currency translation differences	Reva
							Available-for-sale financial assets
						(in € million)	
Balance at 31/12/2013	**1,271**	**18**	**(132)**	**1,194**	**5,987**	**(770)**	**(5)**
Net profit for the period	—	—	—	—	(110)		—
Items of OCI	—	—	—	—	(10)	251	—
Comprehensive income	**—**	**—**	**—**	**—**	**(120)**	**251**	**—**
Cost of stock options	—	—	—	—	8	—	—
Dividends	—	—	—	—	(157)	—	—
Hybrid bond dividends	—	—	—	—	(15)	—	—
Sale (acquisition) of treasury shares	—	—	(8)	—		—	—
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	—	(10)	—	—
Balance at 30/09/2014	**1,271**	**18**	**(140)**	**1,194**	**5,693**	**(519)**	**(5)**
Balance at 31/12/2014	**1,271**	**18**	**(171)**	**1,194**	**5,753**	**(527)**	**(4)**
Net profit for the period	—	—	—	—	265	—	—
Items of OCI	—	—	—	—	13	252	2
Comprehensive income	**—**	**—**	**—**	**—**	**278**	**252**	**2**
Cost of stock options	—	—	—	—	5	—	—
Dividends	—	—	—	—	(172)	—	—
Hybrid bond dividends	—	—	—	—	(29)	—	—
Sale (acquisition) of treasury shares	—	—	6	—	—	—	—
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	—	—	—	—
Balance at 30/06/2015	**1,271**	**18**	**(166)**	**1,194**	**5,834**	**(275)**	**(2)**
Net profit for the period	—	—	—	—	103	—	—
Items of OCI	—	—	—	—	7	(159)	2
Comprehensive income	**—**	**—**	**—**	**—**	**110**	**(159)**	**2**
Cost of stock options	—	—	—	—	3	—	—
Dividends	—	—	—	—	1	—	—
Sale (acquisition) of treasury shares	—	—	(65)	—	—	—	—
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	—	—	—	—	(114)	1	—
Balance at 30/09/2015	**1,271**	**18**	**(231)**	**1,194**	**5,834**	**(434)**	**—**

Consolidated statement of cash flows (IFRS)

	Q3 2015	Q3 2014	9M 2015	9M 2014
		(in € million)		
Net income	115	123	416	(127)
Depreciation, amortization & impairments (-)	210	204	682	1,098
Earnings from associates & joint ventures accounted for using the equity method (-)	21	8	8	(9)
Net financial charges & income / loss from available-for-sale financial assets (-)	77	76	195	270
Income tax expense (-)	45	78	240	199
Changes in working capital	18	(29)	(489)	(374)
Changes in provisions	(58)	(60)	(150)	(154)
Dividends received from associates & joint ventures accounted for using equity method	5	6	14	13
Income taxes paid	(49)	(41)	(196)	(158)
Others	36	(2)	27	(5)
Cash flow from operating activities	**420**	**362**	**746**	**753**
Acquisition (-) of subsidiaries	(21)	(34)	(47)	(91)
Acquisition (-) of investments – Other	6	(16)	(12)	(91)
Loans to associates & non-consolidated subsidiaries	(7)	2	(5)	10
Sale (+) of subsidiaries & investments	43	(11)	(195)	—
Acquisition (-) of tangible assets	(212)	(223)	(676)	(591)
Acquisition (-) of intangible assets	(19)	(15)	(57)	(41)
Sale (+) of tangible & intangible assets	7	6	23	13
Income from available-for-sale investments	—	—	—	—
Changes in non-current financial assets	(9)	(8)	(25)	(19)
Cash flow from investing activities	**(212)**	**(299)**	**(994)**	**(810)**
Acquisition (-) / sale (+) of treasury shares	(65)	(13)	(59)	(8)
New borrowings	40	13	964	581
Borrowings repayment	(24)	(236)	(600)	(1,556)
Changes in other current financial assets	(45)	28	231	491
Net cash out related to cost of borrowings & interest on lendings & term deposits	(26)	(13)	(143)	(224)
Dividends paid	(7)	(3)	(289)	(270)
Hybrid bond dividend	—	—	(29)	(15)
Other	(3)	(41)	(31)	(1)
Cash flow from financing activities	**(130)**	**(264)**	**44**	**(1,002)**
Net change in cash & cash equivalents	**78**	**(201)**	**(204)**	**(1,059)**
Currency translation differences	18	7	64	4
Opening cash balance	**1,040**	**1,111**	**1,275**	**1,972**
Ending cash balance(1)	**1,136**	**917**	**1,136**	**917**

Note:—

(1) Including cash in assets held for sale (€ 4 million at the end of Q3 2015).

	Q3 2015	Q3 2014	9M 2015	9M 2014
		(in € million)		
Free Cash Flow	**188**	**122**	**11**	**114**
From continuing operations	181	116	22	32
From discontinued operations	7	6	(11)	82

Statement of cash flows from discontinued operations (IFRS)

	Q3 2015	Q3 2014	9M 2015	9M 2014
		(in € million)		
Cash flow from operating activities	14	39	49	172
Cash flow from investing activities	(8)	(33)	(60)	(90)
Cash flow from financing activities	(2)	(3)	(26)	(14)
Net change in cash & cash equivalents	**4**	**3**	**(37)**	**68**

Additional comments on the cash flow statement of the 3rd quarter 2015

Cash flow from operating activities was € 420 m compared to € 362 m last year. Besides net income of € 115 m, it consisted of:

- Depreciation, amortization and non-cash impairments that totaled € 210 m;
- Change in working capital that amounted to € 18 m, of which industrial working capital from continuing operations represented € (46) m.

Cash flow from investing activities was € (212) m, and included capital expenditures of € (231) m, including € (7) m in discontinued operations.

Free Cash Flow was € 188 m, and included cash flow from discontinued operations for € 7 m.

Additional comments on the cash flow statement of the first 9 months of the year 2015

Cash flow from operating activities was € 746 m compared to € 753 m last year. Besides net income of € 416 m, it consisted of:

- Depreciation, amortization and non-cash impairments that totaled € 682 m;
- Change in working capital that amounted to € (489) m, of which industrial working capital from continuing operations represented € (334) m.

Cash flow from investing activities was € (994) m, and included the tax cash-out from the disposal of Eco Services for € (232) m, as well as capital expenditures of € (733) m, including € (60) m in discontinued operations.

Free Cash Flow was € 11 m, and included cash flow from discontinued operations for € (11) m.

NOTES TO THE IFRS ACCOUNTS

1. GENERAL INFORMATION

Solvay is a public limited liability company governed by Belgian law and quoted on Euronext Brussels and Euronext Paris.

These consolidated interim financial statements were authorized for issue by the Board of Directors on October 28, 2015.

On April 15, 2015 Solvay has completed the acquisition of ERCA Emery Surfactant B.V. alkoxylation asset, a facility jointly owned by Emery Oleochemicals and ERCA Group in the Moerdijk integrated industrial park in the Netherlands, strengthening its strategy of securing sustainable, large-scale surfactant assets worldwide.

On June 9, 2015, Solvay and INEOS received final approval from the European Commission to form their 50/50 chlorovinyls joint venture, to be known as INOVYN. This follows Commission approval of International Chemical Investors Group's (ICIG) acquisition of the remedy business that is being divested by INEOS as a condition of clearance.

On July 1, Solvay and INEOS created their joint venture INOVYN, which explains the decrease of assets held for sale and liabilities linked to assets held for sale in the statement of financial position.

The finalized terms of the joint venture agreement remain materially unchanged from those announced in June last year. Solvay received upon closing an upfront cash payment of € 150 m – subject to customary adjustments such as actual working capital levels. In addition to contributing their entire European chlorovinyls business, Solvay has transferred liabilities estimated at € 260 m into the joint venture. In three years' time, Solvay will exit INOVYN and receive an additional, performance-based payment targeted to be € 280 m, with a minimum of € 95 m. Thereafter, INEOS will be the sole owner of the business.

Also effective July 1, Solvay acquired BASF's 25% stake in its PVC joint venture SolVin, which decreased equity by € 84 m. In addition, Solvay and INOVYN have agreed to continue supplying basic chemicals to the BASF site in Antwerp.

Solvay has entered into a definitive merger agreement with U.S.-based Cytec to acquire 100% of its share capital for US$75.25 per share in cash. The total cash consideration will amount to US$5.5 bn, corresponding to an enterprise value of US$6.4 bn and representing a 2015 estimated EBITDA multiple of 14.7x and of 11.7x when considering synergies potential linked to the transaction. Cytec's and Solvay's boards of directors have unanimously recommended the transaction. The merger is subject to customary closing conditions, including regulatory approvals and Cytec shareholders' approval.

Cytec is among the world leaders in composite materials and in mining chemicals, recognized by its customers as a consistently successful innovator and provider of high-performance and value-added solutions. In the fast-growing composite materials sector, which represents two thirds of its sales, its principal market is primary and secondary structures for aircrafts. It is also developing new technological applications for composites in automotive. Cytec is the leader in tailored specialty chemical formulations to enhance mining separation processes.

Through the acquisition of Cytec, Solvay will gain critical scale and immediate customer intimacy in aerospace. In the automotive market, Solvay's strong positions with original equipment manufacturers and tier-one suppliers will help bolster Cytec's growth.

Moreover, Cytec will significantly reinforce Solvay's sustainability profile as its offerings are addressing planet's challenges. With Cytec, Solvay will stand out stronger in reducing CO_2 emissions through its lightweighting solutions and in dealing with the increasing scarcity of resources through more efficient and cleaner mining technologies.

2. ACCOUNTING POLICIES

Solvay prepares its consolidated interim financial statements on a quarterly basis, in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for the preparation of the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2014.

The consolidated interim financial statements for the nine months ended September 30, 2015 were prepared using the same accounting policies as those adopted for the preparation of the consolidated financial statements for the year ended December 31, 2014, except for the adoption of IFRIC 21 *Levies*, which does not have a material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

Effective January 1, 2013, Solvay is organized into five Operating Segments.

- **Advanced Formulations** serves the consumer products markets. Its growing product offering is directed at societal megatrends: demographic growth, the increasing purchasing power of emerging markets, the appearance of new modes of consumption, and a demand for safer, more sustainable products and renewable materials-based solutions.
- **Advanced Materials** offers ultra-high-performance applications for aerospace, high-speed trains, health, low-energy tires, automotive emission control, smart devices and hybrid vehicle batteries.
- **Performance Chemicals** operates in mature and resilient markets, where success is based on economies of scale, competitiveness and quality of service.
- **Functional Polymers** include polyamide based solutions serving mainly the automotive, construction, electrical/electronic and different consumer good markets.
- **Corporate & Business Services** includes the Energy Services GBU and Corporate Functions such as Business Services and the Research & Innovation Center. Energy Services' mission is to optimize energy consumption and reduce emissions.

	Q3 2015	Q3 2014	9M 2015	9M 2014
		(in € million)		
Net sales	**2,714**	**2,585**	**8,036**	**7,639**
Advanced Formulations	655	735	2,038	2,122
Advanced Materials	874	712	2,522	2,041
Performance Chemicals	806	743	2,313	2,184
Functional Polymers	377	394	1,158	1,291
Corporate & Business Services	3	1	5	—
REBITDA	**524**	**458**	**1,526**	**1,369**
Advanced Formulations	98	107	294	317
Advanced Materials	236	187	651	538
Performance Chemicals	211	194	591	534
Functional Polymers	44	21	119	96
Corporate & Business Services	(66)	(50)	(129)	(116)
IFRS depreciation & amortization (recurring) excluding Rhodia PPA	(183)	(163)	(534)	(473)
Adjustments of Chemlogics and Ryton inventories at Fair Value (PPA) & holdback payments	(3)	(2)	(9)	(9)
Rusvinyl adjustments (in equity earnings)	(34)	(8)	(39)	(7)
Amortization of Rhodia PPA on fixed assets	(27)	(27)	(82)	(82)
Non-recurring items (-)	(61)	(30)	(126)	(106)
EBIT	**215**	**226**	**737**	**691**
Net financial charges	(48)	(68)	(167)	(240)
Result before taxes	**167**	**158**	**570**	**451**
Income taxes	(49)	(58)	(204)	(148)
Result from continuing operations	**118**	**100**	**366**	**302**
Result from discontinued operations	(3)	23	50	(429)
Net income	**115**	**123**	**416**	**(127)**

4. SHARE BASED PAYMENTS

On February 25, 2015 the Board of Directors of Solvay SA decided to grant two long-term incentive plans for part of its key executives:

- a stock option plan (SO) which will allow the acquisition of shares in Solvay; and
- a Performance Share Units (PSU) plan which will allow the beneficiaries to obtain cash based upon the Solvay share price.

(a) Stock option plan

The details of the stock options plan are as follows:

Stock option plan	
Number of stock options	328,106
Grant date	25/03/2015
Vesting date	01/01/2019
Vesting period	25/03/2015 to 31/12/2018
Exercise price (in €)	121.84
Exercise period	01/01/2019 to 24/02/2023

This plan is an equity settled share-based plan. As of September 30, 2015, the impact on the income statement and statement of financial position amounts to €1m.

(b) Performance Share Units Plan

The details of the Performance Share Units plan are as follows:

Performance share units	
Number of PSU	173,261
Grant date	25/03/2015
Vesting date	01/01/2018
Vesting period	31/3/2015 to 31/12/2017
Performance conditions	50% of the initial granted PSU are subject to the REBITDA yoy growth % over 3 years (2015, 2016, 2017) 50% of the initial granted PSU are subject to the yoy CFROI % variation over 3 years (2015, 2016, 2017)
Validation of performance conditions	By the board of Directors, subject to confirmation by Solvay Statutory Auditors

The Performance Share Units is a cash settled share-based plan. As of September 30, 2015, the impact on the income statement and statement of financial position amounts to € 5 m.

5. FINANCIAL INSTRUMENTS

(a) Valuation techniques

Compared to December 31, 2014, there are no changes in valuation techniques.

(b) Fair value of financial instruments measured at amortized cost

For all financial instruments not measured at fair value in Solvay's statement of financial position, the fair value of those financial instruments as of September 30, 2015 is not significantly different from the ones published in Note 37 of the consolidated financial statements for the year ended December 31, 2014.

(c) Financial instruments measured at fair value

In connection with the Cytec acquisition, Solvay has contracted a currency hedge, hedging a portion of the US dollar acquisition cost against euro. Contractually, no settlement is due in case the Cytec acquisition might not close. At September 30, 2015, the fair value of the instrument amounts to € (51) m, of which € (18) m has been recognized in other comprehensive income. The difference of € 33 m corresponds to the contingency settlement premium which has been recognized as a financial expense. As the transaction is deemed highly probable by management, its probability of occurrence, a level 3 input, has an insignificant impact on the fair value of the hedging instrument, of which the fair value is otherwise based on level 2 inputs.

Solvay's exit from INOVYN against receipt of an additional, performance-based payment qualifies as a derivative financial instrument, of which the fair value amounts to € 244 m at September 30, 2015. Its fair value is largely based on level 3 inputs, namely REBITDA multiples, comparing the expected exit price against the fair value of Solvay's 50% equity share held in INOVYN. Any future changes of estimates of REBITDA multiples will impact the fair value of the derivative financial instrument.

For other financial instruments measured at fair value in Solvay's statement of financial position, the fair value of those instruments as of September 30, 2015 is not significantly different from the ones as published in the Note 37 of the consolidated financial statements for the year ended December 31, 2014.

During the nine months ended September 30, 2015, there were neither reclassification between fair value levels, nor significant changes in the fair value of financial assets and liabilities measured based on level 3 inputs, except as mentioned above.

6. EVENTS AFTER THE REPORTING PERIOD

On October 13, 2015, Solvay announced the acquisition of EPIC Polymers' long-fiber thermoplastics technology to complement its offering of high performance lightweighting materials and gain access to metal replacement of larger automotive semi-structural parts.

7. DECLARATION BY RESPONSIBLE PERSONS

Jean-Pierre Clamadieu, Chief Executive Officer, and Karim Hajjar, Chief Financial Officer, of the Solvay Group, declare that to the best of their knowledge:

(a) The summarized financial information, prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union, reflects a faithful image of the assets and liabilities, financial situation and resulting of the Solvay Group;

(b) The nine months management report contains a faithful presentation of significant events occurring during the nine first months of 2015, and their impact on the summarized financial information

(c) The main risks and uncertainties are in accordance with the assessment disclosed in the section "Risk Management" in the Solvay 2014 Annual Report, taking into account the current economic and financial environment.

8. REPORT ON REVIEW OF THE CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2015

To the board of directors

In the context of our appointment as the company's statutory auditor, we report to you on the consolidated interim financial information. This consolidated interim financial information comprises the consolidated statement of financial position as at 30 September 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period of nine months then ended, as well as selective notes 1 to 7.

Report on the consolidated interim financial information

We have reviewed the consolidated interim financial information of Solvay SA/NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standard IAS 34 – Interim Financial Reporting as adopted by the European Union.

The consolidated balance sheet shows total assets of € 17,294 m and the consolidated income statement shows a consolidated profit (group share) for the period then ended of € 368 m.

The board of directors of the company is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review of the consolidated interim financial information in accordance with International Standard on Review Engagements (ISRE) 2410 – Review of interim financial information performed by the independent auditor of the entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International

Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information of Solvay SA/NV has not been prepared, in all material respects, in accordance with IAS 34 – Interim Financial Reporting as adopted by the European Union.

Diegem, 27 October 2015

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA/SC s.f.d. SCRL

Represented by Eric Nys

SOLVAY 2014 FINANCIAL STATEMENTS
(AS EXTRACTED FROM SOLVAY 2014 ANNUAL REPORT)

1. CONSOLIDATED FINANCIAL STATEMENTS

Solvay (the "Company") is a public limited liability company governed by Belgian law and quoted on Euronext Brussels, and Euronext Paris. The principal activities of the Company, its subsidiaries, joint operations, joint ventures and associates (jointly the "Group") are described in note one on segment information.

The consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2015. They have been prepared in accordance with the IFRS accounting policies, which are described on the following pages.

General comment:

(a) Eco Services business was sold on December 1, 2014. Since 3rd quarter of 2014, Solvay restated its 2013 and 2014 income statement and statement of cash flows to reflect the discontinuation of the business;

(b) On January 1, 2014, the Group adopted IFRS 11 *Joint Arrangements*. The impact of the retrospective application on the 2013 comparative financial information is disclosed in "*IFRS main accounting policies – 1. Basis of preparation*".

Income statement

	Notes	2014	2013
		(in € million)	
Sales	(1)(2)	**10,629**	**10,150**
Revenue from non-core activities		416	434
Net sales		**10,213**	**9,715**
Cost of goods sold		(8,070)	(7,844)
Gross margin		2,559	2,305
Commercial and administrative costs		(1,225)	(1,189)
Research and development costs		(247)	(238)
Other operating gains and losses	(5)	(94)	(83)
Earnings from associates and joint ventures	(6)	(34)	34
Non-recurring items	(7)	(308)	(239)
EBIT		**652**	**591**
Cost of borrowings	(8)	(151)	(190)
Interest on lendings and short term deposits	(8)	36	25
Other gains and losses on net indebtedness	(8)	(30)	(2)
Cost of discounting provisions	(8)	(163)	(87)
Income/loss from available-for-sale financial assets	(8)	(1)	40
Result before taxes		**343**	**378**
Income taxes	(9)	(84)	(170)
Result from continuing operations		**259**	**209**
Result from discontinued operations	(10)	(246)	106
Net income for the year	(11)	**13**	**315**
Non-controlling interests		67	(44)
Net income (Solvay share)		**80**	**270**
Basic earnings per share from continuing operations (in €)		3.32	1.98
Basic earnings per share from discontinued operations (in €)		(2.36)	1.27
Basic earnings per share (in €)	(13)	0.96	3.25
Diluted earnings per share from continuing operations (in €)		3.30	1.96
Diluted earnings per share from discontinued operations (in €)		(2.34)	1.27
Diluted earnings per share (in €)	(13)	0.96	3.23
RATIOS			
Gross margin as a % of sales		24.1%	22.7%
Interest coverage ratio		6.6	5.0
Income taxes / Result before taxes (%)		24.5%	44.8%
NON-IFRS METRICS			
In € million	Notes	2014	2013
REBITDA	(3)	1,783	1,611
Adjusted net income	(12)	89	422

Notes:—

Interest coverage ratio = (EBIT less non-recurring items) / Charges on net indebtedness.

Explanatory notes can be found after the financial statements.

Statement of comprehensive income

	Notes	2014	2013
		(in € million)	
Net income for the year		**13**	**315**
Other comprehensive income			
Recyclable components			
Hyperinflation	(14)	(11)	30
Gains and losses on available-for-sale financial assets	(14)	1	(23)
Gains and losses on hedging instruments in a cash flow hedge	(14)	(60)	(9)
Currency translation differences	(14)	231	(356)
Non-recyclable components			
Remeasurements of the net defined benefit liability	(14)	(497)	109
Income tax relating to recyclable and non-recyclable components			
Income tax relating to components of other comprehensive income	(14)	72	(38)
Other comprehensive income, net of related tax effects		**(264)**	**(287)**
Comprehensive income for the year		**(251)**	**28**
attributed to:			
• owners of the parent		(167)	25
• non-controlling interests		(84)	3

Statement of cash flows

The amounts below include the effect of the discontinued operations.

	Notes	2014	2013
		(in € million)	
Net income		13	315
Adjustments to net income			
Depreciation, amortization and impairments[1]	(15)	1,430	963
Earnings from associates and joint ventures accounted for using the equity method		34	(35)
Net financial charges and Income/loss from available-for-sale investments		356	248
Income taxes expense	(16)	314	236
Changes in working capital	(17)	236	20
Changes in provisions	(18)	(213)	(245)
Dividends received from associates and joint ventures accounted for using equity method		19	44
Income taxes paid	(16)	(217)	(268)
Other	(19)	(351	)20
Cash flow from operating activities		**1,621**	**1,299**
Acquisition (-) of subsidiaries	(20)	(304)	(878)
Acquisition (-) of investments – Other	(20)	(107)	(103)
Loans to associates and non-consolidated companies	(20)	5	4
Sale (+) of investments	(20)	721	44
Acquisition (-) of tangible assets	(20)	(923)	(797)
Acquisition (-) of intangible assets	(20)	(64)	(70)
Sale (+) of tangible and intangible assets	(20)	21	33
Dividend from available-for-sale financial assets		0	4
Changes in non-current financial assets		1	18
Cash flow from investing activities		**(650)**	**(1,745)**
Capital increase (+) / redemption (-)		0	0
Proceed from bond issuance classified as equity	(21)	0	1,191
Acquisition (-) / sale (+) of treasury shares	(24)	(41)	(1)
Increase in borrowings		151	130
Repayment of borrowings		(1,365)	(234)
Changes in other current financial assets		134	205
Interests paid		(234)	(201)
Hybrid Dividends paid		(41)	0
Dividends paid		(291)	(343)
Other	(22)	(3)	(61)
Cash flow from financing activities		**(1,690)**	**686**
Net change in cash and cash equivalents		**(718)**	**240**
Currency translation differences		21	(55)
Opening cash balance		1,972	1,787
Closing cash balance[2]	(36)	1,275	1,972
FREE CASH FLOW FROM CONTINUING OPERATIONS[3]		**511**	**198**
FREE CASH FLOW FROM DISCONTINUED OPERATIONS[3]		**145**	**289**
TOTAL FREE CASH FLOW		**656**	**487**

Notes:—

(1) On tangible assets, intangible assets and goodwill.

(2) Including cash in assets held for sale (€ 24 million in 2014 and € 11 million in 2013).

(3) Free Cash Flow = Cash flow from operating activities (including dividends from associates and joint ventures) + cash flow from investing activities (excluding acquisitions and disposals of subsidiaries and other investments and excluding loans to associates and non-consolidated entities).

Explanatory notes can be found after the financial statements.

Cash flows from discontinued operations

	Notes	2014	2013
		(in € million)	
Cash flow from operating activities		272	423
Cash flow from investing activities		(127)	(133)
Cash flow from financing activities		(21)	(23)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(23)**	**124**	**268**

Statement of financial position

	Notes	2014	2013
		(in € million)	
ASSETS			
Non-current assets		**11,529**	**11,217**
Intangible assets	(25)	1,543	1,621
Goodwill	(26)	3,151	3,096
Tangible assets	(27)	5,386	5,015
Available-for-sale financial assets	(29)	43	38
Investments in associates and joint ventures	(30)	380	582
Other investments	(31)	121	114
Deferred tax assets	(9)	710	501
Loans and other non-current assets	(37)	194	251
Current assets		**6,365**	**7,306**
Inventories	(32)	1,420	1,300
Trade receivables	(37)	1,418	1,331
Income tax receivables		52	38
Other current receivables – Financial instruments	(37)	309	481
Other current receivables – Other	(33)	500	572
Cash and cash equivalents	(36)	1,251	1,961
Assets held for sale	(34)	1,414	1,621
Total assets		**17,894**	**18,523**
EQUITY & LIABILITIES			
Total equity		**6,778**	**7,453**
Share capital		1,271	1,271
Reserves		5,293	5,804
Non-controlling interests		214	378
Non-current liabilities		**6,088**	**6,927**
Long-term provisions: employee benefits	(35)	3,166	2,685
Other long-term provisions	(35)	854	793
Deferred tax liabilities	(9)	378	473
Long-term financial debt	(36)	1,485	2,809
Other non-current liabilities		204	166
Current liabilities		**5,029**	**4,144**
Other short-term provisions	(35)	308	342
Short-term financial debt	(36)	853	775
Trade liabilities	(37)	1,461	1,340
Income tax payable		355	21
Dividends payable		114	113
Other current liabilities	(38)	776	604
Liabilities associated with assets held for sale	(34)	1,162	949
Total equity & liabilities		**17,894**	**18,523**
RATIOS			
Net debt to equity ratio		**11.5%**	**15.3%**

Notes:—

Net debt to equity ratio = net debt / total equity.

Net debt = short and long-term financial debt less cash and cash equivalents and other current receivables - Financial instruments.

Explanatory notes can be found after the financial statements.

Statement of changes in equity

	Equity attributable to equity hol Revaluation reserve (Fa						
	Share capital	**Issue premiums**	**Treasury shares**	**Hybrid Bonds**	**Retained earnings**	**Currency translation differences**	**Availa for-sa financ asse**
						(in € million)	
Balance at December 31, 2012	**1,271**	**18**	**(160)**	**—**	**5,997**	**(453)**	**17**
Net profit for the period	—	—	—	—	270	—	—
Items of other comprehensive income[(1)]	—	—	—	—	20	(315)	(2
Comprehensive income	**—**	**—**	**—**	**—**	***291***	***(315)***	***(2***
Hybrid Bonds[(2)]	—	—	—	1,194	—	—	—
Cost of stock options	—	—	—	—	10	—	—
Dividends	—	—	—	—	(276)	—	—
Acquisitions/sale of treasury shares	—	—	28	—	(29)	—	—
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	—	—		—	(8)	—	—
Balance at December 31, 2013	**1,271**	**18**	**(132)**	**1,194**	**5,985**	**(768)**	**(6**
Net profit for the period	—	—	—	—	80	—	—
Items of other comprehensive income[(1)]	—	—	—	—	(9)	241	
Comprehensive income	**—**	**—**	**—**	**—**	***71***	***241***	
Hybrid Bonds[(2)]	—	—	—	—	—	—	—
Cost of stock options	—	—	—	—	11	—	—
Dividends	—	—	—	—	(266)	—	—
Hybrid bonds dividends	—	—	—	—	(42)	—	—
Acquisitions/sale of treasury shares	—	—	(39)	—	(2)	—	—
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control[(3)]	—	—	—	—	(7)	—	—
Balance at December 31, 2014	**1,271**	**18**	**(171)**	**1,194**	**5,753**	**(527)**	**(4**

Notes:—

(1) Impact on retained earnings following the application of IAS 29, resulting mainly from the restatement of non-monetary assets (as property, power as at year end using a general price index from the date when they were first recognized.

(2) Following the acquisition of Chemlogics and to strengthens Solvay's capital structure, a hybrid bond has been issued for a worth of € 1.2 bil 32 criteria are fulfilled.

(3) Of which a reclassification of NCI (€ 52 million) to non-current liabilities that reflects the re-purchase obligation towards non-controlling in RusVinyl) existing since 2011. The related impact of this is immaterial on the debt to equity ratio, and does not affect Solvay's other key pe EBIT, net result, net result Group share, Free Cash Flow).

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IFRS main accounting policies

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

1 Basis of preparation

This information was prepared in accordance with European Regulation (EC) 1606/2002 on international accounting standards (IFRS) dated July 19, 2002. The Group's consolidated financial statements for the year ended December 31, 2014 were prepared in accordance with IFRS (International Financial Reporting Standards) as published by the International Accounting Standards Board (IASB), and endorsed by the European Union.

The accounting standards applied in the consolidated financial statements for the year ended December 31, 2014 are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2013, except for those described in section A below.

Standards, interpretations and amendments applicable as from 2014

- *IFRS 10 Consolidated Financial Statements*. This standard prescribes a new definition of control. Such did not lead to a change in scope of fully consolidated entities for the Solvay group;
- *IFRS 11 Joint Arrangements*. This standard supersedes IAS 31 *Interests in Joint Ventures* and prescribes that a joint arrangement (i.e. an arrangement under which Solvay has joint control together with one or several other parties) can either be classified as a joint venture or as a joint operation. In the latter case, Solvay has direct rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Accordingly, Solvay's interests in joint operations are treated under a method similar to the proportionate consolidation, whereas the equity method was applied under IAS 31 to jointly controlled entities. In absence of clear guidance by IFRS 11 about the proportion of recognition relative to the assets, liabilities, revenues and expenses of a joint operation, especially when the parties' rights to the assets and obligations for the liabilities differ from their respective ownership interest in the joint operation, Solvay's accounting policy takes into account the ownership interest of the joint operation. The initial application of IFRS 11 affected the accounting treatment of the following joint arrangements classified as joint operations:
  - BASF Interox H_2O_2 Production NV;
  - Deven AD;
  - MTP HPJV C.V.;
  - MTP HPJV Management B.V.;
  - MTP HPJV (Thailand) Ltd.;
  - Saudi Hydrogen Peroxyde Co.;
  - Solvay Sisecam Holding AG;
  - Solvay Sodi AD.

The impacts resulting from the retrospective application of the new standard on the 2013 financial statements are as follows:

- **Income statement**:
  - Net sales: increase of € 65 million;
  - REBITDA: increase of € 41 million;
  - Net result: no impact.
- **Statement of Cash Flows**:
  - Capex: increase of € 57 million;
  - Free Cash Flow: decrease of € 37 million.

- **Statement of Financial Position:**
  - Equity: no impact;
  - Net debt: increase of € 40 million.
- IFRS 12 *Disclosures of Interests in Other Entities*. This standard impacts disclosures, as presented in the notes hereafter (mainly notes 42 to 44);
- Standards, interpretations and amendments applicable as from 2014, which do not have a material impact on the Group's consolidated financial statements for the year ended December 31, 2014:
  - IAS 27 *Separate Financial Statements*;
  - IAS 28 *Investments in Associates and Joint Ventures*;
  - Amendments to IFRS 10, IFRS 12 and IAS 27 – *Consolidated Financial Statements and Disclosure of Interests in Other Entities: Investment Entities;*
  - Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;*
  - Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities;*
  - Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset;*
  - Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*.

Standards, interpretations and amendments applicable in 2015

- IFRIC 21 *Levies*;
- Improvements to IFRS (2011-2013 cycle) (applicable for annual periods beginning on or after January 1, 2015).

The above are not expected to have a material impact on the Group's consolidated financial statements.

Standards, interpretations and amendments applicable after 2015

- Amendments to IAS 19 – *Defined Benefit Plans: Employee Contributions* (applicable for annual periods beginning on or after February 1, 2015).
- Improvements to IFRS (2010-2012 cycle) (applicable for annual periods beginning on or after February 1, 2015).
- Improvements to IFRS (2012-2014 cycle) (applicable for annual periods beginning on or after January 1, 2016, not yet endorsed in EU).
- IFRS 9 *Financial Instruments* (applicable for annual periods beginning on or after January 1, 2018, not yet endorsed in EU).
- IFRS 14 *Regulatory Deferral Accounts* (applicable for annual periods beginning on or after January 1, 2016, not yet endorsed in EU).
- IFRS 15 *Revenue from Contracts with Customers* (applicable for annual periods beginning on or after January 1, 2017, not yet endorsed in EU).
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable for annual periods beginning on or after January 1, 2016, not yet endorsed in EU).
- Amendments to IFRS 11 – *Accounting for Acquisitions of Interests in Joint Operations* (applicable for annual periods beginning on or after January 1, 2016, not yet endorsed in EU).
- Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation* (applicable for annual periods beginning on or after January 1, 2016, not yet endorsed in EU).

- Amendments to IAS 16 and IAS 41 – *Agriculture: Bearer Plants* (applicable for annual periods beginning on or after January 1, 2016, not yet endorsed in EU).
- Amendments to IAS 27 – *Equity Method in Separate Financial Statements* (applicable for annual periods beginning on or after January 1, 2016, not yet endorsed in EU).
- Amendments to IFRS 10, IFRS 12 and IAS 28 – *Investment Entities: Applying the Consolidation Exception* (applicable for annual periods beginning on or after January 1, 2016, not yet endorsed in EU).
- Amendments to IAS 1 – *Disclosure Initiative* (applicable for annual periods beginning on or after January 1, 2016, not yet endorsed in EU).

The impact from the application of those standards, interpretations and amendments is currently being assessed.

2 Basis of measurement and presentation

The consolidated financial statements are presented in millions 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 financial instruments, which are accounted for in accordance with the categories of financial instruments as defined in IAS 39 *Financial Instruments: Recognition and Measurement*.

The preparation of the financial statements requires the use of estimates and assumptions that have an impact on the application of accounting policies and the measurement of amounts recognized in the financial statements. The areas for which the estimates and assumptions are material with respect to the consolidated financial statements are presented in the section 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 Group (its subsidiaries). Control is achieved when the Company (a) has power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. To assess whether the Group has control, potential voting rights are taken into consideration. Subsidiaries are fully consolidated. 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;
- arrangements over which the Group exercises joint control, and that qualify as joint operations (see "*IFRS main accounting policies – 6. Interests in joint operations*");
- arrangements over which the Group exercises joint control, and that qualify as joint ventures (see "*IFRS main accounting policies – 5. Investments in associates and joint ventures*");
- entities over which the Group has significant influence (see "*IFRS main accounting policies – 5. Investments in associates and joint ventures*").

Where necessary, adjustments are made to the financial statements of subsidiaries so to align their accounting policies with those of the Group.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity. Non-controlling interests are initially measured, either at fair value (full goodwill method), or at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets (proportionate goodwill method). The choice of measurement 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 equity 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 considered to be the fair value on initial recognition for subsequent accounting in accordance with 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 in accordance with IAS 28 *Investments in Associates and Joint Ventures*.

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 and 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 *Business Combinations* 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 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 does not exceed twelve months.

5 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary, nor an interest in a joint arrangement. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control.

The results, assets and liabilities of associates and joint ventures 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, on initial recognition, investments in associates and joint ventures are recognized in the statement of financial position at cost, and the carrying amount is adjusted for post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment in the value of individual investments. Losses of an associate or joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture) are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities and contingent liabilities of the associate or joint venture recognized at the date of acquisition, is 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 in profit or loss in the period in which the investment is acquired.

Where a group entity transacts with an associate or joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate or joint venture.

6 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control. In its consolidated financial statements, the Group recognizes its share of the joint operations' assets, liabilities, revenue and expenses, based on its ownership interest in the joint operation.

7 Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is obtained (the acquisition date). Goodwill is measured as the excess of the sum of:

(a) the consideration transferred;

(b) the amount of any non-controlling interests in the acquiree; and

(c) in a business combination achieved in stages, the acquisition date fair value of the previously held equity interest in the acquiree;

over the share acquired by the Group in the fair value of the entity's identifiable net assets at the acquisition date.

The consideration transferred corresponds to the sum of the fair values of the assets transferred and liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

Goodwill is not amortized but is tested for impairment on an annual basis, and more frequently if there are any impairment triggers identified.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) in accordance with IAS 36 *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(s) of assets.

These tests consist of comparing the carrying amount of the assets or (groups of) cash-generating units with their recoverable amount. The recoverable amount of an asset or a (group of) cash-generating unit(s) 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 an operation within a cash-generating unit to which goodwill has been allocated, the goodwill associated with the operation disposed of is included in the determination of the profit or loss on disposal. It is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained, unless another method better reflects the goodwill associated with the operation disposed of.

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 of 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 "*IFRS main accounting policies – 23. Hedge accounting below for hedge 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 in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income under "currency translation differences".

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 except when the impact of applying the average rate is materially different from applying the spot rate at the respective transactions date, in which case the latter is applied. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a separate component of equity (attributed to non-controlling interests as appropriate) under "currency translation differences".

Currency translation differences are reclassified from equity to profit or loss, on:

- a disposal of the Group's entire interest in a foreign operation, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation. In this case, 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;

- a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation, when the retained interest is a financial asset. In this case, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

In the case of a partial disposal of a subsidiary (i.e. no loss of control) 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.

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 into the reporting currency at the closing spot rate.

The main exchange rates used are:

		Year-end rate		**Average rate**	
		2014	**2013**	**2014**	**2013**
1 euro =					
Argentine peso	ARS	10.3879	8.9834	10.7730	7.2770
Brazilian real	BRL	3.2207	3.2576	3.1211	2.8674
Chinese yuan renminbi	CNY	7.5358	8.3491	8.1876	8.1645
British pound sterling	GBP	0.7789	0.8337	0.8062	0.8493
Japanese yen	JPY	145.2300	144.7200	140.3130	129.6464
Russian ruble	RUB	72.3370	45.3246	50.9460	42.3283
Thai baht	THB	39.9100	45.1780	43.1534	40.8222
US dollar	USD	1.2141	1.3791	1.3287	1.3280
Venezuelan bolivar fuerte	VEF	7.6526	8.6789	8.3740	8.0595

9 Provisions for retirement obligations and other long-term employee benefits

The Group's employees are offered various post-employment and other long-term employee benefits as a result of legislation applicable in certain countries, contractual agreements entered into by the Group with its employees or constructive obligations.

The post-employment benefits are classified as defined benefit, or defined contribution plans.

Defined contribution plans

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

Defined benefit plans

Defined benefit plans concern all plans other than defined contribution plans, and include:

- 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 post-employment benefits: medical care.

Taking into account projected final salaries on an individual basis, post-employment benefits are measured by applying a method (projected unit credit method) using assumptions involving the discount rate, 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 discount rates are interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The amount recorded under post-employment obligations corresponds to the difference between the present value of future obligations and the fair value of the plan assets intended to fund them. If this calculation gives rise to a deficit, an obligation is recognized in liabilities. Otherwise, a net asset limited to the lower of the surplus in the defined benefit plan and the present value of any future plan refunds or any reduction in future contributions to the plan is recognized.

The defined benefit cost consists of service cost and net interest (based on discount rate) on the net liability or asset, both recognized in profit or loss, and remeasurements of the net liability or asset, recognized in other comprehensive income.

Service cost consists of current service cost, past service cost resulting from plan amendments or curtailments and settlement gains or losses.

The interest expenses arising from the reverse discounting of the benefit obligations, the financial income on plan assets (determined by multiplying the fair value of the plan assets by the discount rate) as well as interest on the effect of the asset ceiling are recognized on a net basis in profit or loss from financial items.

Remeasurements of the net liability or asset consist of:

- actuarial gains and losses on the benefit obligations arising from experience adjustments and/or changes in actuarial assumptions (including the effect of changes in the discount rate);
- the return on plan assets (excluding amounts in net interest) and changes in the limitation of the net asset recognized (excluding amounts in the net interest).

Other long-term benefits such as long service awards are accounted for in the same way as post-employment benefits but remeasurements are fully recognized in profit or loss from financial items during the period in which they occur.

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 operations, joint ventures, and associates that do not qualify as discontinued operations;
- acquisition costs of new businesses;
- gains and losses on the sale of real estate not directly linked to an operating activity;
- major restructuring charges;
- impairment losses resulting from the shutdown of an activity or a plant;
- impairment losses resulting from testing CGUs 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 ongoing production facilities (shutdown of sites, discontinued activities, previous years pollution).

11 Income taxes

Current tax

The current tax 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 for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

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

Deferred tax assets generally are 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:

- deferred tax liabilities following 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.

In addition, deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, joint operations, joint ventures, and associates, 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 is 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 when 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 incidental to ownership. All other leases are classified as operating leases.

Agreements not in the legal form of a lease contract are analyzed in accordance with IFRIC 4 *Determining whether an Arrangement contains a Lease* to determine whether or not they contain a leasing contract to be accounted for in accordance with IAS 17 *Leases*.

Finance leases – lessee

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 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 lease.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to produce a constant periodic 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 "*IFRS main accounting policies – 17. Capitalized borrowing costs*"). Contingent rentals arising under finance leases are recognized as expenses in the periods in which they are incurred.

Operating leases – lessee

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 separately or internally developed are initially measured at cost.

After initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure on intangible assets is capitalized only if it is probable that it will increase 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 their estimated 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.

Patents and trademarks	2-20 years
Software	3-5 years
Development expenditures	2-5 years
Other intangible assets	5-20 years

Licenses, patents and similar rights

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

Research and Development costs

Research costs are expensed in the period in which they are incurred.

Development costs are capitalized if, and only if all the following conditions are fulfilled:

- the cost of the asset can be reliably measured;
- the technical feasibility of the product has been demonstrated;

- the product or process will be placed on the market or used internally;
- the assets will generate future economic benefits (a potential market exists for the product or, where it is to be used internally, its future utility is demonstrated);
- the technical, financial and other resources required to complete the project are available.

The capitalized development costs are amortized on a straight-line basis over their useful lives.

Capitalized expenditure comprises employee expenses, the cost of materials and services directly attributable to the projects, and an appropriate share of directly attributable fixed costs including, and where applicable, borrowing costs. It is amortized as from the moment 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 trigger for impairment, and annually for projects under development (see "*IFRS main accounting policies – 16. Impairment of tangible and intangible assets excluding goodwill*").

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) 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).

In the absence of any IASB standard or interpretation regulating the accounting treatment of CO_2 emission rights, the Group applies the Trade / Production model, according to which:

- emission allowances and purchases are presented as inventories if they will be consumed in the production process;
- they are presented as derivatives if they are held for trading.

Treatment of European Union Allowances (EUA)

These allowances are granted each year and are generally delivered free of charge and are valid over the entire trading period if not used.

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.

The cost of allocated CERs mainly corresponds to the depreciation of gas emission reduction units and operation fixed costs.

Treatment of Energy Services' activities

Energy Services is involved in developing CO_2 instrument trading, arbitrage and hedging activities, and developing the "Origination" activity. The net income or expense from these activities is recognized in other operating income for the "industrial" component, where Energy Services sells the CERs generated by Solvay, as well as for the "trading" component, where Energy Services purchases/sells CERs and EUAs.

15 Property, plant & equipment

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 statement of financial position at cost less accumulated depreciation and impairment, if any. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. If applicable, the cost comprises borrowing costs during the construction period.

The components of an item of property, plant and equipment with different useful lives are depreciated separately.

Items of property, plant and equipment are derecognized from the statement of financial position on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is recognized in profit or loss in the period of derecognition.

Useful lives

Land is not depreciated.

The estimated useful lives, residual values and depreciation methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively.

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

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

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

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 recognition criteria mentioned above.

The carrying amount of replaced items is derecognized.

Repair and maintenance costs are recognized in the income statement as incurred.

Regarding 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 depreciated over the period during which the economic benefits are expected to be obtained, i.e. the major repairs' interval.

Dismantling costs

Dismantling and restoration costs are included in the cost of an item of property, plant and equipment if the Group has a legal or constructive obligation to dismantle or restore. They are depreciated over the useful life of the items to which they pertain.

Generally, Solvay does not have any 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, an obligation is only likely to arise upon the discontinuation of a site's activities. The costs of dismantling of discontinued sites or installations are provided for when there is a legal obligation (due to a request or injunction from the relevant authorities), or when there is no technical alternative than to dismantle, so 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 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.

The 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 (net of amortization or depreciation) 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 borrowing costs

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 statement of financial position at their expected value at the time of initial government approval. The grant is recognized in profit or loss over the depreciation period of the underlying assets as a reduction of depreciation expense.

Other government grants are recognized as income on a systematic basis over the periods in which the related costs, which they are intended to compensate, are recognized. 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

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

Inventories are measured 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 completion and the estimated costs necessary to make the sale.

20 Financial assets

Financial assets include available for sale securities, loans and receivables, including derivative financial instruments. 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 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*. 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, and minus any reduction for impairment or uncollectibility.

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 that does not have a quoted price in an active market cannot be reliably 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 (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, when 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 fair value through profit or loss.

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 measured at fair value, with any resulting 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 classified as at FVTPL unless they are designated and effective as hedging instruments.

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

Available-for-sale financial assets include equity investments in entities, which were not acquired principally for the purpose of selling in the short term, and which are not subsidiaries, joint operations, joint ventures, or associates. Assets classified in this category are measured at fair value, with any resulting gains or losses recognized in other comprehensive income. If there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss. However, they are measured 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 receivables 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 from the date of acquisition, 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.

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 the income statement.

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, the reversal is recognized in profit or loss. After reversal, the carrying amount of the financial asset measured at amortized cost shall not exceed what the amortized cost would have been, had the impairment not been recognized. Impairment losses with respect to an equity instrument classified as available for sale are not reversed through profit or loss. Impairment losses with respect to debt instruments classified as available for sale are recognized in profit or loss to the extent of the impairment loss previously recognized in profit or loss. Impairment losses relating to assets measured 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 resulting 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 classified as at FVTPL unless they are designated and effective as hedging instruments.

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 comprises non-current financial debt, other non-current liabilities, current financial debt, trade liabilities and dividends payable included in other current liabilities.

22 Derivative financial instruments

Derivative financial instruments are financial instruments with all three of the following characteristics:

- their value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, etc.;
- they require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- they are settled at a future date.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate risk, 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 37.

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 income or expense, unless the derivative is designated and effective as a hedging instrument (see "*IFRS main accounting policies – 23. Hedge accounting*"). The Group designates certain derivatives as hedging instruments of the exposure to variability in cash flows with respect to a recognized asset or a highly probable forecast transaction (cash flow hedges).

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. Derivative instruments (or portions of them) are presented as non-current assets or non-current liabilities if the remaining maturity of the underlying settlements is more than twelve months after the reporting period and it is not expected to be realized or settled within twelve months. Other derivative instruments (or portions of them) are presented as current assets or current liabilities.

23 Hedge accounting

The Group designates certain derivatives, and embedded derivatives in respect of foreign currency risk, energy risk and CO_2 emissions risks, as hedging instruments in 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 transaction. 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 cash flows of the hedged item.

Note 37 sets out details of the fair values of the derivative instruments used for hedging purposes.

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.

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 hedged forecast transaction 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 as a reclassification adjustment. If all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, the amount that is not expected to be recovered is immediately reclassified into profit or loss.

24 Shareholders' equity

Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Reserves

The reserves include:

- retained earnings;
- the effects of the revaluation of derivatives documented as hedging instruments in cash flow hedges;
- the effects of the revaluation of available-for-sale financial assets, as these are unrealized gains and losses;
- equity instruments similar to deeply subordinated bonds, whose characteristics justify recognition in shareholders' equity: no maturity, interest is payable annually but can be deferred indefinitely;
- currency translation differences from the consolidation process relating to the translation of the financial statements of foreign operations prepared in a functional currency other than the euro;
- treasury shares;
- impact of hyperinflation accounting;
- actuarial gains and losses related to post-employment benefits.

Non-controlling interests

Those represent the share of non-controlling interests in the net assets and comprehensive income of subsidiaries of the Group. This share represents the interests in subsidiaries that are not held directly by the parent company or indirectly through subsidiaries.

25 Provisions

Provisions are recognized when (a) the Group has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that the Group will be required to settle the obligation, and (c) 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 the effect of the time value of money is material, the amount is the present value of expenditures required to settle the obligation. Impacts of changes in discount rates are recognized in the financial result for the provisions listed below.

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.

26 Reporting in hyperinflationary economies

The Venezuelan economy being considered as a hyperinflationary economy, the Group has applied the hyperinflationary accounting requirements of IAS 29 *Financial Reporting in Hyperinflationary Economies* to its Venezuelan operations. The financial statements are based on the historical cost basis and have been restated to take into account the effects of inflation.

The index used to reflect current values is the inflation rate published by Banco Central de Venezuela.

	At 31/12/2014	At 31/12/2013
Index at year end (2002 = 100)	2,118	1,264
Movement of the year	67.5%	56.2%

27 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. It is further detailed in note 1.

28 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 Group 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 Group 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 Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

29 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, the asset (or disposal group) should be actively marketed at a price which is reasonable in relation to its current fair value, the sale should be expected to be completed within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A discontinued operation is a component of the Group which the Group has disposed of or which is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A component of the Group consists of operations and cash flows, which can be clearly distinguished operationally and for financial reporting purposes, from the rest of the Group.

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 recognized as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale. Prior period statements of financial position are not restated to reflect the new classification of a non-current asset (or disposal groups) as held for sale.

In the statement of comprehensive income, the statement of cash flows, and disclosures, discontinued operations are re-presented for prior periods presented.

30 Finance income and costs

Finance costs comprise:

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

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

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

All interest on borrowings is recognized in finance costs as incurred, with the exception of borrowing costs directly attributable to the acquisition, construction and production of qualifying assets (see "*IFRS main accounting policies – 17. Capitalized borrowing costs*").

31 Share-based payments

Solvay has set up compensation plans, including equity-settled and cash-settled, share-based compensation plans.

In its equity-settled plans, the Group receives services as consideration for its own equity instruments (including shares or share options). The fair value of services rendered by employees in consideration for the granting of equity-instruments represents an expense. This expense is recognized on a straight-line basis in the income statement over the vesting periods relating to these equity-instruments with the recognition of a corresponding adjustment in equity. At each reporting date, the Group re-estimates the number of options likely to vest. The fair value of services rendered is measured in reference to the fair value of the equity-instruments on the grant date. It is not subsequently remeasured. The impact of the revised estimates is recognized in profit or loss against a corresponding adjustment in equity.

In its cash-settled plans, the Group acquires services by incurring a liability to transfer to its employees of those services amounts that are based on the price (or value) of equity instruments (including shares or share options) of the Group. The fair value of services rendered by employees in consideration for the granting of equity-instruments represents an expense. This expense is recognized on a straight-line basis in the income statement over the vesting periods relating to these equity-instruments with the recognition of a corresponding adjustment in liabilities. At each reporting date, the Group re-estimates the number of options likely to vest. The Group measures the services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

32 Statement of Comprehensive Income

In accordance with IAS 1 *Presentation of Financial Statements*, the Group elected 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.

33 Contingencies

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

34 Events after the reporting period

Events after the reporting period which provide additional information about the Group’s 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.

35 Non-IFRS metrics

Financial communication puts emphasis on two non-IFRS metrics:

(a) REBITDA which consists of EBIT as presented in the income statement, excluding:

- recurring amortization and depreciation;
- non-recurring items (see note 7);
- material financing related costs and non-recurring items for companies consolidated using the equity method of accounting;
- operating revenues/expenses not taken into account by management when assessing segment performances;

(b) adjusted net income which corresponds to IFRS net income adjusted for amortization and depreciation resulting from the Rhodia Purchase Price Accounting.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment

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

Further details are provided in note 28.

Deferred tax assets

The carrying amount of a deferred tax asset is reviewed at each reporting date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that the Group will earn sufficient taxable profits against which the deductions can be offset. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits 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.

Deferred tax assets for losses are based on five-year revenue forecasts, except for holding companies where 10-year financial revenue forecasts are highly predictable and are consequently used.

Further details are provided in note 9.B.

Employee benefits obligations

The actuarial assumptions used in determining the defined benefit obligations at December 31 as well as the annual cost can be found in note 35. 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 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 a central actuary to check the acceptability of the results and assure uniformity in reporting.

During the fourth quarter of 2014, updated US mortality tables have been published. The Group expects to apply those mortality tables as from 2015. Based on an initial assessment, the application at December 31, 2014 would have increased the defined benefit obligation and decreased other comprehensive income by € 45 million.

Further details are provided in note 35.

Environmental Provisions

Environmental provisions are managed and coordinated jointly by an Environmental Remediation competence center and the Finance Department.

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

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

To reflect the passage of time, the provisions are increased each year on a prorated basis at the discount rates defined above.

Further details are provided in note 35.

Provisions for litigation

Any significant litigation (tax and other, including 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 remeasure existing provisions together with Solvay's 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.

Further details are provided in note 35.

Fair value adjustments for business combinations

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

Further details are provided in note 26.

Classification as Held for sale

Assets are classified as Held for sale if their carrying amount will be recovered 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 is available for immediate sale in its present condition. Amongst other conditions, management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. However, in some cases, an asset may remain classified as Held for sale for a period exceeding one year if it remains unsold due to events or circumstances beyond the Group's control.

Chlorovinyls business was classified as a disposal group held for sale in 2013. The transaction is expected to be closed in the first half of 2015.

On November 12, 2014, the Brazilian competition authority (CADE) notified its decision to reject the intended acquisition of Solvay's 70.59% majority stake in Solvay Indupa by Brazilian chemical producer Braskem. Solvay confirms that its strategic direction remains unaffected and that it is examining alternative options to sell its participation in Solvay Indupa. As a disposal within 12 months is considered highly probable, Solvay Indupa remains classified as non-current assets held for sale and discontinued operations at December 31, 2014. To assess the fair value of the Group interest in Solvay Indupa, management has referred to the amount of the deal signed with Braskem and rejected at year end by Brazilian competition authority.

Further details are provided in note 34.

GENERAL DESCRIPTION OF THE SEGMENTS

Solvay is organized into five Operating Segments:

Advanced Formulations: As one of Solvay's growth engines, the businesses grouped under Advanced Formulations stand out for their innovation capacity and relatively low capital intensity. Their offerings address major societal trends, meeting ever stricter requirements to respect the environment and to save energy, and challenges of the mass consumer markets.

Advanced Materials: A leader in markets with high entry barriers and strong returns on investment, the Advanced Materials segment is a major contributor to the Group's performance and growth. Innovation, its global presence feature and long-term partnerships with customers provide a compelling competitive edge with industries seeking increasingly energy efficiency and less polluting functionalities.

Performance Chemicals: Operating in mature resilient markets, this segment's success is based on economies of scale, competitiveness and quality of service. Solidly cash-generating, the Performance Chemicals businesses are engaged in programs of excellence to create additional sustainable value.

Functional Polymers: The key success factors of this segment, which primarily groups the Polyamide activities, are continuous manufacturing optimization and innovation. Solvay is one of few players to operate across the entire polyamide 6.6 chain.

Corporate & Business Services: This segment includes the Solvay Energy Services business which delivers energy optimization programs within the Group as well as for third parties. It also includes the Corporate Functions.

NOTES TO THE INCOME STATEMENT

NOTE 1 Financial data by segment (Income statement per segment after reclassification in discontinued operations for Chlorovinyls, Solvay Indupa, and Eco Services)

Information per segment for 2014 is presented below:

2014 **In € million** **Income statement items**	**Advanced formulations**	**Advanced Materials**	**Performance Chemicals**	**Functional Polymers**	**Corporate & Business Services**	**Group Total**
Net sales (including the inter-segment sales)	2,859	2,770	2,970	1,756	—	10,355
Inter-segment sales	(5)	(8)	(26)	(103)	—	(142)
Net sales	2,854	2,762	2,944	1,654	—	10,213
Gross margin	639	958	733	181	48	2,559
REBITDA	**426**	**709**	**724**	**111**	**(188)**	**1,783**
EBIT	**—**	**—**	**—**	**—**	**—**	**652**
Net financial charges	—	—	—	—	—	(308)
Income taxes	—	—	—	—	—	(84)
Result from discontinued operations	—	—	—	—	—	(246)
Net income	**—**	**—**	**—**	**—**	**—**	**13**

Statement of financial position and other items	**Advanced formulations**	**Advanced Materials**	**Performance Chemicals**	**Functional Polymers**	**Corporate & Business Services**	**Group Total**
Capital expenditures (continuing operations)	166	267	275	82	69	861
Capital expenditures (discontinued operations)	—	—	26	101	—	127
Capital expenditures – Investments (continuing operations)	50	231	—	107	23	411
Working capital						
Inventories	334	561	298	206	21	1,420
Trade receivables	342	359	436	186	95	1,418
Trade liabilities	344	272	363	214	267	1,461

Capital expenditures are related to fixed assets (tangible and intangible) and investments in subsidiaries and other investments.

Information per segment for 2013 is presented below:

2013 **In € million** **Income statement items**	**Advanced formulations**	**Advanced Materials**	**Performance Chemicals**	**Functional Polymers**	**Corporate & Energy**	**Group Total**
Net sales (including the inter-segment sales)	2,436	2,566	2,944	1,856	67	9,869
• Inter-segment sales	(4)	(15)	(42)	(93)	—	(154)
Net sales	2,432	2,551	2,902	1,763	67	9,715
Gross margin	535	847	668	171	85	2,305
REBITDA	**347**	**624**	**682**	**89**	**(131)**	**1,611**
EBIT	**—**	**—**	**—**	**—**	**—**	**591**
Net financial charges	—	—	—	—	—	(213)
Income taxes	—	—	—	—	—	(170)
Result from discontinued operations	—	—	—	—	—	106
Net income	**—**	**—**	**—**	**—**	**—**	**315**

2013 In € million Statement of financial position and other items	Advanced formulations	Advanced Materials	Performance Chemicals	Functional Polymers	Corporate & Energy	Group Total
Capital expenditures (continuing operations)	136	213	244	74	99	765
Capital expenditures (discontinued operations)	—	—	—	102	—	102
Capital expenditures – Investments (continuing operations)	881	1	—	86	13	981
Working capital						
Inventories	281	489	296	217	16	1,300
Trade receivables	295	327	479	200	31	1,331
Trade liabilities	286	240	372	231	212	1,340

External net sales by cluster are presented below:

	2014	2013
	(in € million)	
Advanced Formulations	**2,854**	**2,432**
Novecare	2,033	1,581
Aroma Performance	337	365
Coatis	484	486
Advanced Materials	**2,762**	**2,551**
Specialty Polymers	1,490	1,288
Silica	451	416
Rare Earth Systems	266	298
Special Chemicals	554	549
Performance Chemicals	**2,944**	**2,902**
Soda Ash & Derivatives	1,377	1,351
Peroxides	512	470
Acetow	641	658
Eco Services	—	—
Emerging Biochemicals	413	424
Functional Polymers	**1,654**	**1,763**
Polyamides	1,536	1,556
Chlorovinyls	117	206
Corporate & Business Services	**—**	**67**
Energy Services	—	67
CBS	—	—
TOTAL	**10,213**	**9,715**

NOTE 2 Sales by country and region (continuing operations)

Group sales by country and region are as follows:

	2014	%	2013	%
		(in € million)		
Belgium	142	1%	151	2%
Germany	877	9%	909	9%
Italy	456	4%	485	5%
France	494	5%	495	5%
Great Britain	226	2%	240	2%
Spain	259	3%	271	3%
European Union – other	687	7%	644	7%
European Union	**3,141**	**31%**	**3,196**	**33%**
Other Europe	**300**	**3%**	**254**	**3%**
United States	2,231	22%	1,809	19%
Canada	127	1%	96	1%
North America	**2,358**	**23%**	**1,906**	**20%**
Brazil	828	8%	858	9%
Mexico	110	1%	113	1%
Latin America – other	183	2%	172	2%
Latin America	**1,121**	**11%**	**1,142**	**12%**
Russia	151	1%	172	2%
Turkey	65	1%	81	1%
China	823	8%	755	8%
India	195	2%	176	2%
Japan	321	3%	349	4%
South Korea	349	3%	350	4%
Thailand	455	4%	445	5%
Egypt	57	1%	55	1%
Other	875	9%	835	9%
Asia and Rest of the World	**3,292**	**32%**	**3,218**	**33%**
TOTAL	**10,213**	**100%**	**9,715**	**100%**

Invested capital and capital expenditures by country and region

Invested capital and capital expenditures by country and region for continuing operations are shown below:

	Invested capital				Capital expenditures			
In € million	**2014**	**%**	**2013**	**%**	**2014**	**%**	**2013**	**%**
Belgium	2,668	22%	2,584	22%	(76)	6%	(21)	1%
Germany	742	6%	688	6%	(101)	8%	(45)	3%
Italy	758	6%	678	6%	(70)	6%	(62)	4%
France	2,282	19%	2,531	21%	(169)	13%	(200)	12%
Great Britain	95	1%	86	1%	(8)	1%	(8)	0%
Spain	224	2%	225	2%	(13)	1%	(16)	1%
European Union – other	172	1%	255	2%	(71)	6%	(46)	3%
European Union	**6,939**	**57%**	**7,046**	**59%**	**(509)**	**40%**	**(399)**	**23%**
Other Europe	**3**	**0%**	**3**	**0%**	**—**	**0%**	**(5)**	**0%**
United States	2,600	21%	2,356	20%	(332)	26%	(998)	58%
Canada	3	0%	2	0%	—	0%	—	0%
North America	**2,603**	**21%**	**2,357**	**20%**	**(332)**	**26%**	**(998)**	**58%**
Brazil	447	4%	474	4%	(97)	8%	(39)	2%
Argentina	35	0%	69	1%	—	0%	—	0%
Latin America – other	164	1%	68	1%	(1)	0%	(1)	0%
Latin America	**645**	**5%**	**611**	**5%**	**(97)**	**8%**	**(40)**	**2%**
Russia	154	1%	413	3%	(99)	8%	(91)	5%
Turkey	—	0%	—	0%	—	0%	—	0%
Thailand	435	4%	387	3%	(25)	2%	(11)	1%
China	651	5%	581	5%	(90)	7%	(98)	6%
South Korea	180	1%	174	1%	(18)	1%	(24)	1%
India	204	2%	167	1%	(10)	1%	(6)	0%
Singapore	50	0%	32	0%	(18)	1%	(8)	0%
Japan	69	1%	53	0%	(3)	0%	(3)	0%
Egypt	113	1%	106	1%	(1)	0%	(10)	1%
Other	149	1%	77	1%	(69)	5%	(27)	2%
Asia and Rest of the World	**2,005**	**16%**	**1,990**	**17%**	**(332)**	**26%**	**(278)**	**16%**
TOTAL	**12,195**	**100%**	**12,007**	**100%**	**(1,272)**	**100%**	**(1,719)**	**100%**

Note:—
Invested capital includes the non-current assets (excluding the deferred taxes), inventories and trade receivables and payables. Capital expenditures include tangibles, intangibles and investments in subsidiaries and other investments.

NOTE 3 REBITDA (non-IFRS metrics)

REBITDA for continuing operations is the non-IFRS metrics used by management to monitor segment performances and to allocate resources.

REBITDA is computed as follows:

	2014	**2013**
	(in € million)	
EBIT IFRS	**652**	**591**
Non-recurring items	308	239
Equity Earnings RusVinyl (financing scheme impact)	65	11
Adjustment of Chemlogics retention plan	8	1
Adjustment of Chemlogics inventories at fair value (PPA)	3	13
Other adjustments	(5)	—
Recurring IFRS depreciation and amortization	751	757
REBITDA (INCOME STATEMENT KPI MONITORED BY MANAGEMENT)	**1,783**	**1,611**

Year on year improvement is mainly driven by volumes growth, operational excellence programs offsetting fixed costs inflation and protecting pricing power.

NOTE 4 Personnel expenses

	2014	2013
	(in € million)	
Wages/salaries and direct social benefits	(1,338)	(1,301)
Employer's contribution for social insurance	(305)	(307)
Pensions & Insurance benefits	(240)	(245)
Other Personnel expenses	(107)	(93)
TOTAL	**(1,990)**	**(1,947)**

NOTE 5 Other operating gains and losses

	2014	2013
	(in € million)	
Start-up, formation and preliminary study costs	(22)	(24)
Recurring capital gain on sales of fixed assets	8	10
Net foreign exchange gain and losses	(6)	4
Amortization of intangible resulting from PPA Rhodia	(110)	(143)
Balance of other gains and losses	36	69
Other operating gains and losses	**(94)**	**(83)**

NOTE 6 Earnings from associates and joint ventures

The net income of the joint ventures and associates amounts to € (34) million in 2014 against € 34 million in 2013. The decrease relates mainly to the financial expenses (€ (65) million) of RusVinyl after the Ruble devaluation impacting the euro denominated debt.

NOTE 7 Non-recurring items

Non-recurring items have been defined in section "*IFRS main accounting policies – 10. Non-recurring items*".

Non-recurring items for continuing operations include the following:

	2014	2013
	(in € million)	
Restructuring	(49)	(115)
Costs related to non-ongoing activities	(52)	(32)
M&A costs and capital gains / losses	(19)	(22)
Major litigations	(29)	(5)
Impairment	(160)	(65)
Non-recurring items	**(308)**	**(239)**

In 2014, the non-recurring items are mainly related to:

- restructuring costs (€ (49) million) related mainly to Rhodia integration (€ (11) million), Okorusu (€ (8) million) and change in portfolio (€ (9) million);
- impairment related mainly to RusVinyl (€ (110) million) and EPICEROL® (€ (34) million);
- litigation and environmental costs of non-ongoing activities (€ (44) million).

In 2013, the non-recurring items are mainly related to:

- restructuring costs (€ (115) million) related mainly to Rhodia integration (€ (46) million) and Soda Ash and Derivatives EMEA (€ (45) million);
- impairment Plextronics (€ (30) million) and Benvic (€ (32) million);
- litigation and environmental costs of non-ongoing activities (€ (25) million).

NOTE 8 Net financial charges

	2014	2013
	(in € million)	
Cost of borrowings – Interest expense on financial liabilities at amortized cost	(151)	(190)
Interest income on cash and cash equivalents	35	24
Interest income on other current receivables – Financial instruments	1	1
Other gains and losses on net indebtedness	(30)	(2)
Cost of discounting provisions	(163)	(87)
Income/loss from available-for-sale investments	(1)	40
Net financial charges	**(308)**	**(213)**

Details on "Other current receivables – financial instruments" and on "Cash and cash equivalents" are included in note 36.

Net financial charges at the end of 2014 and 2013 do not include the net financial charges for Indupa, the Chlorovinyls activities included in the proposed joint venture with Ineos, Eco Services recognized in discontinued operations and RusVinyl financing related costs recognized in equity earnings.

Net financial charges (cost of borrowings, interests and other gains and losses on net indebtedness) were € 145 million at the end of 2014 compared to € 166 million at the end of 2013. Excluding exceptional items, the net financial charges would have decreased from € 164 million to € 124 million.

The evolution of the cost of borrowings at the end of 2014 compared to 2013 is partly explained by the decrease in gross debt (reimbursement of EMTN bond in January 2014 and the two Rhodia high yield bonds in the first half of 2014). The balance includes the remaining accretion and premium paid for the two Rhodia high yield bonds.

Other gains and losses on net indebtness include the following exceptional items:

- in 2014, the high yield accretion (€ 9 million), the interest rate swap (€ (20) million) and the Venezuela hyperinflation expense (€ (11) million);
- in 2013, the interest rate swap (€ 5 million) and the Venezuelan hyperinflation (€ (8) million).

The cost of discounting provision increased as a consequence of the change in discount rate (increase in 2013, decrease in 2014).

In 2013, the income from available-for-sale financial assets is related to sale of all the shares AGEAS held by the Group.

NOTE 9 Income taxes

9.A. Income taxes

Components of the tax charge

The tax charge breaks down as follows:

	2014	2013
	(in € million)	
Current taxes related to current year	(272)	(133)
Current taxes related to prior years	2	(37)
Deferred income tax	189	5
Tax effect of changes in the nominal tax rates on deferred taxes	(3)	(4)
TOTAL	**(84)**	**(170)**

	2014	2013
	(in € million)	
Income tax on items allocated directly to equity	72	(38)
TOTAL	**72**	**(38)**

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.

	2014	2013
	(in € million)	
Earnings before taxes	343	378
Equity method	(34)	34
Earnings before taxes without equity method	**377**	**344**
Reconciliation of the tax charge		
Total tax charge of the Group entities computed on the basis of the respective local nominal rates	(145)	(112)
Weighted average nominal rate	38%	33%
Tax effect of permanent differences	49	(2)
Tax effect on distribution of dividends	(25)	(53)
Tax effect of changes in tax rates	(3)	(4)
Tax effect of current and deferred tax adjustments related to prior years	13	15
Changes in unrecognized deferred tax assets	27	(14)
Effective tax charge	**(84)**	**(170)**
Effective tax rate	**24%**	**45%**

The 2013 figures have been restated to take into account:

- IFRS 11 restatement;
- Reclassification of Eco Services to discontinued operations;
- Equity earnings method, which were included in the tax effect of permanent differences;
- Withholding taxes on distributable earnings which were included in the tax effect of permanent differences.

The weighted average nominal rate increased by 5% in 2014 (compared to 2013) due to the higher weight of earnings before tax in countries with a higher tax rate (France and USA) and lower weight of earnings before tax in countries with a lower tax rate (The Netherlands, China and Russia).

The effective tax rate decreased from 45% to 24% mainly due to the positive impact of (i) permanent differences (€ 51 million), (ii) distribution of dividends (€ 28 million) and (iii) changes in unrecognized deferred tax assets (€ 41 million), that result mainly from the recognition in 2014 of additional deferred tax assets for losses in holding companies (€ 110 million) based on 10-year revenue forecasts (instead of 5 years previously – see "*Critical accounting judgements and key sources of estimation uncertainty*").

The favorable impacts of permanent differences (€ 51 million) mainly result from:

- Reduction of non-deductible expenses (provisions for tax litigations (€ 23 million));
- Non-taxable capital gains on disposal of investments (€ 18 million).

9.B. Deferred taxes in the statement of financial position

The net recognized deferred taxes recorded in the statement of financial position fall into the following categories:

2014	Opening balance	Recognized in income statement	Recognized in OCI	Exchange rate effect	Acquisition/ Disposal	Other	Transfer asset held for sale	Closing balance
				(in € million)				
Temporary differences								
Employee benefits obligations	172	7	59	9	—	2	(14)	234
Provisions other than employee benefits	119	23	—	8	—	—	(15)	136
Tangible assets	(613)	53	2	(30)	28	—	39	(521)
Goodwill	39	(8)	—	—	—	—	—	31
Tax losses	273	107	—	4	—	(2)	4	386
Tax credits	12	—	—	1	—	—	(2)	11
Assets held for sale	—	(9)	—	—	31	(6)	(15)	—
Other	25	15	12	2		1	3	57
TOTAL (NET AMOUNT)	**27**	**186**	**72**	**(6)**	**59**	**(5)**	**—**	**334**
Deferred tax assets in statement of financial position	501	—	—	—	—	—	—	710
Deferred tax liabilities in statement of financial position	(473)	—	—	—	—	—	—	(378)

The total of deferred tax assets amounts to € 3,588 million of which € 2,878 million are not recognized.

The unrecognized deferred tax assets result from (i) losses carried forward (€ 6,785 million in holding companies, notably Rhodia SA since 2011) for which relative deferred tax assets (€ 2,180 million) were not recognized and (ii) deferred tax assets on other temporary differences (€ 698 million across the Group).

The table outlines the net recognized deferred tax assets by nature.

2013	Opening balance	Recognized in income statement	Recognized in OCI	Exchange rate effect	Acquisition/ Disposal	Other	Transfer asset held for sale	Closing balance
				(in € million)				
Temporary differences								
Employee benefits obligations	240	(7)	(29)	(4)	(1)		(28)	172
Provisions other than employee benefits	200	(59)		(9)			(13)	119
Tangible assets	(716)	7		29	(2)		68	(613)
Goodwill	47	(8)						39
Tax losses	260	24		(5)	(1)		(5)	273
Tax credits	7	5						12
Assets held for sale	(10)	8				24	(22)	
Other	4	31	(9)	(3)		3	(1)	25
TOTAL (NET AMOUNT)	**32**	**1**	**(38)**	**8**	**(3)**	**28**		**28**
Deferred tax assets in statement of financial position	525							501
Deferred tax liabilities in statement of financial position	(493)							(473)

Other information

The majority of the Group's tax loss carryforwards has generated deferred tax assets. The tax loss carryforwards generating deferred tax assets are given below by expiration date.

	2014	2013
	(in € million)	
Within 1 year	14	47
Within 2 years	20	34
Within 3 years	27	44
Within 4 years	21	15
Within 5 or more years	136	149
No time limit	1,013	752
Losses carried forward for which deferred tax assets were recognized	**1,231**	**1,041**
Losses carried forward for which no deferred tax assets were recognized	6,785	6,709
TOTAL OF LOSSES CARRIED FORWARD	**8,016**	**7,750**

The balance at the end of 2013 has been restated to € 1,041 million as it did not take into account all losses carried forward which had generated deferred tax assets.

NOTE 10 Discontinued operations (Pharma, Chlorovinyls, Solvay Indupa, and Eco Services)

Since September 30, 2013, following the filing of Chlorovinyls joint venture plan for EU clearance, Solvay is presenting the associated activities in discontinued operations.

On May 6, 2013 Solvay and INEOS signed a Letter of Intent to combine their European Chlorovinyls activities in a 50-50 joint venture. The joint venture would pool both groups' assets across the entire chlorovinyls chain, including PVC, caustic soda and chlorine derivatives. RusVinyl, Solvay's Russian joint venture in chlorovinyls with Sibur, is excluded from the transaction. In September 2013, Solvay and INEOS submitted their application for competition clearance with the European Commission. On May 8, 2014, the European Commission approved the PVC joint venture between INEOS and Solvay, subject to conditions. On May 18, 2014, Solvay and INEOS signed a non-binding letter of intent for the combination of their respective European chlorovinyls activities into a 50/50 joint venture. On June 26, 2014, the binding agreement has been signed. The proposed transaction is subject to the applicable information/consultation procedures with employee representatives in the countries involved, and fulfillment of the conditions imposed by the European Commission. The occurrence and timing of the completion of the transaction are dependent on the above procedures and approvals. Until the completion, Solvay and INEOS will continue to manage their PVC businesses separately.

On July 30, 2014 Solvay has signed a binding agreement to sell its sulfuric acid virgin production and regeneration Eco Services business to affiliates of CCMP Capital Advisors, LLC. As from the 3rd quarter, Solvay reports Eco Services businesses under Assets Held for Sale and Discontinued Operations. Consequently, Solvay restated its 2013 and 2014 income statement and statement of cash flows to reflect the discontinuation of the business. The transaction was completed in the fourth quarter of the year.

On November 12, 2014, the Brazilian competition authority's (CADE) notified its decision to reject the intended acquisition of Solvay's 70.59% majority stake in Solvay Indupa by Brazilian chemical producer Braskem. Solvay confirms that its strategic direction remains unaffected and that it is examining alternative options to sell its participation in Solvay Indupa. As a disposal within 12 months is considered highly probable, Solvay Indupa remains classified as non-current assets held for sale and discontinued operations at December 31, 2014.

	2014	2013
	(in € million)	
Sales	2,680	2,798
Breakdown discontinued operations		
Loss recognized as result of remeasurement to fair value less costs to sell[(1)]	(476)	(68)
EBIT Pharma (post-closing litigation)	1	105
EBIT Chlorovinyls	83	80
EBIT Solvay Indupa	17	
EBIT Eco Services	59	64
EBIT Eco Services (capital gain)	349	
Financial charges Chlorovinyls	(16)	(11)
Financial charges Solvay Indupa	(32)	
Financial charges Eco Services	(1)	(1)
Tax Chlorovinyls	(35)	(42)
Tax Solvay Indupa	(4)	
Tax Eco Services (mainly on capital gain)	(190)	(22)
TOTAL RESULT FROM DISCONTINUED OPERATIONS	**(246)**	**106**
attributed to:		
• owners of the parent	(196)	106
• non-controlling interests	(50)	0

Note:—

(1) See note 34.

Discontinued operations include:

- Pharma post-closing adjustments (mainly milestone in 2013);
- Eco Services business;
- Impairment Chlorovinyls Europe (€ (476) million).

Solvay Indupa 2013 discontinued operations net income results from impairment loss related to change in fair value after signing the share purchase agreement with Braskem in December 2013 (€ (68) million in 2013).

NOTE 11 Net income

Net income amounts to € 13 million versus € 315 million in prior year. This decrease in net income results mainly from:

- higher REBITDA (€ 171 million);
- non-recurring items (€ (308) million in 2014 compared to (239) million in 2013);
- higher discounting costs in financial expenses (€ (77) million);
- lower result from discontinued operations (€ (352) million).

NOTE 12 Adjusted net income (non-IFRS metrics)

Adjusted net income excludes from the IFRS net income the main impact of the Rhodia Purchase Price Accounting related to the amortization of intangible assets (after taxes).

Adjusted net income is computed as follows:

	2014	2013
	(in € million)	
NET INCOME IFRS	**13**	**315**
Adjustments to IFRS net income		
Amortization of PPA on intangible fixed assets	110	143
Tax on adjustments	(36)	(39)
PPA amortization on discontinued operations	2	3
ADJUSTED NET INCOME	**89**	**422**

NOTE 13 Earnings per share

	2014	2013
	Number of shares (in thousands)	
Weighted average number of ordinary shares (basic)	83,228	83,151
Dilution effect of subscription rights	662	692
Weighted average number of ordinary shares (diluted)	83,890	83,843

	2014		2013	
	Basic	**Diluted**	**Basic**	**Diluted**
Net income of the year (Solvay share) including discontinued operations (in thousands €)	80,239	80,239	270,477	270,477
Net income of the year (Solvay share) excluding discontinued operations (in thousands €)	276,665	276,665	164,546	164,546
Earnings per share (including discontinued operations) (in €)	0.96	0.96	3.25	3.23
Earnings per share (excluding discontinued operations) (in €)	3.32	3.30	1.98	1.96

The basic earnings per share amount are 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.

The average closing price during 2014 was € 114.84 per share (2013: € 109.96 per share). In function of this average closing price all share options were in the money, and therefore dilutive, for the presented period (see note 24).

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

NOTE 14 Consolidated statement of comprehensive income

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

	2014			2013		
	Before-tax amount	Tax expense(-)/ benefit(+)	Net-of-tax amount	Before-tax amount	Tax expense(-)/ benefit(+)	Net-of-tax amount
			(in € million)			
Gains and losses on remeasuring hyperinflation	(11)	2	(9)	30	(10)	20
Hyperinflation	**(11)**	**2**	**(9)**	**30**	**(10)**	**20**
Gains and losses on remeasuring available-for-sale financial assets	1	—	1	(3)	—	(3)
Recycling of available-for-sale financial assets disposed of in the year[(1)]	—	—	—	(20)	—	(20)
Available-for-sale financial assets	**1**	**—**	**1**	**(23)**	**—**	**(23)**
Effective portion of gains and losses on hedging instruments in a cash flow hedge	(59)	11	(48)	35	—	35
Recycling to the income statement[(1)]	(1)	—	(1)	(44)	—	(44)
Cash flow hedges	**(60)**	**11**	**(49)**	**(9)**	**—**	**(9)**
Currency translation differences arising during the year	232	—	232	(356)	—	(356)
Recycling of currency translations differences relating to foreign investments disposed of in the year	(1)	—	(1)	—	—	—
Currency translation differences on foreign operations	**231**	**—**	**231**	**(356)**	**—**	**(356)**
Unrecognized actuarial gains and losses on defined benefit pension plans	**(497)**	**59**	**(438)**	**109**	**(28)**	**81**
Other comprehensive income	**(336)**	**72**	**(264)**	**(249)**	**(38)**	**(287)**

Note:—

(1) See note 37.

Hyperinflation

The Venezuelan economy being considered as a hyperinflationary economy, since 2013, the Group applies the hyperinflationary accounting requirements of IAS 29 *Financial Reporting in Hyperinflationary Economies* to its Venezuelan operations. The financial statements are based on the historical cost basis and have been restated to take into account the effects of inflation (2014: € (9) million after taxes, 2013: € 20 million after taxes).

Cash flow hedges

(see note 37: 2014: € (60) million; 2013: € (9) million)

The loss (€ (59) million before taxes) is related to the effective portion of change in fair value for cash flow hedges (currency cash flow hedges for € (46) million).

The recycling of cash flow hedge (€ (1) million after taxes) corresponds mainly to € (7) million of currency cash flow hedges and to € 6 million of energy cash flow hedges.

Currency Translation differences

The total difference amounts to € 231 million of which € (243) million for the Group's share, increasing the balance from € (780) million at the end of 2013 to € (549) million at the end of 2014.

The main variances are linked to:

- the depreciation of the Russian ruble (€ (185) million), the Argentine peso (€ (17) million), the British pound sterling (€ (35) million) compared to the euro;
- the appreciation of the US dollar (€ 335 million), the Brazilian real (€ 22 million), the Thai baht (€ 39 million), the Chinese yuan renminbi (€ 13 million), the South-Korean won (€ 12 million) and the Indian rupee (€ 18 million) compared to the euro.

NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUING AND DISCONTINUED OPERATIONS)

NOTE 15 Depreciation, amortization and impairments

In 2014 total depreciation, amortization and impairment losses amount to € (1,430) million, of which:

- normal straight-line depreciation and amortization: € 790 million (€ 641 million for continuing operations, € 110 million for PPA Rhodia amortization for continuing operations, € 36 million for discontinued operation and € 3 million for PPA Rhodia for discontinuing operations);
- net impairment loss amounted to € 638 million (€ 152 million for continuing operations and € 486 million for discontinued operations).

In 2013 total depreciation, amortization and impairment losses amounted to € (963) million, of which:

- normal straight-line depreciation and amortization € 872 million (€ 638 million for continuing operations, € 143 million for PPA Rhodia amortization and € 91 million for discontinued operations);
- net impairment loss amounted to € 91 million (€ 22 million for continuing operations and € 68 million for discontinued operations).

NOTE 16 Income tax

In 2014

Income tax expense (€ 314 million) includes € 230 million for discontinued operations (including tax on capital gain Eco Services € 171 million).

Income tax paid amounts to € (217) million of which € (13) million for discontinued operations.

In 2013

Income tax expense (€ 236 million) including € 65 million for discontinued operations.

Income tax paid amounted to € (268) million of which € (48) million for discontinued operations.

NOTE 17 Changes in working capital

The change in working capital amounted to € 236 million in 2014, of which € 105 million for continuing operations, due to very low ratio working capital on sales at year end (notably record low accounts receivable overdue performance) and € 131 million for discontinued operations, mainly due to Pharma (€ 102 million) and Indupa business in Latin America (€ 20 million).

In 2013 the change in working capital amounted to € 20 million, of which € (67) million for continuing operations and € 87 million for discontinued operations, mainly due to Chlorovinyls.

NOTE 18 Changes in provisions

In 2014 the amount (€ (213) million) includes:

- the cash-out for € (398) million includes € (35) million for discontinued operations, mainly Chlorovinyl;
- the additions (€ 345 million) and reversals (€ (158) million) presented in the note 35.
- In 2013 the amount (€ (245) million) included:
- the cash-out for € (433) million: total of € (617) million minus the settlement of H_2O_2 anti-trust case for € 175 million, as this amount was already placed in escrow;
- the additions (€ 440 million) and reversals (€ (243) million).

NOTE 19 Other non-operating and non-cash items

The other non-operating and non-cash items for 2014 (€ (357) million) mainly include the gross capital gain of Eco Services (€ (349) million). In 2013 the other non-operating and non-cash items amounted to € 20 million.

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

2014 In € million	Acquisitions	Disposals	Total
Subsidiaries	(304)	732	428
Associates and joint ventures	(107)	—	(107)
Other	—	(11)	(11)
Total investments	**(411)**	**721**	**310**
Tangible/intangible assets	(988)	21	(967)
TOTAL	**(1,398)**	**742**	**(657)**

2013 In € million	Acquisitions	Disposals	Total
Subsidiaries	(878)	(6)	(884)
Associates and joint ventures	(86)	—	(86)
Available-for-sale investments	(10)	50	40
Other	(7)	—	(7)
Total investments	**(981)**	**44**	**(937)**
Tangible/intangible assets	(867)	33	(834)
TOTAL	**(1,848)**	**77**	**(1,771)**

In 2014

The acquisition of subsidiaries (€ (304) million) is mainly related to the acquisition of Ryton® PPS (€ (198) million). Other acquisitions are Erca Quimica Brazil, Flux Schweiß- und Lötstoffe GmbH and Solvay Biomass Energy.

The acquisition of associates and joint ventures (€ (107) million) mainly relates to the capital increase in the RusVinyl PVC joint venture (€ (98) million).

The acquisition of tangible/intangible assets (€ (988) million) relates to various projects:

- Novecare's expansion of ethoxylation capacity in Asia and the United States;
- Aroma: Vanillin production new plant in Zhenjiang (China), boosting its production capacities by 40%;
- The investment in Specialty Polymers in Changshu (China);
- Silica: build-up of a new Highly Dispersible Silica (HDS) plant in Wloclawek (Poland);
- Peroxides: build-up of a Megaplant H_2O_2 JV in Saudi Arabia with Sadara (JV Dow-Aramco);
- Peroxides: Eagle (60Kt H_2O_2 plant at Zhengiang (China));
- Soda Ash and Derivatives: build-up of a large sodium bicarbonate plant in Thailand;
- Soda Ash and Derivatives: investments linked to competitiveness improvements.

The acquisition of tangible and intangible assets related to discontinued operations amounts to € (127) million.

In 2013

The acquisition of subsidiaries (€ (878) million) was mainly related to the acquisition of Chemlogics and it is composed of the total consideration transferred in cash (€ (888) million), net of the cash held by the Company at acquisition (€ 7 million).

Disposal of investments in 2013 referred to the sale of the AGEAS shares (€ 50 million).

The acquisition of associates and joint ventures (€ (103) million) mainly related to the capital increase in the RusVinyl PVC joint venture (€ (86) million) and in the hydrogen peroxyde joint venture with Sadara in Saudi Arabia (€ (24) million).

The acquisition of tangible/intangible assets (€ (867) million) relates to various projects, many of them extending over several years:

- Novecare's expansion of ethoxylation capacity in Asia and the United States;
- Novecare's new surfactant plant in Germany;
- Doubling of Aroma Performance's production capacity for specialty fluorinated derivatives at its plant in Salindres (France);
- The investment in Specialty Polymers in Changshu (China);
- Silica: build-up of a new Highly Dispersible Silica (HDS) plant in Wloclawek (Poland).

The acquisition of tangible and intangible assets related to discontinued operations amounts to € (133) million.

NOTE 21 Proceed from Bond issuance classified as equity

Following the acquisition during 2013 of Chemlogics and to strengthen Solvay's capital structure, a hybrid bond has been issued for a worth of € 1.2 billion. This bond qualifies as an equity instrument in accordance with IAS 32 *Financial Instruments: Presentation*. The amount reported in the cash flow statement in 2013 is the cash received after deduction of issuance costs.

The classification of the Hybrid Bonds in equity is mainly based on the discretionary nature of all payments:

- no maturity (perpetual bond) as the issuer has a call option at every reset date to redeem the instrument;
- at the option of the issuer, interest payments can be deferred indefinitely.

The coupons related to the € 1.2 billion Hybrid Bonds treated as equity, amount to € 42 million during 2014, and 0 during 2013 (€ 700 million NC5.5 at 4.199% and € 500 million NC10 at 5.425%) and are reported as dividends upon declaration (see statement of changes in equity).

NOTE 22 Other cash flows from financing activities

In 2014 the other cash flows from financing activities (€ (3) million) include a various number of non-significant cash inflows and outflows.

In 2013 the other cash flows from financing activities (€ (61) million) include the payments for the liquidity clause related to share based payments signed as part of the Rhodia acquisition (€ (32) million).

NOTE 23 Cash flow from discontinued operations

The 2014 cash flow from discontinued operations (€ 124 million) results from the cash in of the Androgel milestone, related to the disposal of the pharma business (€ 100 million) and the total cash flow of the Indupa business in Latin America (€ (2) million), Chlorovinyls (€ (9) million) and Eco Services (€ 44 million) reclassified as discontinued operations.

In 2013 the cash flow from discontinued operations (€ 268 million) results from the cash in of the Androgel milestone and insurance indemnities, related to the disposal of the Pharma business (€ 128 million) and the total cash flow of the Indupa business in Latin America (€ 6 million) and Eco Services business (€ 55 million) and Chlorovinyls reclassified as discontinued operations (€ 80 million).

NOTE 24 Share-based payments

Stock Option Plan

At the end of 2013, the Group held 1,529,870 treasury shares, to cover the share options offered to Group executives. At the end of 2014, the Group held 1,719,208 treasury shares, which have been deducted from consolidated shareholders' equity.

As it has in every year since 1999, the Board of Directors renewed the share option plan offered to executive staff (around 72 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 to them in 2014 with an exercise price of € 107.61, 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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Number of share options granted and still outstanding at 31/12/2013	119,440	408,200	305,300	146,900	250,300	430,400	413,250	779,847	405,716	—
Granted share options	—	—	—	—	—	—	—	—	—	362,436
Forfeitures of rights and expiries										
Share options exercised	(31,900)	-(284,000)	(92,450)	(48,150)	(67,400)	(208,200)	—	—	—	—
Number of share options at 31/12/2014	87,540	124,200	212,850	98,750	182,900	222,200	413,250	779,847	405,716	362,436
Share options exercisable at 31/12/2014	87,540	124,200	212,850	98,750	182,900	222,200	—	—	—	—
Exercise price (in €)	97.3	109.09	96.79	58.81	72.34	76.49	65.71	88.71	111.01	107.61
Fair value of options at measurement date (in €)	10.12	21.2	18.68	14.95	19.85	15.58	13.54	22.53	21.32	24.25

	2014		2013	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
At January 1	3,259,353	87.97	3,761,947	84.92
Granted during the year	362,436	107.61	405,716	111.01
Forfeitures of rights and expiries during the year	—	—	(6,500)	86.85
Exercised during the year	(732,100)	91.06	(901,810)	85.63
At December 31	2,889,689	89.65	3,259,353	87.97
Exercisable at December 31	928,440	—	1,253,940	—

The share options resulted in a charge in 2014 of € 10.6 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): € 111.45 at March 24, 2014;
- the time outstanding until the option maturity: exercisable from January 1, 2018;
- the option exercise price: € 107.61;
- the risk-free return: 1.67%;
- the volatility of the underlying yield, implied from option price: 25.40%;
- based on a divided yield of 2.9%.

Weighted average remaining contractual life:

In years	2014	2013
Share option plan 2005	2.8	4.8
Share option plan 2006	1.4	2.7
Share option plan 2007	2.5	4.0
Share option plan 2008	2.0	3.0
Share option plan 2009	2.9	3.9
Share option plan 2010	4.0	5.0
Share option plan 2011	5.0	5.9
Share option plan 2012	5.1	6.1
Share option plan 2013	6.2	7.2
Share option plan 2014	7.2	—

Performance Share Units Plan (PSU)

Since 2013, the Board of Directors renewed a yearly Performance Share Units plan, offered to executive staff with the objective of involving them more closely in the development of the Group, making this part of the long-term incentive policy. All the managers involved accepted the PSU offered to them in 2014 with a grant price of € 113.40. The Performance Share Units Plan is qualified as a cash-settled share-based plan. Beneficiaries will obtain cash benefit, based upon the Solvay share price, as well as performance conditions.

Each plan has a 3-year vesting period, after which a cash settlement will take place, if vesting conditions are met.

Performance share units	Plan 2014	Plan 2013
Number of PSU	206,495	217,206
Grant date	24/02/2014	25/03/2013
Acquisition date	01/01/2017	01/01/2016
Vesting period	24/02/2014 to 31/12/2016	25/03/2013 to 31/12/2015
Performance conditions	50% of PSU Granted depending upon the level of REBITDA at closing Financial Year 2016 50% of PSU Granted depending upon the level of CFROI at closing Financial Year 2016	50% of PSU Granted depending upon the level of REBITDA at closing Financial Year 2015 50% of PSU Granted depending upon the level of CFROI at closing Financial Year 2015
Validation of performance conditions	By the board of Directors, subject to confirmation by Solvay Statutory Auditors	By the board of Directors, subject to confirmation by Solvay Statutory Auditors

In 2013 a charge on the income statement regarding 2013 PSU plan was of € 8.4 million, and as of December 31, 2014, the impact on the income statement amounts to € 19 million.

NOTE 25 Intangible assets

	Development costs	Patents and trademarks	Other intangible assets	Total
		(in € million)		
Gross carrying amount				
At December 31, 2012	**147**	**933**	**941**	**2,022**
Capital expenditures	42	1	27	70
Disposals and closures	(11)	(5)	(48)	(64)
Increase through business combinations	30	1	289	319
Currency translation differences	(2)	(25)	(9)	(36)
Other	1	9	(6)	3
Transfer to assets held for sale	(2)	(8)	5	(4)
At December 31, 2013	**206**	**907**	**1,199**	**2,310**
Capital expenditures	38	5	22	64
Disposals and closures	(5)	(46)	(71)	(122)
Increase through business combinations	—	39	23	62
Currency translation differences	5	31	58	94
Other	3	21	(6)	18
Transfer to assets held for sale	2	—	1	3
AT DECEMBER 31, 2014	**249**	**956**	**1,226**	**2,430**
Accumulated amortization				
At December 31, 2012	**(53)**	**(332)**	**(175)**	**(559)**
Amortization	(18)	(78)	(117)	(212)
Disposals and closures	11	5	42	58
Currency translation differences	—	10	3	13
Other	1	8	4	13
Transfer to assets held for sale	—	4	(6)	(2)
At December 31, 2013	**(58)**	**(383)**	**(248)**	**(690)**
Amortization	(27)	(65)	(115)	(207)
Disposals and closures	3	19	15	38
Currency translation differences	(1)	(13)	(11)	(25)
Other	—	(1)	(2)	(4)
Transfer to assets held for sale	—	1	(1)	(1)
AT DECEMBER 31, 2014	**(83)**	**(442)**	**(362)**	**(887)**
Net carrying amount				
At December 31, 2012	**94**	**602**	**766**	**1,463**
At December 31, 2013	**147**	**523**	**951**	**1,621**
AT DECEMBER 31, 2014	**165**	**514**	**864**	**1,543**

The carrying amount of other intangible assets consists mainly of acquired customer relationships and of technologies related to Rhodia. The average useful life of these assets is 11 years.

In 2014, the acquisitions of Ryton® PPS and Flux Schweiß- und Lötstoffe GmbH included intangible assets for € 62 million.

NOTE 26 Goodwill

In € million **Gross carrying amount**	**Total**
At December 31, 2012	**2,717**
Arising on acquisitions	533
Impairments	(4)
Currency translation differences	(9)
Transfer to assets held for sale	(141)
At December 31, 2013	**3,096**
Arising on acquisitions	29
Disposals and closures	(51)
Currency translation differences	76
AT DECEMBER 31, 2014	**3,151**

Following acquisitions, the goodwill increased by € 29 million mainly due to:

- the acquisition of Erca Química on April 1, 2014 which generated a new goodwill for € 17 million;
- the acquisition of Flux Schweiß- und Lötstoffe GmbH on September 30, 2014 which generated a new goodwill for € 16 million;
- the purchase price adjustment of Chemlogics due to the working capital (€ (4) million);

The disposal is related to Eco Services (€ (51) million).

Purchase Price Allocation related to the acquisition of Ryton® PPS (asset deal)

On December 31, 2014 Solvay completed the acquisition of the Ryton® PPS business from U.S.-based Chevron Phillips Chemical Company. The purchase aims at further strengthening unmatched leadership in Specialty Polymers' solutions.

The following table summarizes the consideration paid for Ryton® PPS and the amounts of assets and liabilities assumed recognized provisionally at the acquisition date.

In € million	
TOTAL CONSIDERATION TRANSFERRED (CASH)	**198**
Recognized amounts of identifiable assets acquired and liabilities assumed	**198**
Tangible fixed assets	116
Intangibles assets	44
Inventories	38
Non-industrial working capital and pension liabilities	—
GOODWILL	—

The fair value of intangible assets mainly corresponds to trade name and patents.

Had Ryton® PPS business been consolidated from January 1, 2014, the consolidated statement of comprehensive income would have included revenue of € 111 million and operational profit for € (11) million.

Acquisition costs amounted to € 4 million and are recorded in the non-recurring items.

In 2013, the goodwill increased by € 383 million following:

- the acquisition of Chemlogics on October 31, 2013 which generated a new goodwill for € 529 million;
- the change of control of the Lansol company, which generated a new goodwill for € 4 million;
- the qualification of Chlorchemicals activities as "Held for sale", which triggered the transfer of the existing goodwills allocated to the CGUs "Chlorovinyls Europe", "Olefins" and to the segment "Functional Polymers", to the line "Assets held for sale" for € 141 million;
- the impairment of the existing goodwill in the CGU Plastics Integration for € 4 million, following the qualification of the Benvic activities as Assets held for sale.

Other acquisitions

During 2014 Solvay completed the acquisition of Erca Química in Brazil, Solvay Biomass Energy in the United States and Flux Schweiß- und Lötstoffe GmbH in Germany for a total cash amount of € 96 million. These transactions generated a total amount of provisional goodwill of € 33 million. The identifiable net assets acquired amount to € 63 million and mainly consist of tangible and intangible assets and inventories.

Purchase Price Allocation related to the acquisition of Chemlogics

On October 31, 2013, Solvay acquired 100% of the privately-held Chemlogics, a company offering products to ease frictions in drilling. This acquisition enables Solvay's Novecare business unit to become a leader with an extensive portfolio of tailored chemical solutions for the fast-growing oil & gas market.

The acquisition of Chemlogics will generate significant synergies. Synergies will come from an extended client base and thanks to a comprehensive offering of innovative products and technologies enabling oilfield service players worldwide to competitively and safely extract oil and gas while reducing water consumption. The goodwill of € 529 million arising from the acquisition reflects those synergies expected from the acquisition and the potential of growth.

This goodwill is deductible for U.S. income tax purposes over 15 years.

The following table summarizes the consideration paid for Chemlogics and the amounts of assets and liabilities assumed recognized provisionally at the acquisition date.

	2013	2014 changes	Final
		(in € million)	
TOTAL CONSIDERATION TRANSFERRED (CASH)	**888**	**6**	**894**
Recognized amounts of identifiable assets acquired and liabilities assumed	**359**	**10**	**369**
Tangible fixed assets	30	10	40
Intangibles assets	317	—	317
Inventories	56	—	56
Non-industrial working capital	(6)	—	(6)
Accounts receivable and payable	22	—	22
Net debt	(60)	—	(60)
GOODWILL	**529**	**(4)**	**525**

The fair value of intangible assets mainly corresponds to customer relationships.

Had Chemlogics been consolidated from January 1, 2013, the consolidated statement of comprehensive income would have included revenue of € 10,258 million and operational profit for € 962 million.

Contingent consideration (€ 60 million) is included in the acquisition price and is related to the achievement of performance targets.

The sale agreement contains a retention plan of € 17 million for key employees subject to future services. This cost is recognized in the operational profit over the 3-year vesting period.

Acquisition costs in 2013 amounted to € 5 million and were recorded in the non-recurring items.

The amount paid for the acquisition is € 881 million after deducting € 7 million of cash acquired.

The change in 2014 relates to (i) the adjustment of the purchase price for the working capital (€ (4) million) and to (ii) the purchase of tangible assets (€ 10 million).

Goodwill by cash-generating unit (CGU)

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

	At the beginning of the period	Transfer to asset held for sale	Acquisition and divestment	Impairment	Currency translation differences	2013 At the end of the period	Transfer	Acquisition and divestment	Impairment	Currency translation differences	2014 At the end of the period
					(in € million)						
Groups of CGUs (Operating Segments)											
Advanced Formulations	221	—	—	—	—	221	—	—	—	—	221
Advanced Materials	485	—	—	—	—	485	—	—	—	—	485
Performance Chemicals	166	—	—	—	—	166	—	(9)	—	—	157
Functional Polymers	9	(9)	—	—	—	—	—	—	—	—	—
Cash generating units	**—**	**—**	**—**	**—**	**(6)**	**—**	**—**	**—**	**—**	**—**	**—**
Novecare	478	—	529	—	—	1,001	—	13	—	71	1,085
Polyamides	170	—	—	—	—	170	—	—	—	—	170
Rare Earth Systems	161	—	—	—	(1)	161	—	—	—	—	161
Specialty Polymers	186	—	—	—	—	185	—	—	—	3	188
Acetow	120	—	—	—	—	120	—	—	—		120
Soda Ash and Derivatives EMEA	120	—	—	—	—	120	(120)	—	—	—	—
Soda Ash and Derivatives NAFTA	42	—	—	—	—	42	(42)	—	—	—	—
Soda Ash and Derivatives	—	—	—	—	—	—	162	—	—	—	162
Chlorovinyls Europe	122	(122)	—	—	—	—	—	—	—	—	—
Coatis	82	—	—	—	—	82	—	—	—	—	82
Silica	72	—	—	—	—	72	—	—	—	—	72
Aroma Performances	49	—	—	—	—	49	—	—	—	—	49
Energy Services	49	—	—	—	—	49	—	1	—	—	50
Fluorochemicals	50	—	4	—	—	53	—	16	—	1	70
Eco Services	42	—	—	—	—	42	—	(42)	—	—	—
Hydrogen Peroxyde Europe	20	—	—	—	—	20	—	—	—	—	20
Emerging Biochemicals	20	—	—	—	—	20	—	—	—	—	20
Hydrogen Peroxyde Mercosur	14	—	—	—	—	14	—	—	—	—	14
Olefins	11	(11)	—	—	—	—	—	—	—	—	—
Hydrogen Peroxyde Nafta	7	—	—	—	(1)	7	—	—	—	1	8
Hydrogen Peroxyde Asia	11	—	—	—	—	10	—	—	—	—	10
Precipitated Calcium Carbonate	4	—	—	—	—	4	—	—	—	—	4
Plastics Integration	4	—	—	(4)	—	—	—	—	—	—	—
PVC Mercosur	2	—	—	—	-8	2	—	—	—	—	2
TOTAL GOODWILL	**2,717**	**(141)**	**533**	**(4)**	**—**	**3,096**	**—**	**(22)**	**—**	**76**	**3,150**

In 2014, the CGUs Soda Ash and Derivatives EMEA and NAFTA have been merged due to (i) the globalization of export management inside one Global Business Unit and to (ii) the implementation of one global management which leads to more interdependent cash flows.

NOTE 27 Tangible assets

Gross carrying amount	Land & Buildings	Fixtures & Equipment	Other tangible assets	Properties under construction	Total
			(in € million)		
At December 31, 2012	**3,138**	**12,657**	**248**	**543**	**16,585**
Capital expenditures	5	78	4	711	798
Disposals and closures	(39)	(195)	(29)	(14)	(277)
Increase through business combinations	14	18	5	9	45
Currency translation differences	(92)	(452)	(13)	(22)	(578)
Other	98	315	216	(597)	32
Transfer to assets held for sale	(348)	(2,281)	(45)	(30)	(2,704)
At December 31, 2013	**2,776**	**10,139**	**387**	**600**	**13,902**
Capital expenditures	17	161	10	756	945
Disposals and closures	(113)	(691)	(40)	(30)	(875)
Increase through business combinations	18	108	1	—	127
Currency translation differences	97	442	17	48	605
Other	85	387	51	(409)	114
Transfer to assets held for sale	(16)	(25)	(2)	(49)	(92)
AT DECEMBER 31, 2014	**2,863**	**10,521**	**424**	**916**	**14,725**
Accumulated depreciation					
At December 31, 2012	**(1,629)**	**(9,046)**	**(203)**	**(2)**	**(10,880)**
Depreciation	(74)	(623)	(26)	—	(723)
Impairment	(16)	(33)	—	—	(49)
Reversal of impairment	—	—	—	—	—
Disposals and closures	23	156	27	—	206
Currency translation differences	33	279	11	—	323
Other	19	185	(151)	2	56
Transfer to assets held for sale	246	1,895	39	—	2,180
At December 31, 2013	**(1,398)**	**(7,186)**	**(303)**	**—**	**(8,887)**
Depreciation	(79)	(332)	(64)	—	(475)
Impairment	—	(288)	(2)	—	(290)
Reversal of impairment	4	—	—	—	4
Disposals and closures	60	531	30	—	621
Currency translation differences	(40)	(269)	(14)	—	(323)
Other	(19)	(49)	3	—	(65)
Transfer to assets held for sale	19	53	2	—	75
AT DECEMBER 31, 2014	**(1,452)**	**(7,540)**	**(348)**	**—**	**(9,339)**
Net carrying amount					
At December 31, 2012	**1,509**	**3,611**	**45**	**541**	**5,706**
At December 31, 2013	**1,378**	**2,953**	**84**	**600**	**5,015**
AT DECEMBER 31, 2014	**1,412**	**2,982**	**77**	**916**	**5,386**

Note:—
See also note 20 with respect to capital expenditures.

Finance leases

	Land and buildings	Fixtures and equipment	Total
		(in € million)	
Net carrying amount of finance leases included in the table above	2	—	2

Finance lease obligations

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
	(in € million)			
Amounts payable under finance leases:	—	—	—	—
Within one year	1	1	1	1
In years two to five inclusive	3	2	3	2
Beyond five years	—	—	—	—
Less: future finance charges	(3)	(1)	(3)	(1)
Present value of minimum lease payments of finance leases	**1**	**2**	**1**	**2**
Less: Amount due for settlement within 12 months	—	—	—	—
Amount due for settlement after 12 months	**—**	**—**	**1**	**2**

The carrying amount of lease obligations approximates their fair value.

Operating lease obligations

	2014	2013
	(in € million)	
Total minimum lease payments under operating leases recognized in the income statement of the year	86	84
Within one year	85	80
In years two to five inclusive	242	245
Beyond five years	97	95
TOTAL OF FUTURE MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES	**424**	**420**

Operating leases are mainly related to offices and warehouses.

NOTE 28 Impairment

Assets other than non-current assets held for sale

In accordance with IAS 36 *Impairment of Assets*, (see "*IFRS main accounting policies – 7. Goodwill, and 16. Impairment of tangible and intangible assets excluding goodwill*"), the recoverable amount of property, plant and equipment, intangible assets, cash-generating units (CGUs) or groups of CGUs, including goodwill, corresponds to the higher of their fair value less costs of disposal, and their value in use. The latter equals the present value of the future cash flows expected to be derived from each asset, CGU or group of CGUs and is determined using the following inputs:

- business plan approved by management based on growth and profitability assumptions, taking into account past performances, forecast changes in the economic environment and expected market developments. Such business plan generally covers 5 years, unless management is confident that projections over a longer period are reliable;
- consideration of a terminal value determined based on the cash flows obtained by extrapolating the cash flows of the last year of the business plan referred to above, affected by a long-term growth rate deemed appropriate for the activity and the location of the assets;
- discounting of expected cash flows at a rate determined using the weighted average cost of capital formula.

Discount rate

The discount rate is estimated based on an extensive benchmarking with peers, for it to reflect the return investors would require if they were to choose an investment in the underlying assets. The weighted average cost of capital used to discount future cash flows was set at 7.7% in 2014 (8.2% in 2013). Such decrease is mainly driven by a decrease of the equity risk premium. In accordance with Group policies, the change has been capped at 50 basis points.

Long-term growth rates

The long-term growth rate was set between 1% and 3% depending on the CGU. The growth rates are consistent with the long-term average market growth rates for the respective CGUs, and the countries in which they operate.

Other key assumptions are specific to each CGU (energy price, volumes, margin, etc.).

General

Except as disclosed below, the impairment tests performed at December 31, 2014 did not lead to any impairment of assets, as the recoverable amounts of the (groups of) CGUs were significantly higher than their carrying amounts. More specifically, the difference between the (groups of) CGUs' carrying amount and their value in use represents in all cases more than 10% of their carrying amount. As such, for those (groups of) CGUs, a reasonable change in a key assumption on which the recoverable amount of the (groups of) CGUs is based, would not result in an impairment loss for the related (groups of) CGUs. In this respect, we note the following:

- the group of CGUs Polyamide & Intermediates includes a goodwill of € 170 million. Its recoverable amount has been determined to equal its value in use, calculated as explained above. An increase of the discount rate with 50 basis points decreases the positive difference between the recoverable amount and the carrying amount from € 337 million to € 215 million. A decrease of the growth rate with 100 basis points decreases the positive difference between the recoverable amount and the carrying amount from € 337 million to € 198 million;
- the group of CGUs Rare Earth Systems includes a goodwill of € 161 million. Its recoverable amount has been determined to equal its value in use, calculated as explained above. An increase of the discount rate with 50 basis points decreases the positive difference between the recoverable amount and the carrying amount from € 50 million to € 11 million. A decrease of the growth rate with 100 basis points decreases the positive difference between the recoverable amount and the carrying amount from € 50 million to € 21 million.

Impairment losses are recognized as non-recurring items (see note 7).

RusVinyl

RusVinyl is a Russian joint venture in chlorovinyls (Operating Segment: Functional Polymers) in which Solvay holds a 50% equity interest, together with Sibur who holds the remaining 50% equity interest. After application of the equity method, the equity investment has been tested for impairment during the fourth quarter of 2014, following the latest developments in the Russian economy that took place during this quarter, including but not limited to the substantial devaluation and the increased volatility of the RUB/€ exchange rate. The recoverable amount of the investment has been estimated based on a dividend discount model (value in use calculation). The impairment loss recognized during 2014 amounts to € 110 million.

The recoverable amount is highly sensitive to the RUB/€ exchange rate. This rate impacts the carrying amount of the investment, the foreign currency losses on the euro denominated debt, and consequently the distributable earnings potential. Sensitivities on exchange rate RUB/€ and, inflation in Russia lead to a range of outcomes varying between € 120 million above and below the recoverable amount.

Other

Following conditions specific to the Chinese market, the Group decided to put on hold the construction of a production asset in Solvay Biochemical (Taixing) (Operating Segment: Performance Chemicals). The resulting impairment test led to the recognition of an impairment loss on property, plant and equipment in the amount of € 34 million.

Non-current assets held for sale

This paragraph should be read together with note 34 Assets held for sale. The impairment loss recognized on non-current assets held for sale during 2014 relates to the discontinued operations of the chlorovinyls to be contributed to the 50/50 joint venture with INEOS. The joint venture will pool both groups' assets across the entire chlorovinyls chain, including PVC, caustic soda and chlorine derivatives. The assets classified as held for sale are measured at the lower of their carrying amount and their fair value less costs of disposal. This fair value less costs of disposal has been calculated based on the agreement signed with INEOS at the end of the second quarter. It considers the upfront payment of € 175 million at closing, the transfer of liabilities worth € 250 million into the joint venture, as well as Solvay's exit conditions after three years, when it will receive additional cash proceeds targeted at € 250 million. These final cash proceeds at exit will be adjusted based on the joint venture's average REBITDA performance during its three-year period, with a minimum exit payment of € 75 million. As a result the fair value is categorized in level 3 and the key assumption is the average REBITDA performance in the next three years. Based on this, at June 30, 2014, an impairment loss of € 477 million, allocated to goodwill (€ 143 million), and property plant and equipment and accruals for costs of disposal (€ 335 million) has been recognized. The impact on net income/loss Group share amounted to € (422) million, after taking into account the portion attributable to non-controlling interests.

NOTE 29 Available-for-sale financial assets

	2014	2013
	(in € million)	
CARRYING AMOUNT AT JANUARY 1	**38**	**66**
Acquisition of New Business Development (NBD)	4	10
Gains and losses on remeasuring available-for-sale financial assets	1	(3)
Available-for-sale financial assets disposed of in the year	—	(35)
Available-for-sale financial assets impaired in the year	(1)	—
Other	1	—
CARRYING AMOUNT AT DECEMBER 31	**43**	**38**
Of which recognized directly in equity	(4)	(6)

Note:—
See also note 37 B.

In 2013, the disposal of available-for-sale financial assets is related to sale of all the AGEAS shares held by the Group.

NOTE 30 Investments in associates and joint ventures

Investments In Associates*

	2014	2013
	(in € million)	
CARRYING AMOUNT AT JANUARY 1	**19**	**32**
Acquisition / Disposal	11	(2)
Net income from associates	—	(2)
Dividend received from associates	(2)	(2)
Impairment of Plextronics	—	(11)
Transfer from other investments	—	5
Currency translation differences	1	(2)
Other	1	—
CARRYING AMOUNT AT DECEMBER 31	**30**	**19**

* See note 42.

The capital increase in joint ventures mainly relates to the investment in RusVinyl (2014 € 96 million, 2013 € 84 million).

The currency translation difference in joint ventures mainly relates to the depreciation of the depreciation of the Russian ruble, the Thai baht, the Brazilian real and the Indian rupee compared to the euro.

*Investments In Joint Ventures**

	2014	2013
	(in € million)	
CARRYING AMOUNT AT JANUARY 1	**563**	**562**
Capital increase / decrease	97	86
Net income from joint ventures	(34)	33
Dividend received from joint ventures	(15)	(49)
Impairment of RusVinyl	(110)	—
Currency translation differences	(154)	(71)
Other	2	1
CARRYING AMOUNT AT DECEMBER 31	**350**	**563**

* See note 42.

The capital increase in joint ventures mainly relates to the investment in RusVinyl (2014 € 96 million, 2013 € 84 million).

The currency translation difference in joint ventures mainly relates to the depreciation of the depreciation of the Russian ruble, the Thai baht, the Brazilian real and the Indian rupee compared to the euro.

NOTE 31 Other investments

	2014	2013
	(in € million)	
CARRYING AMOUNT AT JANUARY 1	**114**	**127**
Disposed of during the year	(5)	(3)
Acquired during the year	16	—
Capital increase / decrease	3	7
Changes of consolidation method	(1)	(5)
Changes in consolidation scope	—	(5)
Transfer to assets held for sale	—	(1)
Impairments	(8)	(8)
Reversal of impairments	2	4
Other	1	(2)
CARRYING AMOUNT AT DECEMBER 31	**121**	**114**

NOTE 32 Inventories

	2014	2013
	(in € million)	
Finished goods	854	763
Raw materials and supplies	591	546
Work in progress	45	45
TOTAL	**1,490**	**1,355**
Write-downs	(70)	(55)
NET TOTAL	**1,420**	**1,300**

NOTE 33 Other current receivables – Other

	2014	2013
	(in € million)	
VAT and other taxes	249	277
Advance to suppliers	30	34
Financial instruments – operational	52	53
Insurance premiums	18	16
Other	151	193
OTHER CURRENT RECEIVABLES – OTHER	**500**	**572**

Financial instruments include held for trading and cash flow hedge derivatives (see note 37 A).

NOTE 34 Assets held for sale

	2014			2013			
	Chlorovinyls	Solvay Indupa		Chlorovinyls	Solvay Indupa	Benvic	
	at fair value	at fair value	Total	at book value	at fair value	at fair value	Total
				(in € million)			
Property, plant and equipment	635	145	780	672	91	—	763
Goodwill	—	1	1	142	—	—	142
Other intangible assets	4	—	4	7	—	—	7
Investments	—	11	11	—	14	—	14
Inventories	166	55	221	149	56	11	216
Trade and other receivables	315	57	372	333	102	34	469
Cash and cash equivalent	—	24	24	—	11	—	11
Assets held for sale	***1,120***	***294***	***1,414***	***1,302***	***273***	***46***	***1,621***
Non-current liabilities	111	5	116	325	90	7	422
Trade and other payables	765	281	1,047	320	185	22	527
Liabilities associated with assets held for sale	**876**	**286**	**1,162**	**645**	**275**	**29**	**949**
NET ASSETS DIRECTLY ASSOCIATED WITH DISPOSAL GROUP	**244**	**7**	**251**	**657**	**(2)**	**17**	**672**
Included in other comprehensive income							
Currency translation differences[(1)]	—	(63)	(63)	(1)	(60)	—	(61)
Defined benefit pension plan	(49)	(3)	(52)	(23)	(2)	(2)	(27)
OTHER COMPREHENSIVE INCOME	**(49)**	**(65)**	**(114)**	**(24)**	**(62)**	**(2)**	**(88)**

Note:—

(1) Including € (53) million for the Solvay share in Solvay Indupa in 2014 (€ (51) million in 2013).

Assets held for sale at year end include Chlorovinyls net assets held for sale for € 244 million in 2014, and result from the difference between the fair value of the net assets contributed (€ 404 million), the estimated adjustments (€ (137) million based on year-end balance) for target working capital, excluded assets and liabilities (of which financial debts) and other costs to sell (€ (22) million).

To assess the fair value of the Group interest in Solvay Indupa, management has referred to the amount of the deal signed with Braskem (level 3 fair value classification) and rejected at year end by Brazilian competition authority.

NOTE 35 Provisions

	Employee benefits	Restructuring	Environment	Litigation	Other	Total
			(in € million)			
At December 31, 2013[(1)]	**2,685**	**109**	**636**	**327**	**63**	**3,820**
Additions	90	58	74	52	70	345
Reversals	(13)	(21)	(24)	(74)	(27)	(158)
Uses	(208)	(68)	(73)	(18)	(31)	(398)
Increase through time value of money	105	—	69	2	4	180
Remeasurements	508	—	—	—	—	508
Currency translation differences	62	1	16	2	3	84
Acquisitions and changes in consolidation scope	2	—	—	—	—	2
Disposals	(19)	—	(1)	(1)	(7)	(28)
Transfer to liabilities associated with assets held for sale	(36)	0	7	—	—	(28)
Others	(10)	(1)	7	(4)	11	3
AT DECEMBER 31, 2014	**3,166**	**77**	**713**	**285**	**87**	**4,328**
Of which current provisions	—	72	115	100	21	308

Note:—

(1) All presented figures include the impact of IFRS 11.

In total, provisions increased by € 508 million.

The main events of 2014 are:

- the favorable employee benefits assets performance with a positive impact in equity of € 87 million;
- the decrease in discount rates and other financial assumptions used for the computation of employee benefits obligations in the Eurozone, the United Kingdom and the United States with a negative impact in equity of € 570 million;
- the decrease in discount rates used for the computation of environmental liabilities in the Eurozone, the United States, the United Kingdom and Brazil for a total impact on net result of € 40 million;
- the classification as "Held for Sale" of "Eco Services" activities, resulting in a decrease of provisions for € 28 million.

Management expects provisions (other than Employee benefits) to be used (cash outlays) as follows:

	up to 5 years	between 5 and 10 years	beyond 10 years	Total
	(in € million at December 31, 2014)			
Total provisions for environment	330	153	230	713
Total provisions for litigation[1]	201	46	—	247
Total other provisions	120	17	27	165
TOTAL	**651**	**216**	**257**	**1,124**

Notes:—

(1) Excluding provisions with cash deposit to guarantee the liabilities (€ 38 million).

35.A. Provisions for employee benefits

Overview

	2014	2013
	(in € million)	
Post-employment benefits	3,015	2,539
Other long-term benefits	75	68
Benefits not valued according to IAS 19	36	36
Termination benefits	41	42
EMPLOYEE BENEFITS	**3,166**	**2,685**

Post-employment benefit plans are classified into defined contribution and defined benefit plans.

Defined contribution plans

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

For defined contribution plans, Solvay pays contributions to publicly or privately administered pension funds or insurance companies. For 2014, the expense amounted to € 18 million compared to € 16 million for 2013.

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.

The figures presented as Termination Benefits are mainly composed of pre-pension schemes in Belgium and Germany.

Multiemployer Plans

Solvay contributed in the United States to two multiemployer pension plans under collective bargaining agreements that cover certain of its union-represented employees. During 2014 Solvay has withdrawn from the PACE Industry Union-Management pension fund effective as of May 1, 2014, pursuant to a collective bargaining agreement. Also, following the divestiture of Eco Services business Solvay no longer contributes to the Western Conference of Teamsters pension fund.

Each of the multiemployer plans is a defined benefit pension plan. None of the multiemployer plans provide an allocation of its assets, liabilities, or costs among contributing employers. None of the multiemployer plans provides sufficient information to permit Solvay, or other contributing employers, to account for the multiemployer plan as a defined benefit plan. Accordingly, the Company accounts for its participation in each of the multiemployer plans as if it were a defined contribution plan.

For multiemployer plans, during 2014, Solvay paid as yearly contributions less than € 1 million.

Provisions for post-employment benefits

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

	2014	2013
	(in € million)	
Provisions	3,015	2,539
Capitalized pensions assets	(1)	(3)
Net liability	**3,014**	**2,536**
Operational expense	57	57
Financial expense	94	94

Management of risk

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.

Solvay keeps a constant follow up over group risk exposure, having a specific focus on the following risks:

Asset volatility

Equities, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. To mitigate this risk, the global objective for funded schemes is to invest in a balanced proportion between equities and bonds. The allocation to equities is monitored using ALM techniques, to ensure it remains appropriate given the respective schemes' and company's long-term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the schemes' liabilities for accounting purposes. For funded schemes this will be partially offset by an increase in the value of the schemes' bond holdings.

Inflation risk

The benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). A limited part of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member. Increases in life expectancy will therefore result in an increase in the liabilities.

Currency risk

This risk is limited, as major plans in foreign currency are funded and most of their assets are denominated in the currency in which benefit payments will take place.

Regulatory risk

For partly or fully unfunded plans, the Group is exposed to the risk of external funding following regulatory constraints. This should not impact the defined benefit obligation but could expose the Group to a potential significant cash outlay.

For more information about Solvay group risk management, please refer to the “Management of risks” section of the present document.

Description of obligations

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.

The largest post-employment plans in 2014 are in the United Kingdom, France, the United States, Germany and Belgium. These five countries represent 95% of the total defined benefit obligation.

	2014	2013
United Kingdom	33%	32%
France	25%	25%
USA	15%	15%
Germany	14%	14%
Belgium	8%	8%
Other countries	5%	6%

United Kingdom

Solvay sponsors a few defined benefit plans in the United Kingdom; the largest one is the Rhodia Pension Fund. This is a final salary funded pension plan, with entitlement to accrue a percentage of salary per year of service. It was closed to new entrants in 2003 and replaced by a defined contribution plan.

Broadly, about 9% of the liabilities are attributable to current employees, 23% to former employees and 68% to current pensioners.

The Fund functions and complies with British legislation under a large regulatory framework. The Pensions Regulator has a risk based approach to regulation and a code of practice which provides practical guidance to trustees and employers of defined benefit schemes on how to comply with the scheme funding requirements. In accordance with British legislation, the Fund is subject to Scheme Specific Funding which requires that pension plans are funded.

The Rhodia Pension Fund is subject to a triennial valuation cycle for funding purposes. This valuation is performed by the scheme actuary in line with British regulations and is discussed between the Trustees and the sponsoring employer to agree the valuation assumptions and a funding plan. The last completed valuation was as at January 1, 2012 which established a fixed contribution rate of pensionable pay for active members plus a deficit recovery plan which aims to fund the scheme to technical provisions over a period of time. The next valuation is due at January 1, 2015 and will be completed in early 2016, any changes required to the contribution rate and deficit recovery plan will be agreed during this valuation process and will be implemented from 2016.

The British Rhodia Pension Fund is governed by a Board of Trustees. They manage the Fund with prudent and fair judgment. The Trustees determine the liabilities used for Statutory Funding Objectives based on prudent actuarial and economic assumptions. Any shortfall or deficit must be repaired by additional contributions and in a time frame that fits with the employer’s ability to pay and the strength of covenant or contingent security being offered.

France

Solvay sponsors different defined benefit plans in France: the French compulsory retirement indemnity plan but also two closed and one open top hat plans.

The main plan is for all former Rhodia current and retired employees who contributed to the plan prior to its closure in the 1970s. It offers a full benefit guarantee based on the end-of-career salary. This plan is unfunded and broadly, about 92% of the liabilities are attributable to current pensioners.

United States

Solvay sponsors three different defined benefit pension plans in the United States of which two are closed to new entrants since 2003, and one is open, which is a cash balance plan. All these plans are funded.

Solvay's plans are in compliance with local laws regarding audited financial statements, governmental filings, and Pension Benefit Guaranty Corp insurance premiums where applicable. The plans are reviewed and monitored locally by Fiduciary Committees for purposes of plan investments and administrative matters.

For these American plans, Solvay's contributions take into account minimum (tax-deductible) funding requirements as well as maximum tax deductible contributions, both regulated by the Internal Revenue Service.

Eligible participants may also elect to receive their pension in a single lump sum payment in lieu of a monthly payment.

Broadly, about 37% of the liabilities are attributable to current employees, 14% to former employees for whom benefit payments have not yet commenced and 49% to current pensioners.

Germany

Solvay sponsors four different defined benefit plans in Germany, of which two are closed to new entrants and two are open. As commonly in Germany, all these plans are unfunded. Under these plans, employees are entitled to annual pensions on retirement based on their service and final salary.

Broadly, about 60% of the liabilities are attributable to current pensioners.

Belgium

Solvay sponsors two defined benefit plans in Belgium. These are funded pension plans which are closed for future accrual since end of 2006 for the one in favor of the executives and since end of 2004 for the one in favor of the White and Blue collars. The past service benefits provided under these plans continue to be adapted each year considering annual salary increase and inflation ("Dynamic management"). As often in Belgium, because of favorable retirement lump sum taxation, most benefits are paid as lump sum.

Furthermore, Solvay sponsors two open defined contribution plans. These are funded pension plans which are open since beginning of 2007 for the one in favor of the executives and since beginning of 2005 for the one in favor of the White and Blue collars. Participants may choose to invest their contributions amongst four different investment funds (from "Prudent" to "Dynamic"). However, regardless of their choices, the Belgian law currently foresees that the employer must guarantee a 3.25% return on employer contribution and 3.75% on personal contribution, creating that way a potential liability for the Company. The defined benefit obligation is set equal to the maximum between the actual accounts and the account balances calculated with the minimum guaranteed return, as determined by individual. For these plans Solvay has € 119 million of plan assets at December 31, 2014, and paid € 11 million of contributions during 2014. At the end of 2014 there is no material net liability recognized in the balance sheet concerning these plans.

Solvay's plans are administered through two Solvay Pension Funds that operate in compliance with local laws regarding minimum funding, investments principles, audited financial statements, governmental filings, and governance principles. Pension Funds are managed through a General Assembly and a Board of Directors delegating day-to-day activities to an operational Committee.

Other Plans

The majority of the obligations relate to pension plans. In some countries (mainly the United States), there are also post-retirement medical plans, which represent less than 5% of the total defined benefit obligation.

Movements of the year

Net expense

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

	2014	2013
	(in € million)	
Service costs	**48**	**47**
Current Service cost	46	48
Past service cost (including Curtailments)	2	(1)
Net Interest	94	94
Interest cost	188	177
Interest Income	(94)	(83)
Administrative expenses paid	**9**	**10**
NET EXPENSE RECOGNIZED IN P&L – DEFINED BENEFIT PLANS	**151**	**151**
Remeasurements	508	(109)
REMEASUREMENTS RECOGNIZED IN OCI	**508**	**(109)**

The service costs and administrative expenses of these benefit plans are charged variously to cost of sales, commercial and administrative costs, research & development costs or operating gains and losses and non-recurring items, and the net interest is reported as a financial expense.

In 2013 the Group current service costs amounted to € 48 million, of which € 30 million related to funded plans and € 18 million related to unfunded plans.

The Group current service costs for 2014 amounted to € 46 million, of which € 29 million related to funded plans and € 17 million related to unfunded plans.

Net liability

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

	2014	2013
	(in € million)	
Defined benefit obligations – funded plans	2,907	2,562
Fair value of plan assets at end of period	(2,102)	(1,907)
DEFICIT FOR FUNDED PLANS	**805**	**655**
Defined benefit obligations – unfunded plans	2,197	1,881
DEFICIT / SURPLUS (-)	**3,002**	**2,536**
Amounts not recognized as asset due to asset ceiling	12	—
NET LIABILITY (ASSET) IN BALANCE SHEET	**3,014**	**2,536**
Provision recognized in the balance sheet	3,015	2,539
Asset recognized in the balance sheet	(1)	(3)

The net increase of the net liability of € 478 million between 2013 and 2014 is mainly explained by:

- remeasurements mainly due to the decrease of discount rates for the Eurozone, the United Kingdom and the United States;
- the disposal of Eco Services activities.

Defined benefit obligations evolved as follows:

	2014	2013
	(in € million)	
DEFINED BENEFIT OBLIGATION AT BEGINNING OF PERIOD	**4,443**	**4,760**
Current Service cost	46	48
Interest cost	188	177
Actual employee contributions	6	4
Past Service costs (including curtailments)	2	(1)
Settlements	—	—
Acquisitions / Disposals (-)	(62)	—
Remeasurements in OCI	583	(19)
Actuarial Gains & Losses due to changes in Demographic assumptions	5	46
Actuarial Gains & Losses due to changes in Financial assumptions	570	(35)
Actuarial Gains & Losses due to experience	8	(30)
Actual benefits paid	(261)	(256)
Currency translation differences	199	(89)
Reclassification	(1)	(4)
Held for Sale	(40)	(178)
DEFINED BENEFIT OBLIGATION AT END OF PERIOD	**5,103**	**4,443**
Defined benefit obligations – funded plans	2,907	2,562
Defined benefit obligations – unfunded plans	2,197	1,881

In 2013 the classification as "Held for Sale" of Chlorovinyls activities, led to a decrease of the defined benefit obligation by € 173 million, and in 2014 led to a decrease of € 40 million. The disposal of Eco Services activities, led to a decrease of the defined benefit obligation by € 62 million.

The fair value of plan assets evolved as follows:

	2014	2013
	(in € million)	
FAIR VALUE OF PLAN ASSETS AT BEGINNING OF PERIOD	**1907**	**1931**
Finance Income	94	83
Remeasurements in OCI	87	90
Return on plan assets (excl. amounts in net interests)	87	90
Actual employer contributions	180	185
Actual employee contributions	6	4
Acquisitions / Disposals (-)	(43)	—
Administrative expenses paid	(9	(10)
Actual benefits paid	(261)	(256)
Currency translation differences	142	(72)
Reclassification	5	1
Held for Sale	(7)	(48)
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**2102**	**1907**
Actual return on plan assets	181	172

The total return on plan assets amounts to € 181 million. This relatively good result comes from the better market conditions which impact positively the asset portfolio during the year.

In 2013, the classification as "Held for Sale" of Chlorovinyls activities, led to a decrease of plan assets by € 48 million, and in 2014 led to a decrease of € 7 million. The disposal of Eco Services activities, led to a decrease of plan assets by € 43 million.

The Group cash contributions (including direct benefits payments) in 2013 amounted to € 185 million, of which € 81 million of contributions to funds and € 104 million of direct benefits payments.

The Group cash contributions (including direct benefits payments) for 2014 amounted to € 180 million, of which € 75 million of contributions to funds and € 105 million of direct benefits payments.

Except for significant changes in the regulatory environment (see "*Regulatory risk*" above), the Group cash contributions in 2015 will be around € 160 million.

The main categories of plan assets are:

	2014		2013	
	Quoted % of Total	Non-Quoted % of Total	Quoted % of Total	Non-Quoted % of Total
Equity	51%	0%	41%	0%
Bonds				
Bonds Investment Grade	44%	0%	35%	0%
Bonds Non-Investment Grade	1%	0%	1%	0%
Properties	1%	0%	2%	1%
Cash and cash equivalents	3%	0%	2%	0%
Derivatives				
Structured debt (LDI)	0%	0%	9%	0%
Other Derivatives	0%	0%	0%	0%
Others	0%	0%	6%	3%
TOTAL	**100%**	**0%**	**96%**	**4%**

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

Changes in net liability during the period:

	2014	2013
	(in € million)	
Net amount recognized at beginning of period	**2,536**	**2,830**
Net expense recognized in profit & loss – Defined benefit plans	151	151
Actual employer contributions / direct actual benefits paid	(180)	(185)
Impact of acquisitions / disposals	(18)	—
Remeasurements	508	(109)
Reclassification	(6)	(4)
Currency translation differences	57	(17)
Held for Sale	(33)	(130)
Net amount recognized at end of period	**3,014**	**2,536**

Changes in assets ceiling during the period:

	2014	2013
	(in € million)	
Effect of the limit in paragraph 58(b) and IFRIC 14 at beginning of year	**—**	**1**
Interest expense on the effect of the limit in paragraph 58(b) and IFRIC 14	—	—
Variation of the effect of the limit in paragraph 58(b) and IFRIC 14	12	(1)
Effect of the limit in paragraph 58(b) and IFRIC 14 at end of year	**12**	**—**

The impact of changes in asset ceiling recognized through OCI amounts to € 12 million. These impacts concern the plans of Brazil, Portugal and Switzerland.

Actuarial assumptions

Actuarial assumptions used in determining the benefit obligation at December 31.

These assumptions are not related to a specific segment.

	Eurozone		United Kingdom		United States	
	2014	2013	2014	2013	2014	2013
Discount rates	1.75%	3.25%	3.50%	4.50%	4.00%	4.75%
Expected rates of future salary increases	2.25% – 4.25%	2.50% – 4.50%	3.35% – 3.50%	3.50% – 3.75%	2.75% – 4.25%	2.75% – 4.25%
Inflation Rates	1.75%	2.00%	3.00%	3.25%	2.25%	2.50%
Expected rates of pension growth	0.00% – 1.75%	0.00% – 2.00%	3.00%	3.25%	NA	NA
Expected rates of medical care cost increases	2%	2%	5.5%	6.4%	4.25% – 7.75%	4.75% – 7.25%

Actuarial assumptions used in determining the annual cost.

These assumptions are not related to a specific segment.

	Eurozone		United Kingdom		United States	
	2014	2013	2014	2013	2014	2013
Discount rates	3.25%	3.25%	4.50%	4.25%	4.75%	3.75%
Expected rates of future salary increases	2.50% – 4.50%	2.50% – 4.50%	3.50% – 3.75%	3.00% – 3.25%	2.75% – 4.25%	3.00% – 4.50%
Inflation Rates	2.00%	2.00%	3.25%	2.50%	2.50%	2.50%
Expected rates of pension growth	0.00% – 2.00%	0.00% – 2.00%	3.25%	2.50%	NA	NA
Expected rates of medical care cost increases	2%	2%	6.4%	6.5%	4.75% – 7.25%	5.00% – 7.50%

Actuarial assumptions regarding future mortality are based on recent country specific mortality tables. These assumptions translate at December 31, 2014 into an average life expectancy in years for a pensioner retiring at age 65:

In years	United Kingdom	United States	Belgium	France	Germany
Retiring at the end of the reporting period:					
Male	22	19	18	24	19
Female	25	21	21	27	23
Retiring 20 years after the end of the reporting period:					
Male	24	19	18	27	22
Female	26	21	21	30	26

For the United States, Solvay expects to apply updated prospective mortality tables, published during the fourth quarter of 2014 by the Society of Actuaries, as from 2015 onwards. Please refer to the section "Critical accounting judgments and key sources of estimation uncertainty".

The actuarial assumptions used in determining the benefit obligation at December 31 are based on the following employee benefits liabilities durations:

	Eurozone	United Kingdom	United States
Duration in years	12.0	15.8	9.9

Sensitivities

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

	0.25% increase	0.25% decrease
	(in € million)	
Eurozone	(80)	83
United Kingdom	(63)	66
United States	(18)	18
Others	(4)	4
TOTAL	**(165)**	**171**

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

	0.25% increase	0.25% decrease
	(in € million)	
Eurozone	73	(71)
United Kingdom	46	(45)
United States	(5)	5
Others	1	0
TOTAL	**115**	**(111)**

Sensitivity to a change of percentage in salary growth rate on the defined benefits obligation is as follows:

	0.25% increase	0.25% decrease
	(in € million)	
Eurozone	26	(24)
United Kingdom	5	(5)
United States	1	(1)
Others	1	(1)
TOTAL	**33**	**(31)**

Sensitivity to a change of 1 year on mortality tables on the defined benefits obligation is as follows:

	Age correction +1 Year	Age correction -1 Year
	(in € million)	
Eurozone	(88)	89
United Kingdom	(47)	47
United States	(23)	23
Others	(5)	5
TOTAL	**(163)**	**164**

35.B. Restructuring provisions

These provisions stand at € 77 million, compared with € 109 million at the end of 2013.

The main provisions at the end of 2014 serve to cover:

- the costs of reorganizing the Functions and the back & front office following the integration of Rhodia (€ 30 million);
- the costs linked to the reorganization of the Soda Ash activities to address structural overcapacity in Europe (€ 13 million).

35.C. Environmental provisions

These provisions stand at € 713 million, compared with € 636 million at the end of 2013.

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 1-20 year horizon and amount to € 162 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 horizon;

- dikes, dump sites and land: the provisions relate mainly to soda plant dikes, old lime dikes and land and dump sites linked to activities at certain industrial sites; these provisions have a horizon of 1 to 20 years;
- provisions linked to various types of pollution (organic, inorganic) coming from miscellaneous specialty chemical productions; these provisions are mainly covering stopped activities or closed plants; most of these provisions have an horizon of 1 to 20 years.

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

35.D. Provisions for litigation

Provisions for litigation stand at € 285 million at the end of 2014 compared with € 327 million at the end of 2013.

The main provisions at the end of 2014 serve to cover:

- tax risks (€ 190 million);
- legal claims (€ 95 million).

35.E. Other provisions

Other provisions, set up to cover specific risks such as obligations related to the shutdown or disposal of activities, amount to € 87 million, compared with € 63 million at the end of 2013.

NOTE 36 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 amounts to € 778 million at the end of 2014 compared with € 1,141 million at the end of 2013, using the excess cash to reimburse the financial debt.

	2014	2013
	(in € million)	
Financial debt	2,338	3,584
Other current receivables – Financial instruments	(309)	(481)
Cash and cash equivalents	(1,251)	(1,961)
NET INDEBTEDNESS	**778**	**1,141**

Note:—
Liabilities (+) / Assets (-)

Solvay's ratings by two rating agencies are: BBB+/A2 (stable outlook) at Standard and Poors, and Baa2/P2 (stable outlook) at Moody's.

Financial debt

	2014	2013
	(in € million)	
Subordinated loans	499	498
Bonds	491	1,832
Long-term finance lease obligations	2	3
Long-term debts to financial institutions	300	300
Other long-term debts	193	176
Amount due within 12 months (shown under current liabilities)	505	519
Other short-term borrowings (including overdrafts)	348	255
TOTAL FINANCIAL DEBT (SHORT- AND LONG-TERM)	**2,338**	**3,584**

In 2014, in January, Solvay reimbursed the € 500 million EMTN bond maturing, and in May, the two Rhodia high yield bonds of respectively € 500 million (first call option) and $ 400 million (earlier redemption).

As from April 2014, Solvay successfully issued Belgian Treasury Notes (€ 75 million at the end of 2014) under its available program of € 1 billion.

Borrowings and credit lines

The largest borrowings maturing after 2014 are:

						2014		2013	
	Nominal amount		**Coupon**	**Maturity**	**Secured**	**Amount at amortized cost**	**Fair value**	**Amount at amortized cost**	**Fair value**
					(in € million)				
EMTN bonds issued by Solvay SA (Belgium)	500	300	4.75%	2018	No	491	571	490	567
		200(tap)	5.71%						
Retail	500		5.01%	2015	No	500	510	499	530
European Investment Bank	300		3.90%	2016	No	300	320	300	327
Deeply subordinated debt issued by Solvay Finance SA (France) with support from Solvay SA (Belgium)	500	(1)	6.375%	2104	No	499	525	498	530
TOTAL	**1,800**					**1,790**	**1,926**	**1,787**	**1,953**

Note:—

(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.

There is no default on the above-mentioned financial debt. There are no financial covenants, neither on Solvay SA, nor on any of the Group's holding companies.

In November 2013, following the acquisition of Chemlogics for US$1,345 million financed with available cash, the Group issued € 1.2 billion hybrid bonds (treated as equity under IFRS) with the aim to further strengthen the Group's financial position ahead of its refinancing of debt maturities from 2014 onwards.

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", amounts to € 1,560 million at the end of 2014 compared to € 2,443 million at the end of 2013.

In 2014, Solvay used part of the available treasury to reimburse in January the € 500 million EMTN bond and in May the two Rhodia high yield bonds of respectively € 500 million (first call option) and $ 400 million (earlier redemption).

Other current receivables – financial instruments

	Classification	2014	2013
	(in € million)		
Money Market Funds (MMF)	Assets available for sale	300	366
Bonds and Treasury Bills with maturity of more than 3 months from date of acquisition	Assets held to maturity	—	95
Other current financial asset		9	20
OTHER CURRENT RECEIVABLES – FINANCIAL INSTRUMENTS		**309**	**481**

The "Other current receivables – financial instruments" amount to € 309 million at the end of 2014, of which € 300 million is invested in "Money Market Funds". At the end of 2014, the Group no longer holds any "Bonds and Treasury Bills with maturity of more than three months from date of acquisition".

The other current financial assets mainly include financial assets at fair value through profit and loss.

Cash and cash equivalents

Cash and cash equivalents amount to € 1,251 million at the end of 2014 compared to € 1,961 million at the end of 2013.

	Classification	2014	2013
	(in € million)		
Marketable securities	Available for sale	3	27
Term deposits	Loans and Receivables	485	385
Bonds and Treasury Bills of less than 3 months	Held to maturity	9	632
Cash	Loans and Receivables	754	917
CASH AND CASH EQUIVALENTS		**1,251**	**1,961**

By their nature, the carrying amount of cash and cash equivalents is equal to, or a very good approximation of, their fair values.

NOTE 37 Financial instruments and financial risk management

37.A. 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*.

	2014 Carrying amount	2013 Carrying amount
	(in € million)	
Held for trading	42	31
Cash flow hedges (Derivatives)	10	22
Available-for-sale investments – New Business Development	43	38
Loans and receivables (including trade receivables, loans and other non-current assets except pension fund surpluses)	1,612	1,582
Other current receivables – financial instruments (classification: see previous page)	309	481
Cash and cash equivalents (classification: see previous page)	1251	1961
TOTAL FINANCIAL ASSETS	**3,268**	**4,115**
Held for trading	(32)	(3)
Cash flow hedges (Derivatives)	(57)	(12)
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)	(4,086)	(5,200)
Financial lease liabilities	(31)	(3)
TOTAL FINANCIAL LIABILITIES	**(4,206)**	**(5,219)**

37.B. Fair value of financial instruments

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. They are all valued at fair 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 the quoted market prices.

The fair values of derivative financial instruments are equal to their quoted prices, if available. In case such quoted 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. Options are valued based on the present value of probability weighted expected future payoffs, using market reference formulas.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

In accordance with the Group internal rules, the responsibility for measuring the fair value level resides with (a) the treasury Department for the non-energy derivative financial instruments, including the financial debt, (b) Energy Services business unit for the energy derivative financial instruments and (c) the finance Department for non-derivative financial assets.

Fair value of financial instruments measured at amortized cost

	2014		2013		
	Carrying amount	Fair value	Carrying amount	Fair value	Fair value level
			(in € million)		
Loans and receivables					
Loans and receivables (including trade receivables, loans and other non-current assets except pension fund surpluses)	1612	1612	1582	1582	2
Other current receivables – financial instruments					
Bonds and treasury bills of more than 3 months	0	0	95	95	1
Other current financial assets	9	9	20	20	2
Cash and cash equivalents					
Term deposits	485	485	385	385	2
Bonds and Treasury Bills of less than 3 months	9	9	632	632	1
Cash	754	754	917	917	2
TOTAL FINANCIAL ASSETS	**2869**	**2869**	**3631**	**3631**	
Subordinated loans and bonds	(1,490)	(1606)	(2,838)	(2981)	1
Long- and short-term financial debt	(817)	(837)	(743)	(770)	2
Other non-current liabilities, trade liabilities and dividends payable included in other current liabilities	(1780)	(1780)	(1619)	(1619)	2
Financial lease liabilities	(31)	(31)	(3)	(3)	2
TOTAL FINANCIAL LIABILITIES	**(4118)**	**(4254)**	**(5203)**	**(5373)**	

Financial instruments measured at fair value in the consolidated statement of financial position

	2014			
	Level 1	Level 2	Level 3	Total
		(in € million)		
Held for trading				
• Foreign exchange contracts		11		11
• Energy swaps, futures and forward contracts		22		22
• CO_2 certificates futures and forward contracts	1			1
• CO_2 options		1		1
• Solvay share price swaps		7		7
Cash flow hedges				
• Foreign exchange contracts and swaps		7		7
• CO_2 certificates futures and forward contracts	3			3
• Solvay share price swaps		1		1
Available-for-sale investments				
• New Business Development			43	43
• Other current receivables – financial instruments (Money Market Funds)	300			300
Cash and cash equivalents				
• Marketable securities	3			3
TOTAL FINANCIAL ASSETS	**306**	**49**	**43**	**398**
Held for trading				
• Foreign exchange contracts		(5)		(5)
• Energy swaps, futures and forwards contracts	(3)	(18)		(21)
• CO_2 options		(2)		(2)
• CO_2 certificates futures and forward contracts	(3)	(1)	(1)	(4)
Cash flow hedges				
• Foreign exchange contracts and swaps		(41)		(41)
• Energy swaps and futures contracts		(13)		(13)
• Interest rate swaps		(1)		(1)
• Solvay share price swaps		(1)		(1)
• CO_2 certificates futures and forward contracts	(1)			(1)
TOTAL FINANCIAL LIABILITIES	**(6)**	**(82)**	**(1)**	**(88)**

Note:—

The category "Held for trading" usually contains financial instruments that are used for treasury management, foreign currency exchange rate, commodity or carbon risk management, but which are not documented as hedging instruments.

	2013			
	Level 1	Level 2	Level 3	Total
		(in € million)		
Held for trading				
• Foreign exchange contracts		2		2
• Energy swaps, futures and forward contracts		3		3
• CO_2 certificates futures and forward contracts	3	2		5
• Interest rate swaps		5		5
• Solvay share price swaps		15		15
Cash flow hedges				
• Foreign exchange contracts and swaps		18		18
• Energy swaps and futures contracts		2		2
• Solvay share price swaps		1		1
Available-for-sale investments				
• New Business Development			38	38
• Other current receivables – financial instruments (Money Market Funds)	366			366
Cash and cash equivalents				
• Marketable securities	27	—	—	27
TOTAL FINANCIAL ASSETS	**397**	**49**	**38**	**484**
Held for trading				
• CO_2 certificates futures and forward contracts	(1)	(1)		(3)
Cash flow hedges				
• Foreign exchange contracts and swaps		(5)		(5)
• Energy swaps and futures contracts	(1)			(1)
• CO_2 certificates futures and forward contracts	(6)	—	—	(6)
TOTAL FINANCIAL LIABILITIES	**(8)**	**(7)**	**—**	**(16)**

Note:—
The category "Held for trading" usually contains financial instruments that are used for treasury management, foreign currency exchange rate, commodity or carbon risk management, but which are not documented as hedging instruments.

Movements of the period

Reconciliation of level 3 fair value measurements of financial assets and liabilities

	2014				
	At fair value through profit or loss		Available-for-sale		
	Derivatives	Non-derivatives	Shares	Other	Total
		(in € million)			
Opening balance at January 1	**—**		**38**		**38**
Total gains or losses					
• Recognized in the income statement	—		(1)		-1
• Recognized in other comprehensive income			2		2
Acquisitions			4		4
Closing balance at December 31	**(1)**		**43**		**43**

	2013				
	At fair value through profit or loss		Available-for-sale		
	Derivatives	Non-derivatives	Shares	Other	Total
		(in € million)			
Opening balance at January 1	**(7)**		**31**		**24**
Total gains or losses					
• Recognized in the income statement	7				7
• Recognized in other comprehensive income			(3)		(3)
Acquisitions			10		10
Closing balance at December 31	**0**		**38**		**38**

Income and expenses of financial instruments recognized in the income statement and inequity:

	2014	2013
	(in € million)	
Recognized in the income statement		
Recycling from equity of currency cash flow hedges[(1)]	1	38
Recycling from equity of energy cash flow hedges[(1)]	(6)	(1)
Changes in the fair value of financial instruments held for trading (energy/CO_2 emission rights)	(1)	(5)
Recognized in the gross margin	**(6)**	**31**
Interest on loans and receivables	35	65
Ineffective portion of changes in the fair value of energy cash flow hedges	—	1
Changes in the fair value of financial instruments held for trading(energy/CO_2 emission rights)	—	(2)
Changes in the fair value of financial instruments held for trading (currency)	5	5
Changes in the fair value of financial instruments held for trading (Solvay share price swaps)	—	1
Ineffective portion of changes in the fair value of currency cash flow hedges	2	1
Recycling from equity of currency cash flow hedges[(1)]	5	5
Recycling from equity of energy cash flow hedges[(1)]	—	(3)
Recognized in other operating gains and losses	**47**	**72**
Changes in the fair value of financial instruments held for trading (energy/CO_2 emission rights)	—	(4)
Changes in the fair value of financial instruments held for trading (Solvay share price swaps)	1	1
Recognized in non-recurring gains and losses	**1**	**(2)**
Cost of borrowings – Interest expense on financial liabilities at amortized cost	(149)	(190)
Interest income on cash and cash equivalents	35	24
Interest income on other current receivables – financial instruments	1	1
Other gains and losses on net indebtedness	(32)	(2)
Recognized in charges on net indebtedness	**(145)**	**(166)**
Income/loss from available-for-sale investments	**(1)**	**2**
Capital gain on available-for-sale investment posted directly to the income statement	**—**	**16**
Recycling from equity of unrecognized gain and losses related to disposed available-for-sale financial assets[(1)]	**—**	**20**
TOTAL RECOGNIZED IN THE INCOME STATEMENT	**(103)**	**(27)**

Note:—

(1) See next table.

The currency cash flow hedges mainly correspond to forward contracts aimed at hedging forecasted flows in currencies, mainly US dollar, Japanese yen, Brazilian real, Russian ruble and South-Korean won.

Income and expenses on financial instruments recognized in equity break down as follows:

	Continuing Operations	
	2014	2013
	(in € million)	
Net change in the fair value of available-for-sale financial assets	1	(3)
Recycling to the income statement of unrecognized gains and losses related to disposed of available-for-sale financial assets	—	(20)
Total available-for-sale financial assets	**1**	**(23)**
Effective portion of changes in fair value of cash flow hedges	(59)	35
Recycling to the income statement of currency cash flow hedges	(7)	(43)
Recycling to the income statement of energy cash flow hedges	6	4
Recycling to the income statement of interest rate swaps cash flow hedges	—	(5)
Total cash flow hedges	**(60)**	**(9)**
TOTAL	**(59)**	**(32)**

Note:—

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

In 2013 for available-for-sale financial assets, the recycling to the income statement of the unrecognized gains and losses related to the disposal of the AGEAS shares.

37.C. Capital management

See the item 2.1 Policy in respect of capital in the Corporate governance statement section of this report.

37.D. 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.

Hedge 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, nor does trade financial instruments (including derivative financial instruments) for speculative purposes.

Foreign currency risks

See the item 5 Financial risk in the Management of risks section of this report for additional information on the foreign currency risks management.

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 reporting currency). The main other currencies are the US Dollar, Chinese Yuan, Brazilian Real and Russian Ruble.

Exchange rate fluctuations, particularly of the US Dollar and Russian Ruble, can affect earnings. In the course of 2014 the EUR/USD exchange rate moved from 1.3791 at the start of January to 1.2141 at the end of December. In the course of 2013 the EUR/USD exchange rate moved from 1.3194 at the start of January to 1.3791 at the end of December.

During 2014 and 2013, the Solvay group did not hedge the currency risk of foreign operations.

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.

To the largest extent possible, the Group manages the transactional risk on receivables and borrowings at the level of Solvay CICC in Belgium and locally for other affiliates.

The choice of borrowing currency depends mainly on the opportunities offered by the various markets. This means that the selected currency is not necessarily that of the country in which the funds will be invested. Nonetheless, operating entities are financed essentially in their own local currencies, with this currency being obtained, where appropriate, by currency swaps against the currency held by the financing company. The cost of these currency swaps is included within the cost of borrowing. These enable the Group 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 considers opportunities to refinance its borrowings in emerging countries with local currency debt.

The Group's foreign exchange position is centralized at Solvay CICC. This centralized exchange position is then managed under rules and specific limits which have been set by the Group.

The main financial instruments used are the spot and forward purchase and sale of currencies, and the purchase of options.

Cash flow hedge

The Group uses derivatives and non-derivatives to hedge identified foreign exchange rate risks (and documents those as hedging instruments). At the end of 2014 for future exposure, the Group had mainly hedged forecasted sales in a nominal amount of US$743 million on sales (€ 594 million) and ¥ 12,332 million (€ 90 million).

At the end of 2013, the Group had mainly hedged forecasted sales in a nominal amount of US$616 million on sales (€ 518 million) and ¥ 10,014 (€ 73 million).

Held for trading

The daily management of the transactional risk is mainly done at Solvay CICC either via spot or forward contracts. Unless documented as hedging instruments (see above), those forward contracts are classified as held for trading.

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

	Notional amount		Fair value assets		Fair value liabilities	
	2014	2013	2014	2013	2014	2013
			(in € million)			
Held for trading						
• Forward exchange contracts	395	177	11	2	(5)	0
Cash flow hedges						
• Forward exchange contracts	711	608	7	18	(41)	(5)
TOTAL	**1,106**	**785**	**18**	**20**	**(46)**	**(6)**

The following table details the Group's sensitivity in profit or loss and equity to a 10% increase and decrease in euro against US dollar and Japanese yen as well as in Brazilian real against US dollar.

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 as hedging instruments).

A positive number below indicates an increase in profit or equity when the euro strengthens 10% against the US dollar or the Japanese yen (same for the Brazilian real against the US dollar).

For a 10% weakening of the euro against the US dollar or the Japanese yen, there would be a comparable impact on the profit or equity (the balances would be negative) (same for the Brazilian real against the US dollar).

	Strengthening of EUR vs USD		Strengthening of EUR vs JPY		Strengthening of BRL vs USD	
	2014	2013	2014	2013	2014	2013
			(in € million)			
Profit or loss	3	8	—	—	—	—
Equity	40	30	6	9	10	12

Interest rate risks

See the item 5 *Financial risk* in the Management of risks section of this report for additional information on the interest rate risks management.

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.

Interest rate exposure by currency is summarized below:

Currency	At December 31, 2014 Fixed rate	Floating rate	Total	At December 31, 2013 Fixed rate	Floating rate	Total
			(in € million)			
Financial liabilities						
EUR	(1,869)	(138)	(2,008)	(2,814)	(219)	(3,033)
USD	—	(53)	(53)	(332)	(11)	(343)
THB	(41)	(94)	(135)	(32)	(109)	(140)
BRL	(30)	(5)	(35)	(32)	(4)	(36)
CNY	—	(30)	(30)	—	(17)	(17)
Other	(39)	(39)	(77)	(9)	(6)	(15)
Total	**(1,978)**	**(359)**	**(2,338)**	**(3,219)**	**(365)**	**(3,584)**
Cash and cash equivalents						
EUR		281	281		1,217	1,217
USD		525	525		288	288
THB		69	69		52	52
BRL		90	90		96	96
CNY		82	82		96	96
Other		204	204		211	211
Total		**1,251**	**1,251**		**1,961**	**1,961**
Other current financial assets						
EUR		306	306		480	480
Other		3	3		1	1
Total		**309**	**309**		**481**	**481**
TOTAL	**(1,978)**	**1,200**	**(778)**	**(3,219)**	**2,078**	**(1,141)**

At the end of 2014, around € 2 billion of the Group's gross debt was at fixed-rate, of which mainly:

- the EMTN bond issue of € 500 million maturing in 2018 (carrying amount € 491 million) and the retail bond of € 500 million (carrying amount € 500 million) maturing in 2015;
- the deeply subordinated bond placed on the market in 2006 (€ 500 million maturing in 2104 – carrying amount € 499 million) carries a fixed coupon until 2016 and floating thereafter;
- European Investment Bank € 300 million maturing in 2016.

In November 2013, following the acquisition of Chemlogics for US$1,345 million financed with available cash, the Group issued € 1.2 billion hybrid bonds (treated as equity under IFRS) with the aim to further strengthen the Group's financial position ahead of its refinancing of debt maturities from 2014 onwards.

The impact of interest rate changes at the end of 2014 is the following:

- on borrowing charges: if interest rates had been 1% higher/lower and with all other variables remaining constant, these would have increased/decreased by € 6 million (2013: increase/decrease by € 5 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 € 14 million (2013: € 21 million);
- if interest rates had been 1% lower and with all other variables remaining constant, income would have decreased by € 14 million (2013: € (16) million).

Early 2013, the Group entered into interest rate swaps designated for hedging purposes. The initial target was to secure a potential funding in 2014, which was no longer needed following the issuance of the € 1,200 million hybrid bonds at the end of 2013. The swap has been unwound during the first half of 2014:

- the fair value was € 5 million at the end of 2013;
- the total net cash impact from the settlement in 2014 was € (14) million.

In addition, the MTP HP JV (joint operation 50/50 between Dow and Solvay) in Thailand (HPPO project) has entered into an interest rate swap for hedging purpose (notional amount € 76 million at the end of 2014). At the end of 2014, the fair value of the interest rate swap was € (1) million (compared to zero in 2013), included in the net financial charges.

	Notional amount		Fair value assets		Fair value liabilities	
	2014	2013	2014	2013	2014	2013
			(in € million)			
Held for trading						
• interest rate instruments (Swap)		**500**	**—**	**5**	**—**	**—**
Cash flow hedge						
• interest rate instruments (Swap)	**76**	**67**	**—**	**—**	**(1)**	**—**

Other market risks

Energy price risks

The Group purchases a large portion of its coal, gas and electricity needs in Europe and the United States based on fluctuating liquid market indices. In order to reduce the cost volatility, the Group has developed a policy for exchanging variable price against fixed price through financial swap contracts. Most of these hedging instruments can be documented as hedging instruments of the underlying purchase contracts. Purchases of physical energy at fixed price contracts qualified as "own use" contracts (not derivatives) constitute a natural hedge, and are not included in this note. Similarly the Group's exposure to CO_2 price is partly hedged by forward purchases of European Union Allowance (EUA), which either can be documented as hedging instruments, or qualify as own use contracts.

Finally some exposure to gas-electricity or coal-electricity spreads may arise from the production of electricity on Solvay sites (mostly from cogeneration units in Europe), which can be hedged by forward purchases and forward sales or optional schemes. In this case, cash flow hedge accounting is applied.

Energy Services

Financial hedging of energy and CO_2 risks is managed centrally by Energy Services on behalf of the Group entities.

Energy Services also carries out trading transactions with respect to energy and CO_2, whose residual price exposure is maintained close to zero.

The following tables detail the notional principal amounts and fair values of energy price swaps and CO_2 derivatives outstanding at the end of the reporting period:

	Notional amount		Fair value assets		Fair value liabilities	
	2014	2013	2014	2013	2014	2013
			(in € million)			
Held for trading						
• Energy swaps, futures and forward contracts	470	254	22	3	(21)	0
• CO_2 options	0		1	0	(2)	0
• CO_2 certificates futures and forward contracts	89	170	1	5	(4)	(3)
Cash flow hedge(1)						
• Energy swaps and futures contracts	72	26	0	2	(13)	(1)
• CO_2 certificates futures and forward contracts	28	28	3	0	(1)	(6)
TOTAL	**659**	**479**	**26**	**11**	**(40)**	**(10)**

Notes:—

(1) Less than one year.

Credit risk

See the item 5 *Financial risk* in the Management of risks section of this report for additional information on the credit risk management.

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:

2014	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
				(in € million)			
Trade receivables	1,418	77	1,229	73	21	4	14
Other current receivables – other	500	27	370	15	27	5	56
Loans and other non-current assets	194	26	167	1	—	—	—
TOTAL	**2,112**	**130**	**1,766**	**89**	**48**	**9**	**70**

2013	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
				(in € million)			
Trade receivables	1,331	56	1,058	146	36	5	29
Other current receivables – other	572	26	307	119	22	5	93
Loans and other non-current assets	251	36	215	—	—	—	—
TOTAL	**2,154**	**118**	**1,580**	**265**	**58**	**10**	**122**

Other current receivables – other consist 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.

Liquidity risk

See the item 5 *Financial risk* in the Management of risks section of this report for additional information on the liquidity risk management

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 limit amounts to be refinanced each year.

The following tables detail the Group's remaining contractual maturity for its financial liabilities with contractual repayment periods. The tables have been prepared 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 based on a floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

2014	Total	On demand or within one year	In year two	In years three to five	Beyond five years
			(in € million)		
Outflows of cash related to financial liabilities:	**5,248**	—	—	—	—
Other non-current liabilities	204	204	—	—	—
Short-term financial debt	853	853	—	—	—
Trade liabilities	1,461	1,461	—	—	—
Income tax payable	355	355	—	—	—
Dividends payables	114	114	—	—	—
Other current liabilities	776	776	—	—	—
Long-term financial debt	1,485	—	811	572	102
TOTAL FINANCIAL DEBT (SHORT AND LONG-TERM)	**2,338**	**853**	**811**	**572**	**102**

2013	Total	On demand or within one year	In year two	In years three to five	Beyond five years
			(in € million)		
Outflows of cash related to financial liabilities:	**5,829**				
Other non-current liabilities	166	166	—	—	—
Short-term financial debt	775	775	—	—	—
Trade liabilities	1,340	1,340	—	—	—
Income tax payable	21	21	—	—	—
Dividends payables	113	113	—	—	—
Other current liabilities	604	604	—	—	—
Long-term financial debt	2,809	—	543	1,884	384
TOTAL FINANCIAL DEBT (SHORT AND LONG-TERM)	**3,584**	**775**	**543**	**1,884**	**384**

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 € 1 billion, of which € 75 million were issued at the end of 2014 (unused in 2013), and alternatively a US commercial paper program in an amount of US$500 million, unused at the end of 2014 and in 2013. The two programs are covered by back-up credit lines;
- a € 1.5 billion and a € 550 million multilateral credit line, maturing respectively in 2019 and in 2018; as well as bilateral credit lines (~€ 300 million). They were all unused at the end of 2014 and 2013.

NOTE 38 Other current liabilities

	2014	2013
	(in € million)	
Wages and benefits debts	287	225
VAT and other taxes	112	150
Social security	94	90
Financial instruments – operational	88	16
Insurance premiums	12	10
Advance from customers	25	11
Other	157	102
OTHER CURRENT LIABILITIES	**776**	**604**

NOTES TO THE STATEMENT OF CHANGES IN EQUITY

Currency translation differences

The decrease amounts to € 231 million of which € 243 million for the Group's share, increasing the balance from € (780) million at the end of 2013 to € (549) million at the end of 2014.

The main variances are linked to the variation of the US dollar, the Brazilian real, the Thai baht, the Russian ruble and the Indian rupee compared to the euro.

Revaluation reserve

These differences represent the fair value remeasurements of available-for-sale financial assets and financial derivatives used for hedging purposes.

With respect to derivatives used for hedging, only the effective part of the hedge is recognized in other comprehensive income. The ineffective portion is directly recognized in profit or loss. The impact of the fair value remeasurement of the effective part amounts to € (49) million in 2014 (€ 6 million in 2013). This amount recognized in other comprehensive income generally is recycled to profit or loss as the hedged risk affects profit or loss.

Defined benefit pension plan

The increase in other comprehensive income related to defined benefit pension plan is due to a change in actuarial assumptions (change in discount rate and to a lower extent difference between actual and expected return on plan assets).

Number of shares (in thousands)

Information on the dividend proposed to the Shareholders' Meeting as well as consolidated data per share are available in the Management report in page 105 of this report.

	2014	2013
Shares issued and fully paid in at January 1	84,701	84,701
Shares issued and fully paid in at December 31	84,701	84,701
Treasury shares held at December 31	1,719	1,530

MISCELLANEOUS NOTES

NOTE 39 Commitments to acquire tangible and intangible assets

	2014	2013
	(in € million)	
Commitments for the acquisition of tangible and intangible assets	131	135
of which: joint ventures	6	—

NOTE 40 Dividends proposed for distribution but not yet recognized as a distribution to equity holders

The Board of Directors will propose to the General assembly of the shareholders a gross dividend of € 3.40. Taking into account the dividend advance payment distributed in January 2015, the dividends proposed for distribution but not yet recognized as a distribution to equity holders amount to € 175 million.

NOTE 41 Contingent liabilities

	2014	2013
	(in € million)	
Liabilities and commitments of third parties guaranteed by the Company	1,027	946
Environmental contingent liabilities	246	216
Litigation and other major commitments	35	21

The liabilities and commitments of third parties guaranteed by the Company relate mainly to guarantees given in the framework of:

- the joint venture project with Sadara for the construction and operation of an hydrogen peroxide plant in Saudi Arabia. A construction funding guarantee has been granted by Solvay to its partner to guarantee its share of the funding obligations of the project. In parallel, a similar guarantee for the funding obligations of the project by the partners has been granted to Solvay;
- RusVinyl, the joint venture with SIBUR for the construction and operation of a PVC plant in Russia. A guarantee of € 344 million has been provided on a several basis by each sponsor, SolVin and Sibur, and which corresponds for each to 50% of the amount in principal of RusVinyl project finance plus interests and costs;
- VAT payment (€ 355 million).

Within the framework of the annual review of contingent liabilities, environmental contingent liabilities for a total amount of € 246 million have been identified.

NOTE 42 Joint ventures and associates

The joint ventures and associates not classified as held for sale/discontinued operations are consolidated by applying the equity method accounting.

	2014			2013		
	Joint ventures	Associates	Total	Joint ventures	Associates	Total
			(in € million)			
Investments in associates and joint ventures	350	30	380	563	19	582
Earnings from associates and joint ventures accounted for using the equity method	(34)	—	(34)	33	1	34

The tables below present the summary of the statement of financial position and income statement of the material joint ventures and associates as if they were proportionately consolidated.

Joint ventures

2014	Rusvinyl OOO	Peroxidos do Brasil Ltda	Solvay & CPC Barium Strontium	Hindustan Gum & Chemicals Ltd	Other
			(in € million)		
Ownership interest	50%	69.40%	75%	50%	
Operating Segment	Functional Polymers	Performance Chemicals	Advanced Materials	Advanced Formulations	
Statement of financial position					
Non-current assets	**428**	**36**	**11**	**8**	**9**
Current assets	**27**	**43**	**39**	**136**	**30**
Cash and cash equivalents	3	22	8	103	6
Non-current liabilities	**284**	**8**	**11**	**1**	**1**
Long-term financial debt	266	5	—	—	—
Current liabilities	**47**	**22**	**17**	**12**	**15**
Short-term financial debt	35	7	8	—	1
Investments in joint ventures	**124**	**50**	**23**	**131**	**23**
Income statement					
Sales	24	68	66	96	76
Depreciation and amortization	(8)	(4)	(1)	(1)	(1)
Cost of borrowings	(25)	—	—	—	—
Interest on lendings and short term deposits	1	2	—	7	—
Income taxes	22	(7)	(1)	(6)	(2)
Result from continuing operations	**(74)**	**14**	**11**	**12**	**3**
Result from discontinued operations	—	—	—	—	—
Net income for the year	**(74)**	**14**	**11**	**12**	**3**
Other comprehensive income	(163)	1	—	12	(1)
TOTAL COMPREHENSIVE INCOME	**(237)**	**15**	**11**	**24**	**2**
Dividend received	**—**	**10**	**—**	**4**	**1**

2013	Rusvinyl OOO	Peroxidos do Brasil Ltda	Solvay & CPC Barium Strontium	Hindustan Gum & Chemicals Ltd	Other
			(in € million)		
Ownership interest	50%	69.40%	75%	50%	
Operating Segment	Functional Polymers	Performance Chemicals	Advanced Materials	Advanced Formulations	
Statement of financial position					
Non-current assets	**700**	**36**	**5**	**7**	**11**
Current assets	**65**	**37**	**39**	**152**	**28**
Cash and cash equivalents	49	16	6	97	3
Non-current liabilities	**365**	**7**	**9**	**—**	**2**
Long-term financial debt	344	4	—	—	1
Current liabilities	**26**	**21**	**22**	**49**	**14**
Short-term financial debt	19	6	13	2	1
Investments in joint ventures	**373**	**45**	**12**	**110**	**23**
Income statement					
Sales	8	68	66	111	82
Depreciation and amortization	—	(4)	(1)	(1)	(1)
Cost of borrowings	(2)	—	—	(1)	—
Interest on lendings and short term deposits	2	1	—	1	—
Income taxes	4	(6)	(2)	(18)	(2)
Result from continuing operations	**(11)**	**13**	**5**	**21**	**5**
Result from discontinued operations	—	—	—	—	—
Net income for the year	**(11)**	**13**	**5**	**21**	**5**
Other comprehensive income	(42)	(2)	—	(16)	(4)
TOTAL COMPREHENSIVE INCOME	**(53)**	**11**	**5**	**6**	**1**
Dividend received	**—**	**9**	**—**	**35**	**5**

Associates

	2014	2013
	(in € million)	
Statement of financial position		
Non-current assets	**53**	**15**
Current assets	**29**	**34**
Cash and cash equivalents	4	4
Non-current liabilities	**19**	**3**
Long-term financial debt	16	1
Current liabilities	**33**	**26**
Short-term financial debt	10	7
Investments in associates	**30**	**19**
Income statement		
Sales	83	70
Depreciation and amortization	(3)	(2)
Cost of borrowings	—	—
Interest on lendings and short term deposits	—	—
Income taxes	—	—
Result from continuing operations	**(1)**	**2**
Result from discontinued operations	—	—
Net income for the year	**—**	**2**
Other comprehensive income	(1)	—
TOTAL COMPREHENSIVE INCOME	**(1)**	**2**
Dividend received	**2**	**1**

Notes:—
No single material investment in associates.

NOTE 43 Joint operations

The list of joint operations is available in the *List of Companies included in the consolidation (List of joint operations)*.

- Soda Ash & Derivatives operations/interests in Devnya (Bulgaria), 75% held by Solvay and comprising the following legal entities:
  - Deven AD;
  - Solvay Sodi AD;
  - Solvay Sisecam Holding AG.
- Hydrogen Peroxide Propylene Oxide (HPPO) operations/interests in Zandvliet (Belgium), Map Ta Put (Thailand) and the HPPO plant that is being constructed in the Kingdom of Saudi Arabia, all 50% held by Solvay and comprising the following legal entities:
  - BASF Interox H_2O_2 Production NV;
  - MTP HPJV C.V.;
  - MTP HPJV Management B.V.;
  - MTP HPJV (Thailand) Ltd.;
  - Saudi Hydrogen Peroxide Co.
- Polyamides operations/interests in Butachimie (France), 50% held by Solvay.
- Acetow operations/interests of 50% held by Solvay in Primester (United States), and 49.9% held by Solvay in Warmeverbundkraftwerk Freiburg (Germany).

NOTE 44 Non-controlling interests (continuing operations)

The following subsidiaries, other than those classified as held for sale have material non-controlling interests.

The amounts disclosed below are fully consolidated amounts and do not reflect the elimination of intragroup transactions.

	2014				
	Zhejiang Lansol	Vinythai	ANAN Kasei	Solvin's interest in RusVinyl	Solvay Soda Ash
			(in € million)		
Non-controlling ownership interest	45%	41%	33%	25%	20%
Statement of financial position					
Non-current assets	18	112	15	124	291
Current assets	10	128	41		18
Non-current liabilities	—	77	—		14
Current liabilities	6	24	21		17
Income statement					
Sales	22	378	68		274
Net income for the year	—	21	9		119
Other comprehensive income	2	2	—		(17)
TOTAL COMPREHENSIVE INCOME	**2**	**23**	**8**		**101**
Dividend paid to non-controlling interests	—	1	—		23
Share of non-controlling interest in the net result	—	9	3	(45)	24
Accumulated non-controlling interest	10	133	10	32	58

	2013				
	Zhejiang Lansol	Vinythai	ANAN Kasei	SolVin's interest in RusVinyl	Solvay Soda Ash
			(in € million)		
Non-controlling ownership interest	45%	41%	33%	25%	20%
Statement of financial position					
Non-current assets	12	90	15	377	260
Current assets	12	109	30		15
Non-current liabilities	—	58	19		11
Current liabilities	4	53	20		18
Income statement					
Sales	17	381	72		277
Net income for the year	—	15	7		129
Other comprehensive income	—	(25)	(4)		10
TOTAL COMPREHENSIVE INCOME	**1**	**(10)**	**3**		**139**
Dividend paid to non-controlling interests	—	10	—		50
Share of non-controlling interest in the net result	—	6	2	(3)	26
Accumulated non-controlling interest	9	110	8	94	54

NOTE 45 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	
	2014	2013	2014	2013
		(in € million)		
Joint ventures	18	—	31	16
Associates	16	24	8	22
Other related parties	18	10	53	18
TOTAL	**51**	**34**	**92**	**56**

	Amounts owed by related parties		Amounts owed to related parties	
	2014	2013	2014	2013
	(in € million)			
Joint ventures	2	—	2	—
Associates	3	1	10	2
Other related parties	2	20	14	9
TOTAL	**7**	**21**	**26**	**11**

Loans to related parties

	2014	2013
	(in € million)	
Loans to associates	16	34
Loans to other related parties	12	13
TOTAL	**28**	**47**

Compensation of key management personnel

Key management personnel is composed of all members of the Board of Directors and members of the Executive Committee.

Amounts due in respect of the year (salary) or obligations existing at the end of the year (other elements):

	2014	2013
	(in € million)	
Wages, charges and short-term benefits	2	2
Long-term benefits	15	20
TOTAL	**18**	**21**
Total number of stock subscription options granted	388,483	497,157
Total value of stock subscription granted	8	10

Amounts paid during the year:

	2014	2013
	(in € million)	
Wages, charges and short-term benefits	8	9
Long-term benefits	1	1
TOTAL	**9**	**10**
Excluding employer social charges and taxes		
Number of Stock subscription options granted	84,535	97,490
Charge with respect to share options granted	2	2

NOTE 46 Events after the reporting period

On January 29, 2015, Solvay has agreed to sell its German-based refrigerant business and pharma propellants to Daikin in Japan, as its Special Chemicals Global Business unit is gearing its activities towards selective high value-added segments in fluorine specialties and high purity chemicals. Solvay's Global Business unit (GBU) Special Chemicals will divest all of its businesses on its site in Frankfurt. Completion of the transaction is subject to customary closing conditions, including regulatory clearance in Germany and Austria.

NOTE 47 Policy in respect of capital

See the item 2.1 Policy in respect of capital in the Corporate governance statement section of this report.

2014 CONSOLIDATION SCOPE

The Group consists of Solvay SA and a total of 366 investees in 56 countries.

The Group fully consolidates an investee when it controls the investee. Such means that the Group (a) is exposed, or has rights, to variable returns from its involvement with the investee, mainly through its equity interest in the investee, and (b) has the ability to affect those returns through its power over the investee.

For a number of investees, the Group holds a majority equity interest, and the majority of the voting rights. However, as key relevant decisions require unanimous consent, the Group exercises joint control and not control over those investees. Vice versa, for a number of investees, the Group holds between 20 and 50% of the voting rights, but as key relevant decisions require unanimous consent, the Group exercises joint control, and not significant influence over those investees. Those investees are qualified as joint arrangements.

Of these, 207 are fully consolidated, 11 are proportionately consolidated and 19 are accounted for under the equity method, whilst the other 129 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, during two consecutive years, they do not exceed any of the three following thresholds in terms of their contribution to the Group's accounts:

- sales of € 20 million;
- total assets of € 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.

In the aggregate, the non-consolidated companies have an immaterial impact on the consolidated data of the Group.

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

Companies entering the Group

Country	Company	Comments
BELGIUM	Solvay Chlorchemicals SA	new company
	Chlorchemicals Trade Services SA	new company
BRAZIL	Erca Quimica Brasil	new company
FRANCE	Solvay Tavaux SAS	new company
	PVC Tavaux SAS	new company
GERMANY	Solvay Chlorovinyls GmbH	new company
	Solvay Flux GmbH	new company
ITALY	Societa Italiana Del Cloro S.R.L.	new company
PORTUGAL	Quimicos Da Leziria Unipessoal Lda	new company
RUSSIA	Solvay Vostok OOO, Moscow	meets the consolidation criteria
SPAIN	Chloro Vinyls Spain S.L.	new company
UNITED STATES	BTH Quitman Hickory LLC	new company
	Solvay Biomass Energy LLC	new company
	Solvay Energy Holding LLC	new company

Companies leaving the Group

Country	Company	Comments
BELGIUM	Rhodia Belgium SA, Brussels	liquidated
	Solvay Benvic & Cie Belgium S.N.C.	liquidated
FRANCE	Benvic Europe SAS	sold to OpenGate Capital
	Hexagas SAS, Puteaux	liquidated
ITALY	Benvic Europe S.p.A.	sold to OpenGate Capital
	Società Generale per l'Industria della Magnesia S.p.A., Angera	merged into Solvay Bario e Derivati S.p.A.
NETHERLANDS	Solvay Holding Nederland B.V., Linne-Herten	merged into Solvay Chemicals and Plastics Holding B.V.
PORTUGAL	Solvay Interox – Produtos Peroxidados SA, Povoa	merged into Solvay Portugal – Produtos Quimicos S.A.
SPAIN	Benvic Europe – IB SA	sold to OpenGate Capital
UNITED STATES	Solvay Information Services NAFTA, LLC, Houston, TX	merged into Solvay America Inc.
	Peptisyntha, Inc., Torrance, CA	merged into Solvay Chemicals, Inc.
	Plextronics, Inc. Pittsburgh	liquidated

List of subsidiaries

Indicating the percentage holding.

It should be noted that the percentage of voting rights is very close to the percentage holding.

	%
ARGENTINA	
Solvay Argentina SA, Buenos Aires	100
Solvay Indupa S.A.I.C., Bahia Blanca	69.9
Solvay Quimica SA, Buenos Aires	100
AUSTRALIA	
Solvay Chemicals Pty Ltd, Sydney	100
Solvay Interox Pty Ltd, Banksmeadow	100
AUSTRIA	
Solvay Österreich GmbH, Wien	100
BELGIUM	
Carrières les Petons S.P.R.L., Walcourt	100
Chlorchemicals Trade Services SA, Brussels	100
Financière Solvay SA, Brussels	100
Solvay Chemicals International SA, Brussels	100
Solvay Chimie SA, Brussels	100
Solvay Chlorchemicals SA, Brussels	100
Solvay Coordination Internationale des Crédits Commerciaux 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 Specialty Polymers Belgium SA / NV	100
Solvay Stock Option Management S.P.R.L., Brussels	100
Solvic SA, Brussels	75
Solvin SA, Brussels	75
BRAZIL	
Cogeracao de Energia Electricica Paraiso SA, Brotas	100
Erca Quimica Brasil, Itatiba	100
Rhodia Brazil Ltda, Sao Paolo	100
Rhodia Energy Brazil Ltda, Paulinia	100

	%
Rhodia Poliamida Brasil Ltda, Sao Paolo	100
Rhodia Poliamida e Especialidades Ltda, Sao Paolo	100
Rhopart-Participacoes Servidos e Comercio Ltda, Sao Paolo	100
Solvay do Brasil Ltda, Sao Paulo	100
Solvay Indupa do Brasil SA, Sao Paulo	69.9
BULGARIA	
Solvay Bulgaria EAD, Devnya	100
CANADA	
Solvay Canada Inc., Toronto	100
CAYMAN ISLANDS	
Blair International Insurance (Cayman) Ltd, Georgetown	100
CHINA	
Baotou Solvay Rare Earths Company Ltd, Baotou	55
Beijing Rhodia Eastern Chemical Co., Ltd, Beijing	60
Liyang Solvay Rare Earth New Material Co., Ltd, Liyang City	96.3
Rhodia Hong Kong Ltd, Hong Kong	100
Solvay (Beijing) Energy Technology Co., Ltd, Beijing	100
Solvay (Shanghai) Engineering Plastics Co., Ltd	100
Solvay (Shanghai) International Trading Co., Ltd, Shanghai	100
Solvay (Shanghai) Ltd, Shanghai	100
Solvay (Zhangjiagang) Specialty Chemicals Co. Ltd, Suzhou	100
Solvay (Zhenjiang) Chemicals Co., Ltd, Zhenjiang New area	100
Solvay Biochemical (Taixing) Co. Ltd, Shanghai	58.7
Solvay Chemicals (Shanghai) Co. Ltd, Shanghai	100
Solvay China Co., Ltd, Shanghai	100
Solvay Fine Chemical Additives (Qingdao) Co., Ltd, Qingdao	100
Solvay Hengchang (Zhangjiagang) Specialty Chemical Co., Ltd, Zhangjiagang City	70
Solvay High Performance Materials R&D (Shanghai) Co., Ltd., Shanghai	100
Solvay Silica Qingdao Co., Ltd, Qingdao	100
Solvay Speciality Polymers (Changshu) Co. Ltd, Changshu	100
Zhejiang Lansol Fluorchem Co., Ltd, Zhejiang	55
Zhuhai Solvay Specialty Chemicals Co Ltd, Zhuhai City	100
EGYPT	
Solvay Alexandria Sodium Carbonate Co, Alexandria	100
FINLAND	
Solvay Chemicals Finland Oy, Voikkaa	100
FRANCE	
Cogénération Chalampe SAS, Puteaux	100
PVC Tavaux SAS	75
RHOD V S.N.C., Courbevoie	100
RHOD W S.N.C., Courbevoie	100
Rhodia Chimie SAS, Aubervilliers	100
Rhodia Energy GHG SAS, Puteaux	100
Rhodia Finance SAS, Courbevoie	100
Rhodia Laboratoire du Futur SAS, Pessac	100
Rhodia Operations SAS, Aubervilliers	100
Rhodia Participations S.N.C., Courbevoie	100
Rhodia SA, Courbevoie	100
Rhodianyl SAS, Saint-Fons	100
Solvay – Carbonate – France SAS, Paris	100
Solvay – Electrolyse – France SAS, Paris	100
Solvay – Fluorés – France SAS, Paris	100
Solvay – Olefines – France SAS, Paris	100
Solvay – Spécialités – France SAS, Paris	100
Solvay Energie France SAS, Paris	100
Solvay Energy Services SAS, Puteaux	100
Solvay Finance France SA, Paris	100

	%
Solvay Finance SA, Paris	100
Solvay Participations France SA, Paris	100
Solvay Speciality Polymers France SAS, Paris	100
Solvay Tavaux SAS	100
Solvin France SA, Paris	75
GERMANY	
Cavity GmbH, Hannover	100
Girindus AG, Hannover	83.1
Horizon Immobilien AG, Hannover	100
Salzgewinnungsgesellschaft Westfalen GmbH & Co KG, Hannover(1)	65
Solvay Acetow GmbH, Freiburg	100
Solvay Chemicals GmbH, Hannover	100
Solvay Chlorovinyls GmbH, Hannover	100
Solvay Energy Services Deutschland GmbH, Hannover	100
Solvay Fluor GmbH, Hannover	100
Solvay Flux GmbH, Hannover	100
Solvay GmbH, Hannover	100
Solvay Holding GmbH, Freiburg	100
Solvay Infra Bad Hoenningen GmbH, Hannover	100
Solvay Organics GmbH, Hannover	100
Solvay P&S GmbH, Freiburg	100
Solvay Specialty Polymers Germany GmbH, Hannover	100
Solvin GmbH & Co KG, Hannover	75
Solvin GmbH & Co. KG – PVDC, Rheinberg	75
Solvin Holding GmbH, Hannover	75
GREAT BRITAIN	
Holmes Chapel Trading Ltd, Watford	100
McIntyre Group Ltd, Watford	100
Rhodia Holdings Ltd, Watford	100
Rhodia International Holdings Ltd, Oldbury	100
Rhodia Limited, Watford	100
Rhodia Organique Fine Ltd, Watford	100
Rhodia Overseas Ltd, Watford	100
Rhodia Pharma Solutions Holdings Ltd, Cramlington	100
Rhodia Pharma Solutions Ltd, Cramlington	100
Rhodia Reorganisation, Watford	100
Solvay Chemicals Ltd, Warrington	100
Solvay Interox Ltd, Warrington	100
Solvay Solutions UK Ltd, Watford	100
Solvay Speciality Chemicals Ltd, Warrington	100
Solvay UK Holding Company Ltd, Warrington	100
INDIA	
Rhodia Polymers & Specialties India Private Limited, Mumbai	100
Rhodia Specialty Chemicals India Limited, Mumbai	97.4
Solvay Specialities India Private Limited, Mumbai	100
Sunshield Chemicals Limited, Mumbai	62.4
IRELAND	
Solvay Finance Ireland Unlimited, Dublin	100
ITALY	
SIS Italia S.p.A., Bollate	100
Società Elettrochimica Solfuri e Cloroderivati (ELESO) S.p.A., Bollate	100
Societa Italiana Del Cloro S.R.L., Bollate	100
Solvay Bario e Derivati S.p.A., Massa	100
Solvay Chimica Bussi S.p.A., Rosignano	100
Solvay Chimica Italia S.p.A., Milano	100
Solvay Energy Services Italia S.r.l., Bollate	100

	%
Solvay Solutions Italia S.p.A., Milano	100
Solvay Specialty Polymers Italy S.p.A., Milano	100
Solvin Italia S.p.A., Ferrara	75
JAPAN	
Anan Kasei Co Ltd, Anan City	67
Nippon Solvay KK, Tokyo	100
Solvay Japan K.K., Tokyo	100
Solvay Nicca Ltd, Tokyo	60
Solvay Specialty Polymers Japan KK, Minato Ku-Tokyo	100
LUXEMBOURG	
Caredor SA, Strassen	100
Solvay Finance (Luxembourg) SA, Luxembourg	100
Solvay Hortensia SA, Luxembourg	100
Solvay Luxembourg S.a.r.l., Luxembourg	100
MEXICO	
Rhodia de Mexico SA de CV, Mexico	100
Rhodia Especialidades SA de CV, Mexico	100
Solvay Fluor Mexico SA de C.V., Ciudad Juarez	100
Solvay Mexicana S. de R.L. de C.V., Monterrey	100
Solvay Quimica Y Minera Servicios SA de CV, Monterrey	100
Solvay Quimica Y Minera Ventas SA de CV, Monterrey	100
NAMIBIA	
Okorusu Fluorspar (Pty) Ltd, Otjiwarongo	100
Okorusu Holdings (Pty) Ltd, Windhoek	100
NETHERLANDS	
Rhodia International Holdings B.V., Den Haag	100
Solvay Chemicals and Plastics Holding B.V., Linne-Herten	100
Solvay Chemie B.V., Linne-Herten	100
Solvin Holding Nederland B.V., Linne-Herten	75
NEW ZEALAND	
Solvay New Zealand Ltd, Auckland	100
POLAND	
Solvay Engineering Plastics Poland Sp z.o.o., Gorzow Wielkopolski	100
Solvay Advanced Silicas Poland Sp. z o.o.	100
PORTUGAL	
Quimicos Da Leziria Unipessoal Lda, Povoa	100
Solvay Business Services Portugal Unipessoal Lda, Carnaxide	100
Solvay Portugal – Produtos Quimicos SA, Povoa	100
RUSSIA	
Solvay Vostok OOO, Moscow	100
Sertow OOO, Serpukhov Khimi	100
SINGAPORE	
Rhodia Amines Chemicals Pte Ltd, Singapore	100
Solvay Fluor Holding (Asia-Pacific) Pte. Ltd., Singapore	100
Solvay Singapore Pte Ltd, Singapore	100
Solvay Specialty Chemicals Asia Pacific Pte. Ltd., Singapore	100
Vinythai Holding Pte Ltd., Singapore	58.8
SOUTH KOREA	
Daehan Solvay Special Chemicals Co., Ltd, Seoul	100
Solvay Chemicals Korea Co. Ltd, Seoul	100
Solvay Energy Services Korea Co. Ltd, Seoul	100
Solvay Korea Co. Ltd, Seoul	100
Solvay Silica Korea Co. Ltd, Incheon	100
Solvay Specialty Polymers Korea Company Ltd, Seoul	100
SPAIN	
Chloro Vinyls Spain S.L.	100
Solvay Energy Services Iberica, S.L., Madrid	100
Solvay Ibérica S.L., Barcelona	100

	%
Solvay Quimica S.L., Barcelona	100
Solvay Solutions Espana S.L., Madrid	100
Solvin Spain S.L., Martorell	75
SWITZERLAND	
Solvay (Schweiz) AG, Bad Zurzach	100
Solvay Vinyls Holding AG, Bad Zurzach	100
Sopargest – Société de participation et de gestion SA, Fribourg	100
THAILAND	
Advanced Biochemical (Thailand) Company Ltd, Bangkok	58.8
Solvay (Bangpoo) Specialty Chemicals Ltd, Bangkok	100
Solvay Asia Pacific Company Ltd, Bangkok	100
Solvay Peroxythai Ltd, Bangkok	100
Vinythai Public Company Ltd, Bangkok	58.8
UNITED STATES	
Alcolac Inc., Cranbury NJ	100
American Soda LLP, Parachute, CO	100
Ausimont Industries, Inc., Wilmington, DE	100
Girindus America Inc., Cincinnati, OH	83.1
Heat Treatment Services Inc., Cranbury NJ	100
Rhodia India Holding Inc., Cranbury NJ	100
Rocky Mountain Coal Company, LLC, Houston, TX	100
Solvay America Holdings, Inc., Houston, TX	100
Solvay America Inc., Houston, TX	100
Solvay Biomass Energy LLC, Quitman MI	50.1
Solvay Chemicals, Inc., Houston, TX	100
Solvay Energy Holding LLC, Wilmington DE	100
Solvay Finance (America) LLC, Houston, TX	100
Solvay Financial Services INC., Wilmington DE	100
Solvay Fluorides, LLC., Greenwich, CT	100
Solvay Holding INC., Cranbury NJ	100
Solvay Soda Ash Expansion JV, Houston, TX	80
Solvay Soda Ash Joint Venture, Houston, TX	80
Solvay Specialty Polymers USA, LLC, Alpharetta, GA	100
Solvay USA INC., Cranbury NJ	100
URUGUAY	
Alaver SA, Montevideo	100
Fairway Investimentos SA, Montevideo	100
Zamin Company S/A, Montevideo	100
VENEZUELA	
Rhodia Silices de Venezuela C.A., Barquisimeto	100

Note:—

(1) German limited partnership, which makes use of the exemption offered by Section 264 (b) of the German Commercial Code, not to publish their annual financial statements.

List of joint operations

	%
AUSTRIA	
Solvay Sisecam Holding AG, Wien	75
BELGIUM	
BASF Interox H_2O_2 Production N.V., Brussels	50
BULGARIA	
Deven AD, Devnya	73.4
Solvay Sodi AD, Devnya	73.5
FRANCE	
Butachimie S.N.C., Courbevoie	50

	%
GERMANY	
Warmeverbundkraftwerk Freiburg GmbH, Freiburg	49.9
NETHERLANDS	
MTP HP JV C.V., Weesp	50
MTP HP JV Management bv, Weesp	50
SAUDI ARABIA	
Saudi Hydrogen Peroxide Co, Jubail	50
THAILAND	
MTP HP JV (Thailand) Ltd, Bangkok	50
UNITED STATES	
Primester, Kingsport TN	50

List of companies consolidated by applying the equity method of accounting

Joint ventures

	%
BRAZIL	
Dacarto Benvic SA, Santo André	50
Peroxidos do Brasil Ltda, Sao Paulo	69.4
GERMANY	
Solvay & CPC Barium Strontium GmbH & Co KG, Hannover	75
Solvay & CPC Barium Strontium International GmbH, Hannover	75
INDIA	
Hindustan Gurn & Chemicals Ltd, New Delhi	50
MEXICO	
Solvay & CPC Barium Strontium Monterrey S. de R.L. de C.V., Monterrey	75
Solvay & CPC Barium Strontium Reynosa S. de R.L. de C.V., Reynosa	75
RUSSIA	
Poligran OAO, Tver	50
RusVinyl OOO, Moscow	37.5
Soligran ZAO, Moscow Aptekars	50
VIETNAM	
Rhodia Nuoc Trong Biogas LLC, Ho Chi Minh City	75

Associates

	%
ARGENTINA	
Solalban Energia SA, Bahia Blanca	40.5
CHINA	
Qingdao Hiwin Solvay Chemicals Co. Ltd, Qingdao	30
FRANCE	
GIE Chime Salindres, Salindres	50
Gie Osiris, Roussillon	34.8
INDONESIA	
Solvay Manyar P.T., Gresik	50
MEXICO	
Silicatos y Derivados SA DE C.V.	20
POLAND	
Zaklad Energoeloctryczny Energo-Stil Sp. z o.o., Gorzow Wielkopolski	25
UNITED STATES	
BTH Quitman Hickory LLC, Quitman Mississippi	41.4

3. 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)

	2014	2013
	(in € million)	
Assets		
Fixed assets	**11,769**	**12,229**
Start-up expenses and intangible assets	131	102
Tangible assets	60	68
Financial assets	11,578	12,059
Current assets	**772**	**1,066**
Inventories	1	3
Trade receivables	138	194
Other receivables	595	735
Short-term investments and cash equivalents	11	115
Accruals	27	19
TOTAL ASSETS	**12,541**	**13,295**
Shareholders' equity and liabilities		
Shareholders' equity	**7,764**	**7,500**
Capital	1,271	1,271
Issue premiums	18	18
Reserves	1,950	1,948
Net income carried forward	4,524	4,262
Investment grants	1	1
Provisions and deferred taxes	**358**	**333**
Financial debt	**3,748**	**4,856**
• due in more than one year	2,499	3,005
• due within one year	1,249	1,851
Trade liabilities	**153**	**156**
Other liabilities	**418**	**336**
Accruals and deferred income	**100**	**114**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**12,541**	**13,295**

Income statement of Solvay SA (summary)

	2014	2013
	(in € million)	
Operating income	**956**	**1,000**
Sales	305	325
Other operating income	651	675
Operating expenses	**(1,160)**	**(1,202)**
Operating profit / loss	**(204)**	**(202)**
Financial gains / losses	1,037	422
Current profit before taxes	**833**	**220**
Extraordinary gains / losses	(307)	102
Profit before taxes	**526**	**322**
Income taxes	24	37
Profit for the year	**550**	**359**
Transfer to (-) / from (+) untaxed reserves		
Profit available for distribution	**550**	**359**

AUDITOR'S REPORTS

Limited assurance report of the Statutory Auditor on a selection of social, environmental and other sustainable development information for the year ended 31 December 2014

Pursuant to your request and in our capacity of Statutory Auditor of Solvay SA / NV, we hereby present you our limited assurance report on a selection of social, environmental and other sustainable development information disclosed in section "Governance and financial & extra-financial information", chapter "2. Financial & extra-financial information", section "Corporate Social Responsibility Report" of Solvay Group Annual Report for the year ended 31 December 2014 (the "2014 Annual Report"), identified by the symbol .

Responsibility of the Company

This selection of information (the "Information") extracted from the 2014 Sustainable Development Report has been prepared under the responsibility of Solvay Group management, in accordance with internal measurement and reporting principles used by Solvay Group (the "Reporting Framework"). The Reporting Framework consists of specific definitions and assumptions that are summarized in section "Corporate Social Responsibility Report" of the 2014 Annual Report.

Responsibility of the Statutory Auditor

It is our responsibility, based on the procedures performed by us, to express limited assurance on whether the Information identified by the symbol in the 2014 Annual Report is prepared, in all material respects, in accordance with the Reporting Framework.

We conducted our procedures in accordance with the international standard as defined in ISAE (International Standard on Assurance Engagements) 3000[1]. With respect to independence rules, these are defined by the respective legal and regulatory texts as well as by the professional Code of Ethics, issued by the International Federation of Account ("IFAC").

Nature and scope of procedures

We have carried out the following procedures to obtain limited assurance on whether the Information selected by Solvay and identified by the symbol in the 2014 Annual Report does not contain any material errors that would question its preparation, in all material respects, in accordance with the Reporting Framework. A higher level of assurance would have required more extensive procedures.

We performed the following procedures:

- We assessed the appropriateness of the Reporting Framework with respect to its relevance, completeness, neutrality, clarity and reliability, by taking into consideration, when relevant, the sector reporting practices.
- We have verified the set-up within Solvay Group of the process to obtain, consolidate and check the selected Information with regard to its completeness and consistency. We have familiarized ourselves with the internal control and risk management procedures relating to the compilation of the information. We have conducted interviews with individuals responsible for social, environmental and other sustainable development reporting.

[1] ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

- Concerning the selected Information[2]:
  - For the entity in charge of their consolidation, as well as for the controlled entities, we have designed analytical procedures and verified, using sampling techniques, the calculations as well as the consolidation of this information.
- At the sites that we have selected[3] based on their activity, their contribution to consolidated indicators, their location and a risk analysis, we have:
  - Conducted interviews to verify the proper application of procedures and obtained information to perform our verifications;
  - Conducted substantive tests, using sampling techniques, to verify the calculations performed and reconcile data with supporting evidence.

Conclusion

On the basis of the procedures performed by us nothing came to our attention that causes us to believe that the Information identified by the symbol as included in Solvay Group Annual Report for the year ended 31 December 2014, is not prepared, in all material respects, in accordance with the Reporting Framework.

Diegem, 6 March 2015

The Statutory Auditor
DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Eric Nys

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[2] **Social information**: Accident frequency rate – Lost Time Accident Rate (LTAR), Accident frequency rate – Medical Treatment Accident Rate (MTAR), Number of fatal accidents.
Environmental information: Direct & indirect CO_2 emissions (scopes 1 & 2), Other greenhouse gases (Kyoto Protocol) emissions (scope 1), Total greenhouse gases (Kyoto Protocol) emissions, Other greenhouse gases (non-Kyoto Protocol) emission (scope 1), Energy consumption, Acidification, Photochemical oxidant formation (POF), Total water intake, Groundwater and drinking water.
Process safety information: % level 1 risk situations solved within one year, number of "risk level 1" situations at the end of the year.
Information related to Sustainable Portfolio Management (SPM): revenue covered by the "market alignment" assessment, revenues of Product-Application Combinations in the "Aligned" and the "Star" categories.
Information related to Water management: Number of sites for which the water scarcity risk was confirmed, number of sites having implemented a sustainable water management.
Information related to Management of SVHC: % of SVHC reviewed for potential substitution.
Information related to Environmental accidents and remediation: Environmental provisions.
Information related to Employee engagement and wellness: % of employees covered by collective agreement.

[3] Alexandria (Egypt), Bernburg (Germany), Brotas (Brazil), Devnya (Bulgaria), Panoli (India), Rheinberg (Germany), St-Fons (France), Chalampé (France) for industrial hazardous waste and groundwater intake only, Orange (USA) for CFC113 and R22 emissions only, Rosignano (Italia) for seawater intake only, Santo-Andre (Brazil) for Acetone emissions only, Spinetta-Marengo (Italia) for CF4 and R22 emissions only.

STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the 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. The consolidated statement of financial position shows total assets of 17,894 million EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 80 million EUR.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Solvay SA/NV give a true and fair view of the group's net equity and financial position as of 31 December 2014, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Diegem, 26 February 2015

The statutory auditor
DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Eric Nys

SOLVAY 2013 FINANCIAL STATEMENTS
(AS EXTRACTED FROM SOLVAY 2013 ANNUAL REPORT)

2.1 Consolidated Financial Statements

The following financial statements were authorized for issue by the Board of Directors meeting on February 24, 2014. They have been drawn up in accordance with the IFRS accounting policies which are set out in the coming pages.

General comment:

(a) the Chlorovinyls net assets have been reclassified in 2013 to the Assets Held for Sale and Liabilities associated with Asset Held for Sale. In 2012 they were included in each line of the balance sheet;

(b) the Solvay Indupa had already been reclassified in 2012 to the Assets Held for Sale and Liabilities associated with Asset Held for Sale;

(c) the PVC Compounds (Benvic) net assets have been reclassified in 2013 to the Assets Held for Sale and Liabilities associated with Asset Held for Sale. In 2012 they were included in each line of the balance sheet;

(d) the net income of Chlorovinyls, Solvay Indupa and post-closing adjustments related to the divestiture of the Pharmaceutical business are included in the result from discontinued operation in 2013. The income statement for 2012 has accordingly also been restated for Chlorovinyls;

(e) the cash flow statement doesn't segregate continuing and discontinued operations. A specific statement discloses the cash flow from operating, investing and financing activities for discontinued operations (see note 23).

Income statement

	Notes	2013	2012
		(in € million)	
Sales	**(1)(2)**	**10,367**	**10,910**
Revenue from non-core activities		429	395
Net sales		**9,938**	**10,515**
Cost of goods sold		(8,043)	(8,546)
Gross margin		**2,324**	**2,364**
Commercial and administrative costs		(1,199)	(1,076)
Research and development costs		(237)	(247)
Other operating gains and losses	**(4)**	(94)	(97)
Earnings from associates and joint ventures accounted for using equity method	**(5)**	92	183
REBIT		**886**	**1,127**
Non-recurring items	**(6)**	(239)	55
EBIT		**647**	**1,181**
Cost of borrowings	**(7)**	(187)	(167)
Interest on lendings and short term deposits	**(7)**	25	16
Other gains and losses on net indebtedness	**(7)**	(2)	(8)
Cost of discounting provisions	**(7)**	(87)	(200)
Income/loss from available-for-sale investments		40	(3)
Result before taxes		**437**	**820**
Income taxes	**(8)**	(187)	(241)
Result from continuing operations		**249**	**579**
Result from discontinued operations	**(13)**	65	1
Net income for the year	**(12)**	**315**	**580**
Non-controlling interests		(44)	(17)
Net income (Solvay share)	**(9)**	**270**	**563**
Basic earnings per share from continuing operations (in €)	**(11)**	2.47	6.28
Basic earnings per share from discontinued operations (in €)		0.78	0.56
Basic earnings per share (in €)		3.25	6.84

	Notes	2013	2012
		(in € million)	
Diluted earnings per share from continuing operations (in €)	**(11)**	2.45	6.25
Diluted earnings per share from discontinued operations (in €)		0.78	0.56
Diluted earnings per share (in €)		3.23	6.81
RATIOS			
Gross margin as a % of sales		22.4%	21.7%
Interest coverage ratio		5.4	7.1
Income taxes/Result before taxes (in %)		42.9%	29.4%

Note:—

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

NON-IFRS METRICS

	Notes	2013	2012
		(in € million)	
REBITDA	(3)	1,663	1,896
Adjusted net income	(10)	422	707

Statement of comprehensive income

	Notes	2013	2012
		(in € million)	
Net income for the year		**315**	**580**
Other comprehensive income			
Recyclable components			
Hyperinflation	(14)	30	
Gains and losses on available-for-sale financial assets	(14)	(23)	14
Gains and losses on hedging instruments in a cash flow hedge	(14)	(9)	11
Currency translation differences	(14)	(356)	(129)
Non-recyclable components			
Remeasurements of the net defined benefit liability	(14)	109	(419)
Income tax relating to recyclable and non-recyclable components			
Income tax relating to components of other comprehensive income	(14)	(38)	44
Other comprehensive income, net of related tax effects		**(287)**	**(478)**
Comprehensive income for the year		**28**	**102**
attributed to:			
• owners of the parent		25	101
• non-controlling interests		3	1

Statement of cash flows

The amounts below include the effect of the discontinued operations.

	Notes	2013	2012
		(in € million)	
Net income		315	580
• Depreciation, amortization and impairments[1]	**(15)**	929	794
• Earnings from associates and joint ventures accounted for using the equity method		(93)	(184)
• Net financial charges and Income/loss from available-for-sale investments		245	401
• Income taxes expense	**(16)**	232	295
Changes in working capital	**(17)**	54	54
Changes in provisions	**(18)**	(245)	(310)

	Notes	2013	2012
		(in € million)	
Dividends received from associates and joint ventures accounted for using equity method		83	53
Income taxes paid	**(16)**	(262)	(179)
Other	**(19)**	20	(47)
Cash flow from operating activities		**1,278**	**1,457**
Acquisition (-) of subsidiaries	**(20)**	(878)	(2)
Acquisition (-) of investments – Other	**(20)**	(121)	(39)
Loans to associates and non-consolidated subsidiaries	**(20)**	(23)	0
Sale (+) of investments	**(20)**	44	191
Acquisition (-) of tangible and intangible assets	**(20)**	(810)	(785)
Sale (+) of tangible and intangible assets	**(20)**	33	109
Dividend from available-for-sale investments		4	1
Changes in non-current financial assets		18	4
Cash flow from investing activities		**(1,732)**	**(520)**
Capital increase (+)/ redemption (-)		0	(28)
Proceed from bond issuance classified as equity	**(21)**	1,191	0
Acquisition (-)/ sale (+) of treasury shares		(1)	142
Net changes in borrowings		(120)	(379)
Changes in other current financial assets		205	(294)
Interests paid		(198)	(176)
Dividends paid		(343)	(278)
Other	**(22)**	(61)	(67)
Cash flow from financing activities		**672**	**(1,081)**
Net change in cash and cash equivalents		**218**	**(144)**
Currency translation differences		(53)	(22)
Opening cash balance		1,778	1,943
Closing cash balance(2)	**(33)**	1,943	1,778
FREE CASH FLOW FROM CONTINUING OPERATIONS(3)		**290**	**679**
FREE CASH FLOW FROM DISCONTINUED OPERATIONS(3)		**235**	**108**
TOTAL FREE CASH FLOW		**524**	**787**

Notes:—

(1) On tangible assets, intangible assets and goodwill.

(2) Including cash in assets held for sale (€ 11 million in 2013 and € 10 million in 2012).

(3) Free cash flow = Cash flow from operating activities (including dividends from associates and joint ventures) + cash flow from investing activities (excluding acquisitions and disposals of subsidiaries and other investments).

Explanatory notes can be found after the financial statements.

Cash flows from discontinued operations

	Notes	2013	2012
		(in € million)	
Cash flow from operating activities		337	252
Cash flow from investing activities		(102)	(144)
Cash flow from financing activities		(22)	(29)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(23)**	**213**	**79**

Statement of financial position (balance sheet)

	Notes	2013	2012
		(in € million)	
ASSETS			
Non-current assets		**11,191**	**11,602**
Intangible assets	(25)	1,620	1,462
Goodwill	(26)	3,096	2,717
Tangible assets	(27)	4,679	5,393
Available-for-sale investments	(28)	38	66
Investments in associates and joint ventures	(29)	889	869
Other investments	(30)	111	123
Deferred tax assets	(8b)	502	548
Loans and other non-current assets	(34)	257	424
Current assets		**7,242**	**6,728**
Inventories	(31)	1,267	1,422
Trade receivables	(34)	1,322	1,657
Income tax receivables		35	13
Other current receivables – Financial instruments	(34)	481	758
Other current receivables – Other		583	685
Cash and cash equivalents	(33)	1,932	1,768
Assets held for sale	(13)	1,621	425
Total assets		**18,433**	**18,330**
EQUITY & LIABILITIES			
Total equity		**7,453**	**6,574**
Share capital		1,271	1,271
Reserves		5,804	4,859
Non-controlling interests		378	443
Non-current liabilities		**6,838**	**8,226**
Long-term provisions: employee benefits	(32)	2,684	2,987
Other long-term provisions	(32)	773	1,214
Deferred tax liabilities	(8b)	469	489
Long-term financial debt	(33)	2,745	3,321
Other non-current liabilities		166	216
Current liabilities		**4,142**	**3,530**
Short-term provisions: employee benefits	(32)		63
Other short-term provisions	(32)	339	243
Short-term financial debt	(33)	769	331
Trade liabilities	(34)	1,353	1,617
Income tax payable		17	69
Dividends payable		112	103
Other current liabilities		602	768
Liabilities associated with assets held for sale	(13)	949	337
Total equity & liabilities		**18,433**	**18,330**
RATIOS			
Net debt to equity ratio		14.8%	17.1%

Notes:—

Net debt to equity ratio = net debt/total equity.

Net debt = short- and long-term financial debt less cash and cash equivalents and other current receivables – Financial instruments.

Explanatory notes can be found after the financial statements.

Statement of changes in equity

	Equity attributable to equity holders of the parent						
							Revaluation
	Share capital	Issue premiums	Retained earnings	Hybrid Bonds	Treasury shares	Currency translation differences	Available-for-sale investments
	(in € million)						
Balance at December 31, 2011 published	**1,271**	**18**	**5,693**		**(292)**	**(332)**	**3**
IAS 19 Revised			(19)				
Balance at December 31, 2011	**1,271**	**18**	**5,674**		**(292)**	**(332)**	**3**
Net profit for the period			563				
Items of Other Comprehensive Income						(121)	14
Comprehensive income			**563**			**(121)**	**14**
Cost of stock options			11				
Dividends			(255)				
Acquisitions/sale of treasury shares					143		
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control			(1)				
Other			5		(11)		
Balance at December 31, 2012	**1,271**	**18**	**5,997**		**(160)**	**(453)**	**17**
Net profit for the period			270				
Items of Other Comprehensive Income of which hyperinflation(1)			20			(315)	(23)
Comprehensive income			**291**			**(315)**	**(23)**
Hybrid Bonds(2)				1,194			
Cost of stock options			10				
Dividends			(276)				
Acquisitions/sale of treasury shares					(1)		
Result on sales of treasury shares			(29)		29		
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control			(8)				
Balance at December 31, 2013	**1,271**	**18**	**5,985**	**1,194**	**(132)**	**(768)**	**(6)**

Notes:—

(1) Impact on equity following the application of IAS 29, resulting mainly from the restatement of non-monetary assets (as property, plant and e year end 'using a general price index from the date when they were first recognized.

(2) Following the acquisition of Chemlogics and to strengthens Solvay's capital structure, a hybrid bond has been issued for a worth of € 1.2 bil 32 criteria are fulfilled.

2.2 Notes to the consolidated financial statements

IFRS accounting policies

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

1 General information and applicable IFRS

Solvay (the "Company") is a public limited liability company governed by Belgian law and quoted on NYSE Euronext Brussels, and NYSE Euronext Paris. The principal activities of the Company, its subsidiaries, joint ventures and associates (jointly the "Group") are described in note 1 on segment information.

The Group's consolidated financial statements for the year ended December 31, 2013 were prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union.

A. Standards, interpretations and amendments applicable as from 2013

- Amendments to IAS 19 Employee Benefits (applicable for annual periods beginning on or after January 1, 2013).
- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after from July 1st, 2012).
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after January 1, 2013).
- Amendments to IFRS 1 Government Loans (applicable for annual periods beginning on or after January 1, 2013).
- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (applicable for annual periods beginning on or after January 1, 2013).
- Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after January 1, 2013).
- IFRS 13 Fair Value Measurement (applicable for annual periods beginning on or after January 1, 2013).
- Improvements to IFRS (2009-2011) (applicable for annual periods beginning on or after January 1, 2013).
- IFRIC 20 Stripping costs in the production phase of a surface mine (applicable for annual periods beginning on or after January 1, 2013).

The impacts on the Group Financial Statements of the Amendments to IAS 19 are presented in the paragraph for the changes in accounting policies. The other aforementioned amendments and interpretations have limited impact on the disclosures.

B. Standards, interpretations and amendments to standards already published, but not yet applicable in 2013

- IFRS 9 Financial Instruments and subsequent amendments (effective date not communicated yet).
- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after January 1, 2014).
- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after January 1, 2014).
- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after January 1, 2014).
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after January 1, 2014).
- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Consolidated Financial Statements and Disclosure of Interests in Other Entities:* Investment Entities (applicable for annual periods beginning on or after January 1, 2014).

- Amendments to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual periods on or after January 1, 2014, but not yet endorsed in EU).
- Amendments to IAS 36 – *Recoverable amount Disclosures for Non-Financial Assets* (applicable for annual periods on or after January 1, 2014, but not yet endorsed in EU).
- Amendments to IAS 19 Employee Benefits – Employee Contributions (applicable for annual periods beginning on or after July 1, 2014, but not yet endorsed in EU).
- IFRIC 21 – *Levies* (applicable for annual periods on or after January 1, 2014, but not yet endorsed in EU).
- Improvements to IFRS (2010-2012 cycle) (applicable for annual periods beginning on or after July 1, 2014, but not yet endorsed in EU).
- Improvements to IFRS (2011-2013 cycle) (applicable for annual periods beginning on or after July 1, 2014, but not yet endorsed in EU).

The impacts due to the application of IFRS 11 – Joint Arrangements are presented below.

IFRS 11 supersedes IAS 31 Interests in Joint Ventures and prescribes that a joint arrangement (i.e. an arrangement under which Solvay has joint control together with one or several other parties) can either be classified as a joint venture or as a joint operation. In the latter case, Solvay has direct rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Accordingly, Solvay's interests in joint operations are treated under a method similar to the proportionate consolidation. With respect to joint arrangements classified as joint ventures, the related interests are accounted for under the equity method, which is consistent with the current Group accounting policy under IAS 31.

Therefore, the initial application of IFRS 11 in 2014 will affect the accounting treatment of the following joint arrangements classified as joint operations:

- BASF Interox H_2O_2 Production NV;
- Deven AD;
- MTP HPJV C.V.;
- MTP HPJV Management B.V.;
- MTP HPJV (Thailand) Ltd.;
- Saudi Hydrogen Peroxyde Co.;
- Solvay Sisecam Holding AG;
- Solvay Sodi AD.

The other aforementioned standards, interpretations and amendments will have to the best knowledge of the management no significant impact on the consolidated financial statements.

C. Changes in accounting principles

In 2011, the IASB published a revised IAS-19 Employee Benefits, applicable for annual periods beginning on or after January 1, 2013. Solvay applied the IAS-19 revised for the first time in the condensed consolidated financial statements as of March 31, 2013.

The impact of the IAS 19 revision on the measurement of the related provisions is limited to the inclusion of the taxes on contributions.

The comparative financial statements have been restated to include the effects of IAS-19 revised as of December 31, 2011. This restatement has impacted the retained earnings (€ (20) million) and the employee benefit provisions (€ 20 million).

On the consolidated income statement ended December 31, 2012, net result was negatively impacted for € 21 million. This is mainly due to the replacement of the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit liability and the discount rate.

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 either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of 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 26 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.

The Group recognizes any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

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 IAS 36 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.

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 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	
1 Euro =		**2013**	**2012**	**2013**	**2012**
Pound sterling	GBP	0.8337	0.8161	0.8493	0.8109
US Dollar	USD	1.3791	1.3194	1.3280	1.2848
Argentinian Peso	ARS	8.9834	6.4823	7.2770	5.8481
Brazilian Real	BRL	3.2576	2.7036	2.8674	2.5084
Thai Baht	THB	45.1780	40.3470	40.8222	39.9277
Yuan Renminbi	CNY	8.3491	8.2207	8.1645	8.1053
Japanese Yen	JPY	144.7200	113.6100	129.6464	102.4916
Venezuelian Bolivar Fuerte	VEF	8.6789	5.6726	8.0595	5.5303

9 Provisions for retirement obligations and other long-term employee benefits

The Group's employees are offered various post-employment and other long-term employee benefits as a result of legislation applicable in certain countries, contractual agreements entered into by the Group with its employees or constructive obligations.

The post-employment benefits are classified under defined benefit or defined contributions plans.

A. Defined contribution plans

Defined contribution plans involve the payment of fixed contributions to a separate entity, thus releasing the employer from any subsequent obligation, as the entity is solely 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 post-employment benefits: medical care.

Taking into account projected final salaries on an individual basis, post-employment benefits are measured by applying a method (projected unit credit method) using assumptions involving the discount rate, 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 discount rates are interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The amount recorded under post-employment obligations corresponds to the difference between the present value of future obligations and the fair value of the plan assets intended to hedge them. If this calculation gives rise to a deficit, an obligation is recoded in liabilities. Otherwise, a net asset limited to the lower of the surplus in the defined benefit plan and the present value of any future plan refunds or any reduction in future contributions to the plan is recorded.

The defined benefit cost consists of service cost and net interest on the net liability or asset, both recognized in profit or loss, and remeasurements of the net liability or asset, recognized in other comprehensive income.

Service cost consists of current service cost, past service cost resulting from plan amendments or curtailments and settlement gains or losses.

The interest expenses arising from the reverse discounting of the benefit obligations, the financial income on plan assets (determined by multiplying the fair value of the plan assets by the discount rate) as well as interest on the effect of the asset ceiling are recognized on a net basis in profit or loss from financial items.

Remeasurements of the net liability or asset consist of:

- actuarial gains and losses on the benefits obligations arising from experience adjustments and/or changes in actuarial assumptions;
- the return on plan assets (excluding amounts in net interest) and changes in the limitation of the net asset recognized (excluding amounts in the net interest).

Other long-term benefits such as long service awards are accounted for in the same way as post-employment benefits but remeasurements are fully recognized in profit or loss from financial items for the period in which they occur.

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;

- acquisition costs of new business;
- gains and losses on the sale of real estate not directly linked to an operating activity;
- major restructuring charges;
- impairment losses resulting from the shutdown of an activity or a plant;
- impairment losses resulting from testing Cash-Generating Units for impairment (a CGU includes tangible assets, intangible assets and allocated goodwill if any);
- the impact of significant litigation;
- the remediation costs not generated by ongoing production facilities (shutdown 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.

Patents and trademarks	2-20 years
Software	3-5 years
Development expenditures	2-5 years
Other intangible assets	5-20 years

Licenses, patents and similar rights

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

Research and Development costs

Research costs are expensed in the period in which they are incurred.

Development costs are capitalized if, and only if all the following conditions are fulfilled:

- the cost of the asset can be reliably measured;
- the technical feasibility of the product has been demonstrated;
- the product or process will be placed on the market or used internally;
- the assets will generate future economic benefits (a potential market exists for the product or, where it is to be used internally, its future utility is demonstrated);
- the technical, financial and other resources required to complete the project are available.

The capitalized development costs are amortized on a straight-line basis over their useful lives.

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

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

Other intangible assets

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

14 Greenhouse gas emission allowances and Certified Emission Reductions

With respect to the mechanism set up by the European Union to encourage manufacturers to reduce their greenhouse gas emissions, the Group was granted carbon dioxide (CO_2) emission allowances for some of its installations. The Group is also involved in Clean Development Mechanism (CDM) 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).

Treatment of European Union Allowances (EUA)

These allowances are granted each year under the national allocation plans with a third trading period of eight years starting in January 2013. During the third period, the allowances are generally 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 the Trade / Production model, according to which:

- emission allowances and purchases will be registered as inventories;
- depending on the company's economic models, inventories will be consumed in the production process or hold for sales and accounted for differently.

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. Energy Services is in charge of the sales of CERs.

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

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

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 23 Hedge accounting. Otherwise, they represent off-balance sheet commitments.

Treatment of Energy Services' activities

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

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

15 Property, plant & equipment

A. Initial recognition

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

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

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

The components of an item of property, plant and equipment with different useful lives are recognized separately.

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

B. Useful lives

Land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

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

C. Subsequent expenditure

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

The carrying amount of replaced items is derecognized.

Repair and maintenance costs are recognized in the income statement as incurred.

Regarding 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, an obligation is only likely to arise upon the discontinuation of a site's activities. However, the costs of dismantling discontinued sites or installations are provided when there is a legal obligation (due to a request or injunction from the relevant authorities), or there is no technical alternative to dismantling to ensure the safety compliance of the discontinued sites or installations.

16 Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

17 Capitalized borrowing costs

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 income 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 resulting 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 classified 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

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 resulting 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 the income statement. 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 the income statement.

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. However, 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 resulting 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 classified 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 comprises non-current financial debt, other non-current liabilities, current financial debt, trade liabilities and dividends payable included in other current liabilities.

22 Derivative financial instruments

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

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

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

23 Hedge accounting

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

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

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

Fair value hedges

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

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

Cash flow hedges

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

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the income statement as the recognized hedged item. However, when the hedged forecast transaction 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 note 8 above.

24 Shareholder’ equity

Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Reserves

The reserves include:

- retained earnings;
- the effects of the revaluation of derivatives assigned to cash flow hedges and net investments in accordance with IAS 21;
- the effects of the revaluation of available-for-sale financial assets in accordance with IAS 39, as these are unrealized gains and losses;
- equity instruments similar to deeply subordinated bonds, whose characteristics allow recognition in shareholders' equity (IAS 32): no maturity, interest is payable annually but can be deferred indefinitely;
- unrealized currency translation differences from the consolidation process relating to the translation of the financial statements of foreign subsidiaries prepared in a currency other than the Euro;
- treasury shares;
- impact of hyperinflation accounting;
- actuarial gains and losses related to post-employment benefits.

Non-controlling interests

Non-controlling interests represent the share in the net assets and net earnings of a subsidiary of the Group. This share represents the interests that are not held directly by the parent company or indirectly through subsidiaries.

They are measured either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

25 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 in the financial result.

26 Reporting in hyperinflationary economies

The Venezuelan economy being considered as a hyperinflationary economy, the Group has applied the hyperinflationary accounting requirements of IAS 29 Financial Reporting in Hyperinflationary Economies to its Venezuelan operations. The financial statements are based on the historical cost convention and have been restated to take account of the effects of inflation in accordance with IAS 29.

The index used to reflect current values is the inflation rate published by Banco Central de Venezuela.

	At 31/12/2013
Index at year end	1,264
Movement of the year	56.2%

27 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.

28 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.

29 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).

30 Finance income and costs

Finance costs comprise:

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

Finance income comprises the interest income 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.

31 Share-based payments

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

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

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

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

32 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.

33 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.

34 Events after the reporting period

Events after the reporting period which provide additional information about the Group's 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.

35 Non-IFRS metrics

Financial communication puts emphasis on two non-IFRS metrics:

(a) REBITDA which consists of IFRS EBIT excluding:

- recurring amortization and depreciation,
- non-recurring items (see 10),
- operating revenues/expenses not taken into account by management when assessing segment performances;

(b) adjusted net income which corresponds to IFRS net income adjusted for amortization and depreciation resulting from Purchase Price Accounting when material.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment

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

Further details are provided in note 26.

Deferred tax assets

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

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

Further details are provided in note 8.B.

Employment benefits provisions

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

Environmental Provisions

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

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

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

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

Provisions for litigation

All significant legal litigation[4] (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.

4 A similar procedure is implemented for tax litigation.

Classification as Held for sale

Assets are classified as held for sale if their carrying amount will be recovered 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 is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. However, an asset may remain in this categorization for longer than one year if it remains unsold due to events or circumstances beyond the Group's control.

Chlorovinyls business has been reclassified as a disposal group held for sale. The scope of the assets and liabilities to be contributed by Solvay in a 50/50 joint venture is still subject to some uncertainties.

General description of the segments

Effective January 1, 2013, Solvay is organized into five Operating Segments.

Advanced Formulations serves the consumer products markets. Its growing product offering is directed at societal megatrends: demographic growth, the increasing purchasing power of emerging markets, the appearance of new modes of consumption, and a demand for safer, more sustainable products and renewable materials-based solutions. After the acquisition of Chemlogics and the consequent relative increase of the Oil & Gas end market compared to Consumer Goods, beginning of 2014 the Consumer Chemicals segment was renamed "**Advanced Formulations**".

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

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

Functional Polymers include polyamide based solutions serving mainly the automotive, construction, electrical/electronic and different consumer goods markets.

Corporate & Business Services includes the Energy Services GBU and Corporate Functions such as Business Services. Energy Services' mission is to optimize energy consumption and reduce emissions.

NOTES TO THE INCOME STATEMENT

NOTE 1 Financial data by segment (Income statement per segment after reclassification in discontinued operations for Chlorovinyls and Solvay Indupa)

Information per segment for 2013 is presented below:

2013 Income statement items	Advanced Formulations	Advanced Materials	Performance Chemicals	Functional Polymers	Corporate & Business Services	Group total
			(in € million)			
Net sales	2,436	2,566	3,167	1,856	67	10,092
• Inter-segment sales	(4)	(15)	(42)	(93)		(154)
External sales	2,432	2,551	3,125	1,763	67	9,938
Gross margin	535	847	687	171	85	2,325
REBIT	**211**	**451**	**512**	**(29)**	**(259)**	**886**
Of which earnings from associates and joint ventures	*22*	*5*	*74*	*(6)*	*(4)*	*91*
Depreciation and amortization	144	195	212	111	91	752
Adjustments for KPI monitored by Management	14			11		25
REBITDA	**369**	**646**	**724**	**93**	**(169)**	**1,663**
Non-recurring items	(15)	(27)	(73)	(28)	(97)	(239)
EBIT	**196**	**424**	**440**	**(57)**	**(356)**	**647**
Net financial charges						(210)
Income taxes						(187)
Result from discontinued operations						65
Net income						**315**

Statement of financial position and other items	Advanced Formulations	Advanced Materials	Performance Chemicals	Functional Polymers	Corporate & Business Services	Group total
Capital expenditures (continuing operations)	136	213	187	74	99	708
Capital expenditures (discontinued operations)				102		102
Investments (continuing operations)	881	1	18	86	13	999
Working capital						
Inventories	281	489	264	217	16	1,267
Trade receivables	295	327	468	201	31	1,322
Trade liabilities	286	240	384	232	212	1,353

Capital expenditures are related to fixed assets (tangible and intangible) and investments in subsidiaries and other investments.

Information per segment for 2012 is presented below:

2012 Income statement items	Advanced Formulations	Advanced Materials	Performance Chemicals	Functional Polymers	Corporate & Business Services	Group total
			(in € million)			
Net sales	2,573	2,779	3,189	1,970	157	10,667
• Inter-segment sales	(8)	(36)	(27)	(82)		(152)
External sales	2,565	2,743	3,162	1,888	157	10,515
Gross margin	571	818	695	149	131	2,364
REBIT	**388**	**403**	**541**	**(15)**	**(190)**	**1,127**
Of which earnings from associates and joint ventures	*129*	*5*	*53*	*2*	*(6)*	*183*
Depreciation and amortization	130	196	209	115	74	724
Adjustments for KPI monitored by Management		28			17	45
REBITDA	**518**	**627**	**750**	**100**	**(99)**	**1,896**
Non-recurring items	—	(15)	122	98	(149)	55
EBIT	**388**	**388**	**663**	**83**	**(339)**	**1,181**
Net financial charges						(361)
Income taxes						(241)
Result from discontinued operations						2
Net income						**580**

Statement of financial position and other items	Advanced Formulations	Advanced Materials	Performance Chemicals	Functional Polymers	Corporate & Business Services	Group total
Capital expenditures (continuing operations)	115	198	201	65	61	640
Capital expenditures (discontinued operations)				145		145
Investments (continued operations)	4	16	12		9	41
Working capital						
Inventories	250	507	267	373	25	1,422
Trade receivables	267	357	500	491	43	1,657
Trade liabilities	280	246	349	533	208	1,617

External net sales by cluster are presented below:

	2013	2012
	(in € million)	
Advanced Formulations	**2,432**	**2,565**
Novecare	1,581	1,684
Aroma Performance	365	376
Coatis	486	506
Advanced Materials	**2,551**	**2,743**
Specialty Polymers	1,288	1,348
Silica	416	382
Rare Earth Systems	298	434
Special Chemicals	549	579
Performance Chemicals	**3,125**	**3,162**
Essential Chemicals	1,756	1,811
Acetow	658	616
Eco Services	288	314
Emerging Biochemicals	424	421
Functional Polymers	**1,763**	**1,888**
Polyamides	1,557	1,688
Chlorovinyls	206	200
Corporate & Business Services	**67**	**157**
Energy Services	67	154
Other Corporate and Business Services	0	3
TOTAL	**9,938**	**10,515**

NOTE 2 Sales by country and region (continuing operations)

Group sales by market location are as follows:

	2013	%	2012	%
	(in € million)			
Belgium	126	1%	141	3%
Germany	929	9%	962	9%
Italy	490	5%	519	6%
France	812	8%	832	10%
United Kingdom	271	3%	329	3%
Spain	277	3%	283	3%
European Union – other	641	6%	645	8%
European Union	**3,545**	**34%**	**3,711**	**42%**
Other Europe	**263**	**3%**	**197**	**2%**
United States	2,095	20%	2,325	18%
Canada	108	1%	133	1%
North America	**2,203**	**21%**	**2,458**	**19%**
Brazil	883	9%	914	7%
Mexico	114	1%	117	1%
Latin America – other	172	2%	180	2%
Latin America	**1,170**	**11%**	**1,211**	**10%**
Russia	173	2%	158	1%
Turkey	81	1%	79	1%
China	757	7%	793	6%
India	176	2%	173	1%
Japan	349	3%	402	3%
South Korea	350	3%	342	3%
Thailand	406	4%	440	3%
Egypt	55	1%	55	0%
Other	837	8%	892	7%
Asia and Rest of the World	**3,186**	**31%**	**3,334**	**27%**
TOTAL	**10,367**	**100%**	**10,910**	**100%**

Invested capital and capital expenditures by country and region

Invested capital and capital expenditures by country and region for continuing operations are shown below:

	Invested capital				Capital Expenditures			
	2013	%	2012	%	2013	%	2012	%
				(in € million)				
Belgium	2,554	21%	3,579	29%	(21)	1%	(32)	9%
Germany	688	6%	968	8%	(45)	3%	(57)	8%
Italy	678	6%	707	6%	(62)	4%	(61)	8%
France	2,531	21%	2,000	16%	(200)	12%	(192)	31%
United Kingdom	86	1%	205	2%	(8)	0%	(7)	1%
Spain	225	2%	274	2%	(16)	1%	(10)	2%
European Union – other	201	2%	233	2%	(34)	2%	(7)	1%
European Union	**6,963**	**58%**	**7,967**	**64%**	**(386)**	**23%**	**(366)**	**59%**
Other Europe	**3**	**0%**	**(10)**	**0%**	**(5)**	**0%**	**0**	**0%**
United States	2,356	20%	1,689	14%	(998)	58%	(105)	13%
Canada	2	0%	1	0%	0	0%	0	0%
North America	**2,358**	**20%**	**1,690**	**14%**	**(998)**	**58%**	**(105)**	**13%**
Brazil	475	4%	834	7%	(39)	2%	(55)	9%
Argentina	68	1%	71	1%	0	0%	0	1%
Latin America – other	68	1%	45	0%	(1)	0%	(1)	0%
Latin America	**611**	**5%**	**951**	**8%**	**(40)**	**2%**	**(56)**	**9%**
Russia	413	3%	380	3%	(91)	5%	(1)	0%
Turkey	0	0%	0	0%	0	0%	0	0%
Thailand	404	3%	483	4%	(11)	1%	(44)	5%
China	581	5%	467	4%	(98)	6%	(69)	8%

	Invested capital				Capital Expenditures			
	2013	%	2012	%	2013	%	2012	%
				(in € million)				
South Korea	174	1%	139	1%	(24)	1%	(10)	1%
India	167	1%	210	2%	(6)	0%	(11)	1%
Singapore	32	0%	34	0%	(8)	0%	0	0%
Japan	53	0%	59	0%	(3)	0%	(1)	0%
Egypt	106	1%	109	1%	(10)	1%	(12)	1%
Other	60	1%	32	0%	(27)	2%	(6)	1%
Asia and Rest of the World	**1,990**	**17%**	**1,913**	**15%**	**(278)**	**16%**	**(154)**	**19%**
TOTAL	**11,924**	**100%**	**12,510**	**100%**	**(1,707)**	**100%**	**(681)**	**100%**

Invested capital includes the non-current assets (excluding the deferred taxes), inventory and trade receivables and payables. Capital Expenditures include tangible, intangible and investments expenditures.

NOTE 3 REBITDA (non-IFRS metrics)

REBITDA for continuing operations is the non-IFRS metrics used by management to monitor segment performances and to allocate resources.

REBITDA is computed as follows:

	2013	2012
	(in € million)	
EBIT IFRS	**647**	**1,181**
Non-recurring items	239	(55)
REBIT	**886**	**1,127**
Adjustment of Rhodia inventories at fair value (PPA)	—	45
Equity Earnings RusVinyl (pre-operational stage)	11	—
Adjustment of Chemlogics retention plan	1	—
Adjustment of Chemlogics inventories at fair value (PPA)	13	—
Recurring IFRS depreciation and amortization	752	724
REBITDA (INCOME STATEMENT KPI MONITORED BY MANAGEMENT)	**1,663**	**1,896**

In a challenging macro environment and against demanding comparables, **REBITDA** came at € 1,663 million (€ 1,896 million last year), primarily flat considering last year's exceptionals of € 190 million (CER phase out and native guar) and temporary adverse developments at guar derivatives.

Pricing power was satisfactory in a deflationary raw material context: the reduction of our selling prices of € (202) million was more than offset by savings in raw material and energy costs of € 205 million. By Operating Segment, pricing power at Advanced Materials and at Engineering Plastics (within Functional Polymers) was able to offset major margin squeeze at our guar derivatives business (within Advanced Formulations). Excellence initiatives across business and functions helped significantly to compensate for the inflation component of the Group's fixed cost base.

The year on year REBITDA evolution per operating segment broke down as follows: Advanced Formulations (29%), Advanced Materials 3%, Performance Chemicals (3%) and Functional Polymers (7%).

The Group's REBITDA margin on net sales came of 16.7% compared with 18.0% last year.

NOTE 4 Other operating gains and losses (included in REBITDA)

	2013	2012
	(in € million)	
Income from investments and interest on loans to joint ventures and non-consolidated companies	7	8
Start-up, formation and preliminary study costs	(24)	(35)
Recurring capital gain on sales of fixed assets	10	7
Net foreign exchange gain and losses	4	—
Amortization of intangible resulting from PPA Rhodia	(148)	(131)
Balance of other gains and losses	57	54
Other operating gains and losses	**(94)**	**(97)**

In 2013 the balance of other gains and losses includes mainly the realignment of insurance policies of the Group which led to the reversal of provisions for € 22 million.

NOTE 5 Earnings from Associates and Joint Ventures accounted for using the equity method (included in REBITDA)

The net income of the joint ventures and associates is part of the Group REBIT and amounts to € 92 million in 2013 against € 183 million in 2012. The main decrease relates to the net income generated by the guar activity of Hindustan Gum & Chemicals Ltd in India.

NOTE 6 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;
- acquisition costs of new business;
- gains and losses on the sale of real estate not directly linked to an operating activity;
- major restructuring charges;
- impairment losses resulting from the shutdown of an activity or a plant;
- impairment losses resulting from testing Cash-Generating Units for impairment (a CGU includes tangible assets, intangible assets and allocated goodwill if any);
- the impact of significant litigation;
- the remediation costs not generated by ongoing production facilities (shutdown 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 for continuing operations break down as follows:

	2013	2012
	(in € million)	
Restructuring	(115)	(110)
Costs related to non-ongoing activities	(32)	(7)
M&A costs and capital gains/losses	(22)	53
Major litigations	(5)	(25)
Impairment	(65)	144
Non-recurring items	**(239)**	**55**

In 2013, the non-recurring items are mainly related to:

- restructuring costs (€ (115) million) related mainly to Rhodia integration (€ (46) million) and Soda Ash Europe (€ (45) million);
- impairment Plextronics (€ (30) million) and Benvic (€ (32) million);
- litigation and environmental costs of non-ongoing activities (€ (25) million).

In 2012, the non-recurring items are mainly related to:

- the impairment loss on Soda Ash CGU booked in 2010 has been partially reversed (€ 149 million);
- restructuring costs (€ (110) million) of which Rhodia integration costs for € (92) million (social costs and consulting fees);
- capital gains Pipelife joint venture (€ 70 million);
- capital gain corporate buildings Solvay SA (€ 28 million);
- litigation and environmental costs of non-ongoing activities (€ (40) million).

NOTE 7 Net financial charges

	2013	2012
	(in € million)	
Cost of borrowings – Interest expense on financial liabilities at amortized cost	(187)	(167)
Interest income on cash and cash equivalents	24	14
Interest income on other current receivables – Financial instruments	1	2
Other gains and losses on net indebtedness	(2)	(8)
Cost of discounting provisions	(87)	(200)
Net financial charges	**(250)**	**(358)**

Details on "Other current receivables – financial instruments" and on "Cash and cash equivalents" are included in note 33.

Net financial charges at the end of 2012 and 2013 does not include the net financial charges for Indupa and for the Chlorovinyls activities included in the proposed joint venture with Ineos, recorded in discontinued operations.

Net financial charges were € 250 million at the end of 2013 compared to € 358 million at the end of 2012.

At the end of 2013, charges and income for ~€ 9 million were recorded respectively in "Cost of borrowings" and in "Interest income on cash and cash equivalents". They are related to investments made in treasury instruments valued at amortized cost under IFRS. The amortization was recorded in charges and was compensated by the share of accrued interest recognized in interest income.

The evolution of the cost of borrowings at the end of 2013 compared to 2012 is also partly explained by the fact that the 2012 financial charges included € 17 million one-off non-cash income related to the decision to exercise the call option in 2014 related to the € 500 million Rhodia senior bond maturing in 2018.

Other gains & losses on net debt indebtedness decreased from € (8) million at the end of 2012 to € (2) million at the end of 2013.

At the end of 2013, they included a net positive income related to the mark-to-market of an interest rate swap (€ 5.2 million) that was traded early 2013 to secure a potential funding in 2014, however no longer needed as per management decision. This income was offset by financial losses (see note 34 Interest rate risk).

The cost of discounting provisions decreased from € 200 million at the end of 2012 to € 87 million at the end of 2013. This decrease (€ (113) million) is mainly due to the sum of the three following impacts:

- in 2012 a one off cost resulting from decrease in discount rates for environmental provisions (€ 49 million), mainly in the Eurozone and in Brazil;
- in 2013 a one off gain resulting from increase in discount rates for environmental provisions (€ 41 million), mainly in Brazil and to a lower extent in the UK and in North America;
- lower discount rate to compute net interest costs in 2013 (vs 2012) on post-employment benefit (€ 21 million).

NOTE 8 Income taxes and deferred taxes

8.A. Income taxes

Components of the tax charge

The tax charge breaks down as follows:

	2013	2012
	(in € million)	
Current taxes related to current year	(154)	(232)
Current taxes related to prior years	(36)	7
Deferred income tax	6	4
Tax effect of changes in the nominal tax rates on deferred taxes	(4)	(20)
TOTAL	**(187)**	**(241)**

€ million	2013	2012
Income tax on items allocated directly to equity	(34)	50
TOTAL	**(34)**	**50**

Reconciliation of the tax charge

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

	2013	2012
	(in € million)	
Earnings before taxes	**437**	**819**
Reconciliation of the tax charge		
Total tax charge of the Group entities computed on the basis of the respective local nominal rates	(125)	(241)
Weighted average nominal rate	29%	29%
Tax effect of permanent differences	(58)	115
Tax effect of changes in tax rates	(4)	(20)
Tax effect of current and deferred tax adjustments related to prior years	15	6
Unrecognized deferred tax assets	(15)	(101)
Effective tax charge	**(187)**	**(241)**
Effective tax rate(1)	**43%**	**29%**

Note:—

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

The Group's effective tax rate (43%) is substantially higher than the weighted average nominal rate (29%), resulting mainly due to unsheltered non-recurring expenses (see note 6: impairments and restructuring costs without tax credit).

8.B. 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:

2013	Closing balance	Recognized in income statement	Recognized in OCI	Exchange rate effect	Acquisition /Disposal	Other	Transfer to assets held for sale	Closing balance
				(in € million)				
Temporary differences								
Employee benefits obligations	731	(15)	(41)	(6)	(1)		(29)	639
Provisions other than employee benefits	367	(37)		(16)			(25)	289
Tangible assets	(635)	(23)		28	(2)		86	(546)
Goodwill	47	(8)						39
Tax losses	1,644	119		(22)	(1)		(90)	1,649
Tax credits	127	4		(1)			(4)	126
Assets held for sale	(55)	-6			5	16	40	0
Other	(37)	(4)	(8)	(1)		3	22	(26)
Total (net amount)	**2,187**	**30**	**(49)**	**(18)**	**2**	**19**	**0**	**2,172**
Unrecognized deferred tax assets – Continuing operations	(2,194)	(44)	10	27			62	(2,139)
Unrecognized deferred tax assets – Assets held for sale	45	16			(5)	7	(62)	0
Total unrecognized deferred tax assets	**(2,149)**	**(28)**	**10**	**26**	**(5)**	**7**	**0**	**(2,139)**
TOTAL	**38**	**2**	**(38)**	**8**	**(3)**	**25**	**0**	**33**
Deferred tax assets in statement of financial position	527							502
Deferred tax liabilities in statement of financial position	(489)							(469)

2012	Closing balance	Recognized in income statement	Recognized in OCI	Exchange rate effect	Other	Closing balance	Reclassi-fication[(1)]	Adjusted closing balance
				(in € million)				
Temporary differences								
Employee benefits obligations	673	(107)	118	1		685	46	731
Provisions other than employee benefits	336	(27)		(8)		301	66	367
Tangible assets	(710)	29		14	(2)	(669)	33	(635)
Goodwill	60	(11)				49	(1)	47
Tax losses	1,613	202		(4)		1,811	(167)	1,644
Tax credits	124	(16)				108	19	127
Assets held for sale	0	(17)			(37)	(54)	(1)	(55)
Other	22	10	(8)	3		27	(65)	(37)
Total (net amount)	**2,118**	**62**	**110**	**6**	**(39)**	**2,258**	**(70)**	**2,187**
Unrecognized deferred tax assets – Continuing operations	(2,034)	(149)	(65)	2	2	(2,244)	50	(2,194)
Unrecognized deferred tax assets – Assets held for sale	0	39			5	44	1	45
Total unrecognized deferred tax assets	**(2,034)**	**(110)**	**(65)**	**2**	**7**	**(2,200)**	**51**	**(2,149)**
TOTAL	**84**	**(47)**	**45**	**8**	**(32)**	**58**	**(20)**	**38**
Deferred tax assets in statement of financial position	796					547	(20)	527
Deferred tax liabilities in statement of financial position	(712)					(489)		(489)

Note:—

(1) The reclassification at year-end 2012 corresponds to:

- reclassification due to recognition of temporary differences (€ (50) million) neutralized by allowances (€ + 50 million));
- reclassification between deferred and current taxes for € 20 million

Other information

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

	2013	2012
	(in € million)	
Within 1 year	39	2
Within 2 years	33	—
Within 3 years	44	—
Within 4 years	14	—
Within 5 or more years	146	239
No time limit	554	622
TOTAL	**830**	**863**

NOTE 9 Net income

Net income amounts to € 315 million versus € 580 million in 2012. This decrease in net income results mainly from:

- lower REBITDA (€ (233) million);
- non-recurring items (€ (239) million in 2013 compared to € 55 million in 2012);
- lower discounting costs in financial expenses (€ +113 million);
- higher result from discontinued operations (€ +64 million).

NOTE 10 Adjusted net income (non-IFRS metrics)

Adjusted net income excludes from the IFRS net income the main impact of the Rhodia Purchase Price Accounting related to the amortization of intangible assets (after taxes).

Adjusted net income is computed as follows:

	2013	2012
	(in € million)	
NET INCOME IFRS	315	580
Adjustments to IFRS net income		
Adjustment of Rhodia inventories at fair value (PPA)	0	45
Amortization of PPA on intangible fixed assets	148	131
Tax on adjustments	(41)	(50)
ADJUSTED NET INCOME	**422**	**707**

NOTE 11 Earnings per share

	2013	2012
	Number of shares (in thousands)	
Weighted average number of ordinary shares (basic)	83,151	82,305
Dilution effect of subscription rights	692	391
Weighted average number of ordinary shares (diluted)	83,843	82,696

	2013		2012	
	Basic	**Diluted**	**Basic**	**Diluted**
Net income of the year (Solvay share) including discontinued operations (in thousands)	270,477	270,477	563,036	563,036
Net income of the year (Solvay share) excluding discontinued operations (in thousands)	205,345	205,345	516,804	516,804
Earnings per share (including discontinued operations) (in €)	3.25	3.23	6.84	6.81
Earnings per share (excluding discontinued operations) (in €)	2.47	2.45	6.28	6.25

The basic earnings per share amount are 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.

The average closing price during 2013 was € 109.96 per share (2012: € 87.92 per share). The following share options were out of the money, and therefore antidilutive, for the period presented, but could potentially dilute basic earnings per share in the future (see note 24 "Options and acquisition/sale of treasury shares").

Antidilutive share options	**Date granted**	**Exercise price**	**Number granted**	**Number outstanding**
Share option plan 2013	25/03/2013	111.01	405,716	405,716

NOTE 12 Personnel expenses

	2013	2012
	(in € million)	
Wages/salaries and direct social benefits	(1,376)	(1,366)
Employer's contribution for social insurance	(322)	(306)
Pensions & Insurance benefits	(215)	(116)
Other Personnel expenses	(103)	(113)
Personnel benefits provisions	(127)	(220)
TOTAL	**(2,143)**	**(2,122)**

NOTE 13 Discontinued operations and assets held for sale

Following the filing of Chlorovinyls joint venture plan for EU clearance, Solvay is presenting since September 30, 2013 the associated activities in discontinued operations.

On May 6, 2013 Solvay and Ineos signed a Letter of Intent to combine their European chlorvinyls activities in a 50-50 joint venture. The joint venture would pool both groups' assets across the entire chlorvinyls chain, including PVC, caustic soda and chlorine derivatives. RusVinyl, Solvay's Russian joint venture in chlorvinyls with Sibur, is excluded from the transaction. In September 2013, Solvay and Ineos submitted their application for competition clearance with the European Commission. Subject to obtaining antitrust clearance, the joint venture will be formed in the first half of 2014.

Indupa (Chlorovinyls South America) remains classified in discontinued operations as closing is expected in 2014 after the signing in December 2013 of a Share Purchase Agreement with Braskem. The closing of the transaction contingent upon the approval of the Brazilian antitrust authorities.

Benvic (PVC compound) is an asset held for sale and is not in discontinued operations as not a major line of business.

13.A. Discontinued operations (Pharma, Chlorovinyls and Solvay Indupa)

	2013	2012
	(in € million)	
Sales	2,510	2,462
Breakdown discontinued operations		
Loss recognized as result of remeasurement to fair value less costs to sell	(68)	(102)
EBIT Pharma (post-closing litigation)	105	102
EBIT Chlorovinyls	80	89
EBIT Solvay Indupa		(28)
Financial charges Pharma	0	3
Financial charges Chlorovinyls	(11)	(18)
Financial charges Solvay Indupa		(26)
Tax Chlorovinyls	(42)	(31)
Tax Solvay Indupa		11
TOTAL RESULT FROM DISCONTINUED OPERATIONS	**65**	**1**
attributed to:		
• owners of the parent	65	46
• non-controlling interests	0	(45)

Discontinued operations include:

- Pharma post-closing adjustments (mainly insurers indemnity in 2012, mainly milestone in 2013).
- Solvay Indupa in 2012 net income (€ (43) million) and impairment loss resulting from remeasurement to fair value at year end 2012 (€ (102) million).

Solvay Indupa in 2013 discontinued operations net income results from impairment loss related to change in fair value after signing the share purchase agreement with Braskem in December 2013 (€ (68) million in 2013).

The CTA related to Solvay Indupa and its parent company Solvay Argentina amounts to € (51) million at the end of 2013 and will be recycled through income statement at the closing date.

Chlorovinyls Europe net income amounts to € 27 million in 2013 and € 41 million in 2012.

13.B. Assets held for sale (Chlorovinyls, Solvay Indupa and PVC compound Benvic)

	2013	2012
	(in € million)	
Property, plant and equipment	763	225
Goodwill	142	—
Other intangible assets	7	—
Investments	14	18
Inventories	216	52
Trade and other receivables	469	120
Cash and cash equivalent	11	10
Assets held for sale	***1,621***	***425***
Non-current liabilities	422	102
Trade and other payables	527	235
Liabilities associated with assets held for sale	***949***	***337***
NET ASSETS DIRECTLY ASSOCIATED WITH DISPOSAL GROUP	**672**	**88**
Included in other comprehensive income		
Currency translation differences[1]	(61)	(24)
Defined benefit pension plan[2]	(27)	(1)
RESERVE OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	**(88)**	**(25)**

Notes:—

(1) Including € (51) million for the Solvay share in Solvay Indupa CTA in 2013.

(2) Mainly related to Chlorovinyls in 2013.

Assets held for sale at year end 2013 includes:

- Chlorovinyls book value for net assets for € 657 million;
- Benvic (PVC compound) net assets for € 17 million;
- Indupa net asset close to zero due to remeasurement to fair value in December 2013.

In 2012 the assets held for sale were mainly related to Indupa (€ 80 million).

Indupa fair value in 2012 was based on the share price at Buenos Aires Stock Exchange. In December 2013, the fair value less costs to sell results from the sale agreement signed with Braskem for the Solvay's interests and for the conditions expected to prevail for the regulated tender offer related to the minority interests.

Benvic fair value is based on the expected purchase price within the framework of negotiations with potential buyers.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

NOTE 14 Consolidated statement of comprehensive income

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

	2013			2012		
	Before-tax amount	Tax expense(-)/ benefit (+)	Net-of-tax amount	Before-tax amount	Tax expense(-)/ benefit (+)	Net-of-tax amount
			(in € million)			
Gains and losses on remeasuring hyperinflation	30	(10)	20			—
Recycling of hyperinflation			—			—
Recycling of hyperinflation impaired in the year(1)			—			—
Hyperinflation	**30**	**(10)**	**20**	**—**	**—**	**—**
Gains and losses on remeasuring available-for-sale financial assets	(3)		(3)	12		12
Recycling of available-for-sale financial assets disposed of in the year(1)	(20)		(20)			—
Recycling of available-for-sale financial assets impaired in the year(1)			—	2		2
Available-for-sale financial assets	**(23)**	**—**	**(23)**	**14**	**—**	**14**
Effective portion of gains and losses on hedging instruments in a cash flow hedge	35		35	24	(5)	19
Recycling to the income statement(1)	(44)		(44)	(13)	(3)	(16)
Recycling to the initial carrying amounts of hedged items(1)			—			—
Cash flow hedges	**(9)**	**—**	**(9)**	**11**	**(8)**	**3**
Currency translation differences arising during the year	(356)		(356)	(129)	(1)	(130)
Recycling of currency translations differences relating to foreign investments disposed of in the year			—			—
Currency translation differences on foreign operations	**(356)**	**—**	**(356)**	**(129)**	**(1)**	**(130)**
Unrecognized actuarial gains and losses on defined benefit pension plans	**109**	**(28)**	**81**	**(419)**	**53**	**(366)**
Other comprehensive income	**(249)**	**(38)**	**(287)**	**(523)**	**44**	**(478)**

Note:—

(1) See note 34.

Hyperinflation

The Venezuelan economy being considered as a hyperinflationary economy, the Group has applied the hyperinflationary accounting requirements of IAS 29 Financial Reporting in Hyperinflationary Economies to its Venezuelan operations. The financial statements are based on the historical cost convention and have been restated to take account of the effects of inflation in accordance with IAS 29 (€ 20 million after taxes).

Available-for-sale financial assets

The recycling of available-for-sale financial assets (€ (20) million after taxes) disposed during the year concerns the sale of all the shares AGEAS held by the Group.

Cash flow hedges

(see note 34: € (9) million)

The gain (€ 35 million after taxes) is related to the effective portion of change in fair value for cash flow hedges (currency cash flow hedges for € 29 million).

The recycling of cash flow hedge (€ (44) million after taxes) corresponds mainly to € (43) million of currency cash flow hedges.

Currency Translation differences

The total difference amounts to € (356) million of which € (315) million for the Group's share, increasing the balance from € (423) million at the end of 2012 to € (780) million at the end of 2013.

The main variances are linked to the depreciation of USD (€ (86) million), BRL (€ (71) million), THB (€ (36) million), RUB (€ (47) million), ARS (€ (38) million) and INR (€ (25) million) compared to EUR.

NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUING AND DISCONTINUED OPERATIONS)

NOTE 15 Depreciation, amortization and impairments

In 2013 total depreciation, amortization and impairment losses amount to € (929) million, of which:

- normal straight-line depreciation and amortization € 838 million (€ 603 million for continuing operations, € 148 million for PPA Rhodia amortization and € 86 million for discontinued operations);
- net impairment loss amounted to € 91 million (€ 22 million for continuing operations and € 68 million for discontinued operations).

NOTE 16 Income tax

Income tax expense in 2013 (€ 232 million) includes € 45 million for discontinued operations.

Income tax paid in 2013 amounted to € 262 million of which € 11 million for discontinued operations.

NOTE 17 Changes in working capital

The change in working capital amounted to € 54 million in 2013, of which € (29) million for continuing operations and € +83 million for discontinued operations, mainly due to Chlorovinyls.

NOTE 18 Changes in provisions

The amount (€ (245) million) includes:

- the cash-out for € (433) million: total of € (617) million (see uses in note 32) minus the settlement of H_2O_2 anti-trust case for € 175 million, as this amount was already placed in escrow;
- the additions (€ 440 million) and reversals (€ (243) million) presented in the note 32.

NOTE 19 Other non-operating and non-cash items

The other non-operating and non-cash items for 2013 (€ 20 million) include: impairment of non-current financial assets, gains and losses on sales of fixed assets and other non-cash income and expense such as the costs of share options.

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

2013	Acquisitions	Disposals	Total
		(in € million)	
Subsidiaries	(878)	(6)	(884)
Associates and joint ventures	(104)		(104)
Available-for-sale investments	(10)	50	40
Other	(7)		(7)
Total investments	(999)	44	(955)
Tangible/intangible assets	(810)	33	(777)
TOTAL	**(1,809)**	**77**	**(1,732)**

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

The acquisition of subsidiaries (€ 878 million) is mainly related to the acquisition of Chemlogics and it is composed of the total consideration transferred in cash (€ 888 million), net of the cash held by the Company at acquisition (€ 7 million).

Disposal of investments in 2013 refers to the sale of the AGEAS shares (€ 50 million).

The acquisition of associates and joint ventures (€ 104 million) mainly relates to the capital increase in the RusVinyl PVC Joint venture (€ 86 million) and in the Hydrogen Peroxide Joint venture with Sadara in Saudi Arabia (€ 24 million).

The acquisition of tangible/intangible assets in 2013 (€ (810) million) relates to various projects, many of them extending over several years:

- Novecare's expansion of ethoxylation capacity in Asia and the US;
- Novecare's new surfactant plant in Germany;
- Doubling of Aroma Performance's production capacity for specialty fluorinated derivatives at its plant in Salindres (France);
- The investment in Specialty Polymers in China (Changshu);
- Silica: build-up of a new Highly Dispersible Silica (HDS) plant in Poland.

The acquisition of tangible and intangible assets related to discontinued operations amounts to € (102) million.

NOTE 21 Proceed from Bond issuance classified as equity

Following the acquisition of Chemlogics and to strengthen Solvay's capital structure, a hybrid bond has been issued for a worth of € 1.2 billion. This bond qualifies as Equity Instrument as IAS 32 criteria are fulfilled. The amount reported in the cash flow statement is the cash received after deduction of the fees incurred at issue.

The classification of the Hybrid Bonds in equity is based on IAS 32, mainly because of the discretionary nature of all payments:

- no maturity (perpetual bond) as the issuer has a call option at every reset date to redeem the instrument;
- at the option of the issuer interest payments can be deferred indefinitely.

The coupons related to the € 1.2 billion Hybrid Bonds issued at the end of 2013 (€ 700 million NC5.5 at 4.199% and € 500 million NC10 at 5.425%) and treated as equity under IFRS are reported as dividends upon declaration (see statement of change in equity).

NOTE 22 Others cash flow from financing activities

The Other Cash flows from financing activities (€ (61) million) includes the payments for the liquidity clause related to share based payments signed as part of the Rhodia acquisition (€ (32) million).

NOTE 23 Cash flows from discontinued operations

The 2013 cash flow from discontinued operations (€ 213 million) results from the cash in of the Androgel milestone and insurance indemnities, related to the disposal of the pharma business (€ 128 million) and the total cash flow of the Indupa business in Latin America (€ 6 million) and Chlorovinyls reclassified as discontinued operations (€ 80 million).

NOTE 24 Options and acquisition/sale of treasury shares

At the end of 2012, the Group held 1,735,010 treasury shares, to cover the share options offered to Group executives. At the end of December 2013, the Group held 1,529,870 treasury shares, which have been deducted from consolidated shareholders' equity.

As it has in every year since 1999, the Board of Directors renewed the share option plan offered to executive staff (around 73 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 2013 with an exercise price of € 111.01, 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	2005	2006	2007	2008
Number of share options granted and still outstanding at 31/12/2012	21,700	372,900	498,100	457,200	228,450
Granted share options					
Forfeitures of rights and expiries			(2,000)		
Share options exercised	(21,700)	(253,460)	(87,900)	(151,900)	(81,550)
Number of share options at 31/12/2013	—	119,440	408,200	305,300	146,900
Share options exercisable at 31/12/2013	—	119,440	408,200	305,300	146,900
Exercise price (in €)	63.76	97.30	109.09	96.79	58.81
Fair value of options at measurement date (in €)	9.60	10.12	21.20	18.68	14.95

Share options	2009	2010	2011	2012	2013
Number of share options granted and still outstanding at 31/12/2012	555,600	431,900	414,750	781,347	
Granted share options					405,716
Forfeitures of rights and expiries		(1,500)	(1,500)	(1,500)	
Share options exercised	(305,300)				
Number of share options at 31/12/2013	250,300	430,400	413,250	779,847	405,716
Share options exercisable at 31/12/2013	274,100	—	—	—	—
Exercise price (in €)	72.34	76.49	65.71	88.71	111.01
Fair value of options at measurement date (in €)	19.85	15.58	13.54	22.53	21.32

	2013		2012	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
At January 1	3,761,947	84.92	3,654,073	82.18
Granted during the year	405,716	111.01	781,347	88.71
Forfeitures of rights and expiries during the year	(6,500)	86.85	(5,500)	82.88
Exercised during the year	(901,810)	85.63	(667,973)	74.36
At December 31	3,259,353	87.97	3,761,947	84.92
Exercisable at December 31	1,253,940		1,578,350	

The share options resulted in a charge in 2013 of € 10.5 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): € 106.85 at March 25, 2013;
- the time outstanding until the option maturity: exercisable from January 1, 2017;
- the option exercise price: € 111.01;
- the risk-free return: 1.313%;
- the volatility of the underlying yield, implies from option price: 28.00%.
- based on a Divided Yield of 2.880%.

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

Weighted average remaining contractual life:

In years	2013	2012
Share option plan 2002	—	0.9
Share option plan 2005	4.8	3.7
Share option plan 2006	2.7	3.5
Share option plan 2007	4.0	4.8
Share option plan 2008	3.0	4.0
Share option plan 2009	3.9	4.9
Share option plan 2010	5.0	6.0
Share option plan 2011	5.9	6.9
Share option plan 2012	6.1	7.1
Share option plan 2013	7.2	—

NOTES TO THE STATEMENT OF FINANCIAL POSITION

NOTE 25 Intangible assets

	Development costs	Patents and trademarks	Other intangible assets	Total
		(in € million)		
Gross carrying amount				
At December 31, 2011	**134**	**934**	**946**	**2,014**
Capital expenditures	24	4	21	49
Disposals		(3)		(3)
Currency translation differences	(1)	(13)	(3)	(17)
Other	(10)	24	(22)	(7)
Transfer to assets held for sale		(13)		(13)
At December 31, 2012	**147**	**933**	**941**	**2,022**
Capital expenditures	42	1	27	70
Disposals	(11)	(5)		(16)
Increase through business combinations	30	1	289	319
Currency translation differences	(2)	(25)	(9)	(36)
Other	1	9	(54)	(45)
Transfer to assets held for sale	(2)	(8)	5	(4)
AT DECEMBER 31, 2013	**205**	**906**	**1,199**	**2,310**
Accumulated amortization				
At December 31, 2011	**(41)**	**(285)**	**(69)**	**(395)**
Amortization	(16)	(71)	(111)	(198)
Disposals and closures		2		2
Currency translation differences		4	3	7
Other	5	5	2	12
Transfer to assets held for sale		13		13
At December 31, 2012	**(53)**	**(332)**	**(175)**	**(559)**
Amortization	(18)	(78)	(117)	(213)
Disposals and closures		4	(6)	(2)
Currency translation differences		10	3	13
Other	12	8	53	73
Transfer to assets held for sale		4	(6)	(2)
AT DECEMBER 31, 2013	**(58)**	**(384)**	**(248)**	**(690)**
Net carrying amount				
At December 31, 2011	93	649	877	1,619
At December 31, 2012	94	601	766	1,462
AT DECEMBER 31, 2013	**146**	**522**	**951**	**1,620**

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

NOTE 26 Goodwill

	Total
	(in € million)
Gross carrying amount	
At December 31, 2011	**2,717**
Arising on acquisitions	1
Other	(1)
At December 31, 2012	**2,717**
Arising on acquisitions	533
Impairments	(4)
Currency translation differences	(9)
Transfer to assets held for sale	(141)
AT DECEMBER 31, 2013	**3,096**

In 2013, the goodwill increased by € 383 million following:

- the acquisition of Chemlogics on October 31, 2013 which generated a new goodwill for € 529 million;
- the change of control of the Landsol company, which generated a new goodwill for € 4 million;
- the qualification of Chlorchemicals activities as "Held for sale", which triggered the transfer of the existing goodwills allocated to the CGUs "Chlorovynils Europe", "Olefins" and to the segment "Functional Polymers", to the line "Assets held for sale" for € 141 million;
- the impairment of the existing goodwill in the CGU Plastics Integration for € 4 million, following the qualification of the Benvic activities as Assets held for sale.

Purchase Price Allocation related to the acquisition of Chemlogics

On October 31, 2013, Solvay acquired 100% of the privately-held Chemlogics, a company offering products to ease frictions in drilling. This acquisition enables Solvay's Novecare business unit to become a leader with an extensive portfolio of tailored chemical solutions for the fast-growing oil & gas market.

The acquisition of Chemlogics will generate significant synergies. Synergies will come from an extended client base and thanks to a comprehensive offering of innovative products and technologies enabling oilfield service players worldwide to competitively and safely extract oil and gas while reducing water consumption. The goodwill of € 529 million arising from the acquisition reflects those synergies expected from the acquisition and the potential of growth.

This goodwill is expected to be deductible for US income tax purposes over 15 years.

The following table summarizes the consideration paid for Chemlogics and the amounts of assets and liabilities assumed recognized provisionally at the acquisition date.

	Total *(in € million)*
TOTAL CONSIDERATION TRANSFERRED (CASH)	**888**
Recognized amounts of identifiable assets acquired and liabilities assumed	**359**
Tangible fixed assets	30
Intangible fixed assets	317
Inventories	56
Non-industrial working capital	(6)
Accounts receivable and payable	22
Net debt	(60)
GOODWILL	**529**

The fair value of Intangible assets mainly corresponds to customer relationships.

The revenue included in the consolidated statement of comprehensive income since October 31, 2013 contributed by Chemlogics was € 58 million. Chemlogics also contributed operational profit (REBIT) for € 7 million over the same period.

Had Chemlogics been consolidated from January 1, 2013, the consolidated statement of comprehensive income would have included revenue of € 10,258 million and operational profit (REBIT) for € 962 million.

Contingent consideration (€ 60 million) is included in the acquisition price and is related to the achievement of performance targets.

The sale agreement contains a retention plan of € 17 million for key employees subject to future services. This cost is recognized in the REBIT over the 3 year-vesting period.

Acquisition costs amounted to € 5 million and are recorded in the non-recurring items.

The amount paid for the acquisition is € 881 million after deducting € 7 million of cash acquired.

Goodwill by cash-generating unit (CGU)

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

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

	2012			2013				
	At the beginning of the period	Movements of the period	At the end of the period	Transfer to asset held for sale	Acquisition and divestment	Impairment	Currency translation differences	At the end of the period
				(in € million)				
Groups of CGUs (Operating Segments)								
Advanced Formulations	221		221					221
Advanced Materials	485		485					485
Performance Chemicals	166		166					166
Functional Polymers	9		9	(9)				0
Cash generating units[(1)]								
Novecare	477	1	478		529		(6)	1,001
Polyamides	170		170					170
Rare Earth Systems	161		161					161
Specialty Polymers	186		186				(1)	185
Acetow	120		120					120
Soda ash and derivatives EMEA	120		120					120
Chlorovinyls Europe	122		122	(122)				0
Coatis	82		82					82
Silica	72		72					72
Aroma Performance	49		49					49
Energy Services	49		49					49
Fluorochemicals	50		50		4		0	53
Eco Services	42		42					42
Soda ash and derivatives NAFTA	42		42					42
Hydrogen Peroxyde Europe	20		20					20
Emerging Biochemicals	20		20					20
Hydrogen Peroxyde Mercosul	14		14					14
Olefins	11		11	(11)				0
Hydrogen Peroxyde Nafta	7		7					7
Hydrogen Peroxyde Asia	11		11				(1)	10
PCC	4		4					4
Plastics Integration	4		4			(4)		0
PVC Mercosur	2		2				0	2
TOTAL GOODWILL	**2,716**	**1**	**2,717**	**(141)**	**533**	**(4)**	**(8)**	**3,096**

Note:—

(1) Following the Rhodia integration and the Horizon restructuring plan the scope of some CGUs has been reviewed, which reduce the number of CGUs.

Impairment tests

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

- 5-year business plan prepared by management based on growth and profitability assumptions, taking into account past performances, forecast changes in the economic environment and expected market development;

- consideration of a terminal value determined by capitalizing a standard cash flow obtained by extrapolating the most recent cash flow of the explicit business plan period, affected by a long-term growth rate deemed appropriate for the activity and the location of the assets;
- discounting of expected cash flows at a rate determined using the weighted average capital cost formula.

The main assumptions used in 2013 for annual impairment tests on goodwill are as follows:

Discount rate

The weighted average cost of capital used to discount future cash flows was set at 8.2% in 2013 (8.7% in 2012).

Long-term growth rates

The long-term growth rate was set between 1% and 4% depending of the CGU.

Other key assumptions are specific to each CGU (energy price, selling price, currency, inflation, …).

The impairment tests performed at December 31, 2013 did not lead to any impairment of goodwill, as the recoverable amounts of the groups of CGUs were significantly higher than their carrying amounts.

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

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

NOTE 27 Tangible assets (including finance leases)

	Land & Buildings	Fixtures & Equipment	Other tangible assets	Properties under construction	Total
			(in € million)		
Gross carrying amount					
At December 31, 2011	**3,119**	**12,325**	**323**	**719**	**16,486**
Capital expenditures	34	187	3	515	739
Disposals and closures	(74)	(99)	(23)		(197)
Increase through business combinations	1	7	(6)	(2)	(1)
Currency translation differences	(35)	(181)	(4)	(8)	(229)
Other	70	550	(44)	(654)	(78)
Transfer to assets held for sale	(88)	(551)		(34)	(672)
At December 31, 2012	**3,026**	**12,238**	**248**	**536**	**16,048**
Capital expenditures	5	78	4	654	741
Disposals and closures	(39)	(195)	(29)	(14)	(277)
Increase through business combinations	14	18	5	9	45
Currency translation differences	(90)	(441)	(13)	(20)	(564)
Other	97	299	215	(600)	11
Transfer to assets held for sale	(348)	(2,272)	(45)	(30)	(2,694)
AT DECEMBER 31, 2013	**2,665**	**9,725**	**385**	**536**	**13,311**
Accumulated depreciation					
At December 31, 2011	**(1,647)**	**(8,910)**	**(254)**	**(34)**	**(10,846)**
Depreciation	(76)	(537)	(16)	1	(628)
Impairment	(15)	(98)		(2)	(115)
Reversal of impairment	48	68		32	148
Disposals and closures	41	93	23		158
Currency translation differences	12	89	3		105
Other	8	24	43	2	76
Transfer to assets held for sale	42	405			447
At December 31, 2012	**(1,588)**	**(8,865)**	**(200)**	**(2)**	**(10,655)**
Depreciation	(66)	(594)	(26)		(685)
Impairment	(16)	(33)			(48)
Reversal of impairment		1			1
Disposals and closures	30	196	28		254
Currency translation differences	33	277	11		321
Other	5	146	(154)	2	(1)
Transfer to assets held for sale	246	1,895	39		2,181
AT DECEMBER 31, 2013	**(1,354)**	**(6,976)**	**(302)**	**0**	**(8,632)**
Net carrying amount					
At December 31, 2011	**1,472**	**3,415**	**69**	**685**	**5,640**
At December 31, 2012	**1,438**	**3,374**	**47**	**534**	**5,393**
AT DECEMBER 31, 2013	**1,311**	**2,749**	**84**	**536**	**4,679**

Finance leases

	Land and buildings	Fixtures and equipment	Total
		(in € million)	
Net carrying amount of finance leases included in the table above	1	6	7

Note:—
The carrying amount of lease obligations approximates their fair value.

Finance lease obligations

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	2013	2012
	(in € million)			
Amounts payable under finance leases:				
Within one year	1	2	1	2
In years two to five inclusive	2	2	2	1
Beyond five years	—	1	—	1
Less: future finance charges	(1)	(1)	(1)	(1)
Present value of minimum lease payments of finance leases	**2**	**4**	**2**	**3**
Less: Amount due for settlement within 12 months			—	2
Amount due for settlement after 12 months			**2**	**1**

Operating lease obligations

	2013	2012
	(in € million)	
Total minimum lease payments under operating leases recognized in the income statement of the year	84	71

€ million	2013	2012
Within one year	80	75
In years two to five inclusive	245	253
Beyond five years	95	148
TOTAL OF FUTURE MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES	**420**	**476**

Operating leases are mainly related to logistics.

NOTE 28 Available-for-sale investments

	2013	2012
	(in € million)	
CARRYING AMOUNT AT JANUARY 1	**66**	**80**
Acquisition of New Business Development (“NBD”)	10	9
Gains and losses on remeasuring available-for-sale financial assets	(3)	13
Available-for-sale financial assets disposed of in the year	(35)	—
Available-for-sale financial assets impaired in the year	—	(4)
Transfer of Plextronics to associates	—	(31)
CARRYING AMOUNT AT DECEMBER 31	**38**	**66**
Of which recognized directly in equity	(23)	16

In 2013, the disposal of available-for-sale financial assets is related to sale of all the shares AGEAS held by the Group.

In 2012, the gain on remeasuring available-for-sale financial assets (€ +12 million) was mainly related to the mark-to-market variance for AGEAS.

NOTE 29 Investments in associates and joint ventures

	2013	2012
	(in € million)	
CARRYING AMOUNT AT JANUARY 1	**869**	**704**
Capital increase/decrease	104	—
Reversal impairment Soda Ash JV	—	34
Net income from associates and joint ventures	93	183
Dividend received from associates and joint ventures	(83)	(53)
Transfer Plextronics from available for sale	—	31
Impairment of Plextronics	(14)	—
Transfer from other investments	5	—
Transfer to assets held for sale	—	(18)
Currency translation differences	(88)	(10)
Other	3	(2)
CARRYING AMOUNT AT DECEMBER 31	**889**	**869**
Of which:		
Investments in associates	496	594
Investments in joint ventures	393	275

In 2013 the capital increase relates mainly to the investment in RusVinyl (€ 86 million) and in Saudi Hydrogen Peroxyde (€ 24 million). The currency translation differences relate mainly to the depreciation of the RUB, THB, BRL and INR compared to EUR.

NOTE 30 Other investments

	2013	2012
	(in € million)	
CARRYING AMOUNT AT JANUARY 1	**123**	**123**
Disposed of during the year	(3)	(8)
Acquired during the year	—	19
Capital increase/decrease	7	—
Changes of consolidation method	(5)	(1)
Changes in consolidation scope	(5)	—
Transfer to assets held for sale	(1)	—
Liquidations	—	—
Impairments	(8)	(8)
Reversal of impairments	4	—
Other	(1)	(1)
CARRYING AMOUNT AT DECEMBER 31	**111**	**123**

NOTE 31 Inventories

	2013	2012
	(in € million)	
Finished goods	760	848
Raw materials and supplies	518	592
Work in progress	45	36
Other inventories	0	7
TOTAL	**1,323**	**1,483**
Write-downs	(55)	(61)
NET TOTAL	**1,267**	**1,422**

NOTE 32 Provisions

	Employee benefits	Restructuring	Environment	Litigation	Other	Total
			(in € million)			
At December 31, 2012*	**2,986**	**63**	**800**	**544**	**113**	**4,506**
Additions	77	113	86	144	19	440
Reversals	(1)	(23)	(56)	(124)	(39)	(243)
Uses	(214)	(54)	(80)	(252)	(17)	(617)
Increase through time value of money	108		(11)	3	(2)	97
Actuarial gains and losses recognized in equity	(109)					(109)
Currency translation differences	(20)		(30)	(10)	(4)	(64)
Transfer to liabilities associated with assets held for sale	(148)	(3)	(65)	(1)	(2)	(220)
Other	5	12	(15)	7	(5)	6
AT DECEMBER 31, 2013	**2,684**	**108**	**629**	**312**	**63**	**3,796**
Of which current provisions	0	101	126	93	19	339

Notes:—

(1) All presented figures include the impact of IAS-19 Revised.

In total, provisions decreased by € 710 million.

The main events of 2013 are:

- the favorable employee benefits assets performance with a positive impact in equity of € 90 million;
- settlement of H_2O_2 anti-trust case for € 175 million, with neither income nor cash impact, as this amount was already provisioned and deposited;
- the implementation of the following restructuring plans:
  - Rhodia Integration for a total impact in P&L of € 46 million,
  - Soda Ash reorganization for a total impact in P&L of € 37 million.
- the increase in discount rates used for the computation of environmental liabilities in UK, US and Brazil for a total P&L impact of € (41) million;
- the classification as “Held for Sale” of Chlorovynils activities, resulting in a decrease of provisions for € 242 million.

Management expects provisions (other than Employee benefits) to be used (cash outlays) as follows:

	up to 5 years	between 5 and 10 years	beyond 10 years	Total
		(in € million)		
Total provisions for environment	321	137	171	629
Total provisions for litigation	274	38		312
Total other provisions	125	18	28	171
TOTAL	**720**	**194**	**199**	**1,112**

32.A. Provisions for employee benefits

Overview

All 2012 comparative figures are restated according to IAS 19 Revised.

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

	2013	2012
	(in € million)	
Post-employment benefits	2,538	2,832
Other long-term benefits	68	76
Benefits not valued according to IAS 19	36	26
Termination benefits	42	53
EMPLOYEE BENEFITS	**2,684**	**2,986**

Post-employment benefit plans are classified into defined contribution and defined benefit plans.

Defined contribution plans

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

For defined contribution plans, Solvay pays contributions to publicly or privately administered pension funds or insurance companies. For 2013, the expense amounted to € 16 million compared to € 15 million for 2012.

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.

The figures presented as Termination Benefits are mainly composed of prepension schemes in Belgium and Germany.

Multiemployer Plans

Solvay contributes in the USA to four multiemployer pension plans under collective bargaining agreements that cover certain of its union-represented employees.

Each of the multiemployer plans is a defined benefit pension plan. None of the multiemployer plans provide an allocation of its assets, liabilities, or costs among contributing employers. None of the multiemployer plans provides sufficient information to permit Solvay, or other contributing employers, to account for the multiemployer plan as a defined benefit plan. Accordingly, the Company accounts for its participation in each of the multiemployer plans as if it were a defined contribution plan.

For multiemployer plans, during 2013, Solvay paid as yearly contributions less than € 1 million.

Provisions for post-employment benefits

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

	2013	2012
	(in € million)	
Provisions	2,538	2,832
Capitalized pensions assets	(3)	(3)
Net liability	**2,535**	**2,829**
Operational expense	57	46
Financial expense	94	115

Management of risk

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.

Solvay keeps a constant follow up over group risk/exposure, having a specific focus on the following risks:

Asset volatility

Equities, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. To mitigate this risk, the global objective for funded schemes is to invest in a balanced proportion between equities and bonds. The allocation to equities is monitored to ensure it remains appropriate given the respective schemes' and Company's long-term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the schemes' liabilities for accounting purposes. For funded schemes this will be partially offset by an increase in the value of the schemes' bond holdings.

Inflation risk

The benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). A limited part of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the schemes' obligations are to provide benefits for the life of the member. Increases in life expectancy will therefore result in an increase in the liabilities.

Currency risk

This risk is limited, as major plans in foreign currency are funded and most of their assets are denominated in the currency in which benefit payments will take place.

Regulatory risk

For partly or fully unfunded plans, the Group is exposed to the risk of external funding following regulatory constraints. This should not impact the defined benefit obligation but could expose the Group to a potential significant cash outlay.

For more information about Solvay group risk management, please refer to the section "Management of Risks".

Description of obligations

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.

The largest post-employment plans in 2013 are in the United Kingdom, France, the United States, Germany and Belgium. These five countries represent 94% of the total defined benefit obligation.

	2013	2012
United Kingdom	32%	28%
France	25%	25%
USA	15%	16%
Germany	14%	15%
Belgium	8%	10%
Other countries	6%	6%

United Kingdom

Solvay sponsors a few defined benefit plans in the UK; the largest one is the Rhodia UK Ltd plan. This is a funded pension plan, with entitlement to a salary percentage acquisition rate per year of service. It was closed to new entrants in 2003 and replaced by a defined contribution plan.

The plan functions in and complies with a large regulatory framework (e.g. Pension Plans Act 1993, Pension Act 1995, Finance act 2004, Pensions Act 2004, Pensions Act 2007, and Pensions Act 2008). UK legislation requires that pension plans are funded prudently.

Broadly, about 9% of the liabilities are attributable to current employees, 23% to former employees and 68% to current pensioners.

France

Solvay sponsors different defined benefit plans in France: the French compulsory retirement indemnity plan but also two closed and one open top hat plans.

The main plan is for all current and retired employees who contributed to the plan prior to its closure in the 1970s. It offers a full benefit guarantee compared with the end-of-career salary. This plan is unfunded.

Broadly, about 92% of the liabilities are attributable to current pensioners.

United States

Solvay sponsors three different defined benefit plans in the US of which two are closed to new entrants and one is open, which is a cash balance plan. All these plans are funded.

Germany

Solvay sponsors four different defined benefit plans in Germany, of which two are closed to new entrants and two are open. As commonly in Germany, all these plans are unfunded. Under these plans, employees are entitled to annual pensions on retirement based on their service and salary.

Belgium

Solvay sponsors two defined benefit plans in Belgium. These are funded pension plans which are closed for future accrual since end of 2006 for the one in favor of the executives and since end of 2004 for the one in favor of the White and Blue collars. The benefits provided under these plans are adapted each year considering annual salary increase and inflation ("Dynamic management"). As often in Belgium, because of favorable retirement lump sum taxation, most benefits are paid as lump sum.

Furthermore, Solvay sponsors two open defined contribution plans. These are funded pension plans which are open since beginning of 2007 for the one in favor of the executives and since beginning of 2005 for the one in favor of the White and Blue collars. Participants may choose to invest their contributions amongst different four investment funds (from "Prudent" to "Dynamic"). However, regardless of their choices, the Belgian law foresees that the employer must guarantee a 3.25% return on Employer contribution and 3.75% on personal contribution, creating that way a potential liability for the Company.

The defined benefit obligation is equal to the maximum between the actual accounts and the account balances calculated with the minimum guaranteed return.

The majority of the obligations relate to pension plans. In some countries (mainly the United States), there are also post-retirement medical plans, which represent less than 5% of the total defined benefit obligation.

Movements of the year

Net expense

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

	2013	**2012**
	(in € million)	
Current service cost: employer	48	46
Interest cost	177	209
Interest income	(83)	(94)
Administrative expenses paid	10	6
Past service cost (including curtailments)	(1)	2
Settlements losses/gains (-)	—	(8)
NET EXPENSE RECOGNIZED IN INCOME STATEMENT – DEFINED BENEFIT PLANS	**151**	**161**
Remeasurements	(109)	423
REMEASUREMENTS RECOGNIZED IN OTHER COMPREHENSIVE INCOME	**(109)**	**423**

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.

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

Net liability

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

	2013	2012
	(in € million)	
Defined benefit obligations – funded plans	2,562	2,762
Fair value of plan assets at end of period	(1,907)	(1,931)
DEFICIT FOR FUNDED PLANS	**655**	**831**
Defined benefit obligations – unfunded plans	1,880	1,997
DEFICIT/SURPLUS (-)	**2,535**	**2,828**
Amounts not recognized as asset due to asset ceiling	—	1
NET LIABILITY (ASSET) IN BALANCE SHEET	**2,535**	**2,829**
Provision recognized in the balance sheet	2,538	2,832
Asset recognized in the balance sheet	(3)	(3)

The decrease of the net liability of € 294 million between 2012 and 2013 is mainly explained by:

- the favorable performance of plan assets;
- the classification as “Held for Sale” of Chlorovynils activities for € (126) million

Defined benefit obligations evolved as follows:

	2013	2012
	(in € million)	
DEFINED BENEFIT OBLIGATION AT BEGINNING OF PERIOD	**4,759**	**4,259**
Current service cost: employer	48	46
Interest cost	177	209
Actual employee contributions	4	4
Past service cost (including curtailments)	(1)	2
Settlements	—	(30)
Remeasurements recognized in other comprehensive income	(19)	532
Actuarial gains and losses due to changes in demographic assumptions	46	
Actuarial gains and losses due to changes in economic assumptions	(35)	
Actuarial gains and losses due to experience	(30)	
Actual benefits paid	(256)	(276)
Currency translation differences	(89)	(7)
Reclassification	(4)	22
Transfer to assets held for sale	(178)	(4)
DEFINED BENEFIT OBLIGATION AT END OF PERIOD	**4,442**	**4,759**
Defined benefit obligations – funded plans	2,562	2,762
Defined benefit obligations – unfunded plans	1,880	1,997

In 2012, a settlement on the US Pension plan towards the deferred participants has taken place, resulting on a decrease of the defined benefit obligation by € 30 million.

In 2013 the classification as “Held for Sale” of Chlorovynils activities, lead to a decrease of the defined benefit obligation by € 173 million.

The fair value of plan assets evolved as follows:

	2013	2012
	(in € million)	
FAIR VALUE OF PLAN ASSETS AT BEGINNING OF PERIOD	**1,931**	**1,818**
Finance income	83	94
Remeasurements recognized in other comprehensive income	90	106
Return on plan assets (excl. amounts in net interests)	90	—
Actual employer contributions	185	212
Actual employee contributions	4	4
Administrative expenses paid	(10)	(6)
Settlements	—	(22)
Actual benefits paid	(256)	(276)
Currency translation differences	(72)	(8)
Reclassification	1	10
Transfer to assets held for sale	(48)	—
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**1,907**	**1,931**
Actual return on plan assets	172	200

The total return on plan assets amounts to € 172 million. This relatively good result comes from the better market conditions which impact positively the asset portfolio during the year.

In 2012, a settlement on the US Pension plan towards the deferred participants has taken place, resulting on a decrease of plan assets by € 22 million.

In 2013, the classification as “Held for Sale” of Chlorovynils activities, lead to a decrease of plan assets by € 48 million.

The Group cash contributions (including direct benefit payments) for 2013 amounted to € 185 million, of which € 82 million of contributions to funds and € 103 million of direct benefits payments.

Except for significant changes in the regulatory environment (see “regulatory risk” above), the Group cash contributions in 2014 will be in line with 2013.

The main categories of plan assets are:

	2013 % of Total	2012 % of Total
Equity	40%	36%
Government bonds	13%	16%
Corporate bonds	24%	25%
Properties	2%	2%
Cash and cash equivalents	1%	1%
Derivatives	—	—
Investments funds	8%	9%
Insurance contracts	1%	—
Structured debt (LDI)	8%	9%
Other	2%	2%
TOTAL	**100%**	**100%**

As of December 31, 2012 and 2013 the proportion of non-quoted plan assets is negligible.

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

Changes in net liability during the period:

	2013	2012
	(in € million)	
Net amount recognized at beginning of period	**2,829**	**2,446**
Net expense recognized in profit & loss – Defined benefit plans	151	161
Actual employer contributions/direct actual benefits paid	(185)	(212)
Remeasurements	(109)	423
Reclassification	(4)	12
Currency translation differences	(17	2
Transfer to assets held for sale	(130)	(4)
Net amount recognized at end of period	**2,535**	**2,829**

Assets Ceiling

	2013	2012
	(in € million)	
Effect of the limit in paragraph 58(b) and IFRIC 14 at beginning of year	**1**	**4**
Interest expense on the effect of the limit in paragraph 58(b) and IFRIC 14	—	—
Variation of the effect of the limit in paragraph 58(b) and IFRIC 14	(1)	(3)
Effect of the limit in paragraph 58(b) and IFRIC 14 at end of year	**—**	**1**

The impact of changes in asset ceiling recognized through OCI amount to € 1 million. These impacts concern the plans of Brazil, Portugal and Switzerland.

Actuarial assumptions

Actuarial assumptions

Assumptions used in determining the benefit obligation at December 31.

These assumptions are not related to a specific segment.

	Eurozone		UK		USA	
	2013	2012	2013	2012	2013	2012
Discount rates	3.25%	3.25%	4.50%	4.25%	4.75%	3.75%
Expected rates of future salary increases	2.50%-4.50%	2.50%-4.50%	3.50%-3.75%	3%-3.25%	2.75%-4.25%	3%-4.50%
Inflation rates	2%	2%	3.25%	2.50%	2.50%	2.50%
Expected rates of pension growth	0%-2%	0%-2%	3.25%	2.50%	NA	NA
Expected rates of medical care cost increases	2%	2%	6.4%	6.5%	4.75%-7.25%	5%-7.50%

Actuarial assumptions used in determining the annual cost

These assumptions are not related to a specific segment

	Eurozone		UK		USA	
	2013	2012	2013	2012	2013	2012
Discount rates	3.25%	4.75%	4.25%	4.75%	3.75%	4.75%
Expected rates of future salary increases	2.50%-4.50%	3%-4.50%	3%-3.25%	3.25%	3%-4.50%	4.5%
Inflation rates	2%	2%	2.50%	2.75%	2.50%	2.50%
Expected rates of pension growth	0%-2%	0%-2%	2.50%	2.75%	NA	NA
Expected rates of medical care cost increases	2%	2%	6.5%	6.5%	5%-7.50%	5%-7.50%

The assumptions used in determining the benefit obligation at December 31 are based on the following employee benefits liabilities durations:

	Eurozone	UK	USA
Duration (in years)	11.5	15.3	11.1

Sensitivities

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

	0.25% increase	0.25% decrease
	(in € million)	
Eurozone	(68)	72
UK	(49)	52
USA	(20)	21
Other	(7)	7
TOTAL	**(144)**	**152**

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

	0.25% increase	0.25% decrease
	(in € million)	
Eurozone	71	(67)
UK	41	(39)
USA	(6)	6
Other	(2)	1
TOTAL	**105**	**(98)**

Sensitivity to a change of percentage in salary growth rate on the defined benefits obligation is as follows:

	0.25% increase	0.25% decrease
	(in € million)	
Eurozone	23	(22)
UK	4	(3)
USA	2	(2)
Other	2	(2)
TOTAL	**30**	**(29)**

32.B. Restructuring provisions

These provisions stand at € 108 million, compared with € 63 million at the end of 2012.

The main provisions at the end of 2013 serve to cover:

- the costs of restructuring the functions and the Back & Front Office following the Integration of Rhodia (€ 48 million);
- the costs linked to the restructuring of the Soda Ash activities to address structural overcapacity in Europe (€ 36 million).

32.C. Environmental provisions

These provisions stand at € 629 million, compared with € 800 million at the end of 2012.

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 1-20 year horizon and amount to € 124 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;
- Provisions linked to various type of pollution (organic, inorganic) coming from miscellaneous specialty chemical productions; these provisions are mainly covering stopped activities or closed plants; most of these provisions have an horizon of 1 to 20 years.

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

32.D. Provisions for litigation

Provisions for litigation stand at € 312 million at the end of 2013 compared with € 544 million at the end of 2012.

The main provisions at the end of 2013 serve to cover:

- risks related to the sale of the Pharmaceuticals segment for which the Group may remain liable (€ 14 million);
- tax risks (€ 192 million) ;
- legal claims (€ 106 million).

NOTE 33 Net indebtedness

The Group's net indebtedness is the balance between its financial debts and other current receivables – financial instruments and cash and cash equivalents. It amounted to a net indebtedness of € 1,102 million at the end of 2013 compared to € 1,125 million at the end of 2012.

	2013	2012
	(in € million)	
Financial debt	3,515	3,652
• Other current receivables – Financial instruments	(481)	(758)
• Cash and cash equivalents	(1,932)	(1,768)
NET INDEBTEDNESS	**1,102**	**1,125**

Note:—
Liabilities (+)/Assets (-)

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

Financial debt

	2013	2012
	(in € million)	
Subordinated loans	498	504
Bonds	1,839	2,366
Long-term finance lease obligations	3	3
Long-term debts to financial institutions	300	366
Other long-term debts	105	82
Amount due within 12 months (shown under current liabilities)	519	60
Other short-term borrowings (including overdrafts)	250	271
TOTAL FINANCIAL DEBT (SHORT AND LONG-TERM)	**3,515**	**3,652**

Borrowings and credit lines

The largest borrowings maturing after 2013 are:

	Nominal amount			Coupon	Maturity	Secured	2013 Amount at amortized cost	2013 Fair value	2012 Amount at amortized cost	2012 Fair value
				(in € million, except where indicated)						
EMTN bonds issued by Solvay SA (Belgium)	500			4.99%	2014	No	500	500	496	520
EMTN bonds issued by Solvay SA (Belgium)	500	300		4.75%	2018	No	490	567	490	558
		200	(tap)	5.71%						
Retail	500			5.01%	2015	No	499	530	499	548
European Investment Bank	300			3.90%	2016	No	300	327	300	336
Deeply subordinated debt issued by Solvay Finance SA (France) with support from Solvay SA (Belgium)	500		[1]	6.375%	2104	No	498	530	497	538
Senior note Rhodia	500		[2]	7.00%	2018	No	521	528	530	559
Senior note Rhodia (US$400 million)	303		[2][3]	6.875%	2020	No	330	327	350	346
TOTAL	**3,103**						**3,138**	**3,308**	**3,162**	**3,405**

Notes:—

(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) The € 500 million 7.00% Senior Notes due 2018 and the US$400 million 6.875% (both callable respectively in 2014 and 2015) were consolidated in Solvay group account at their market price at the time of the acquisition (September 2011); In 2012 management has decided to exercise in 2014 the call on the € 500 million Senior note Rhodia.

(3) Equivalent to US$400 million; 1 EUR = 1.3791 USD (Dec 31, 2013).

There is no default on the above-mentioned financial debt. There are no financial 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 (€ 358 million) is not significantly different from its face value (€ 358 million – see also note 34 managing interest rate risk). Long-term debt is measured at amortized cost. The fair value is based on the quoted market price at the end of 2013.

In November 2013, following the acquisition of Chemlogics for US$1,345 million financed with available cash, the Group issued € 1.2 billion hybrid bonds (treated as equity under IFRS) with the aim to further strengthen the Group's balance sheet ahead of its refinancing of debt maturities from 2014 onwards.

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 € 2,413 million at the end of 2013 compared to € 2,526 million at the end of 2012. Cash and cash equivalents include an amount of € 17 million which is restricted in the context of the Chemlogics acquisition.

At the end of 2013, part of this cash is invested by Solvay SA and Solvay CICC according to specific criteria in the following instruments:

- other current receivables – financial instruments for € 481 million (including Money Market Funds (MMF) for € 366 million);
- cash and cash equivalents for € 1,932 million, including Bonds and treasury bills of less than three months maturity (€ 632 million).

Other current receivables – financial instruments:

	Classification	2013	2012
	(in € million)		
Money Market Fund	Assets available for sale	366	663
Bonds and Treasury Bills of more than 3 months	Assets held to maturity	95	—
Other current financial asset		20	95
OTHER CURRENT RECEIVABLES – FINANCIAL INSTRUMENTS		**481**	**758**

The "Other current receivables – financial instruments" included "Money Market Funds", "Bonds and Treasury Bills with maturity of more than three months maturity" and "Other Current Financial Assets".

The underlying instruments in the Money Market Funds 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.

The Other Current Financial Assets mainly includes financial assets at fair value through profit and loss. It includes since 2012 the "Interests to be received".

The management has opted to consider the Bonds and Treasury Bills of more than three months maturity as assets held to maturity, which are therefore not marked to market.

Cash and cash equivalents

Cash and cash equivalents amounted to € 1,932 million at the end of 2013 compared to € 1,768 million at the end of 2012.

	Classification	2013	2012
	(in € million)		
Marketable securities	Available for sale	27	291
Term deposits	Loans and Receivables	381	378
Bonds and Treasury Bills of less than 3 months	Held to maturity	632	137
Cash Loans and Receivables	Loans and Receivables	892	961
CASH AND CASH EQUIVALENTS		**1,932**	**1,768**

The carrying amount is the fair value of the shares, fixed income securities and term deposits.

Management has opted to classify the Bonds and Treasury Bills of less than three months maturity as assets held to maturity, which are therefore not marked to market.

NOTE 34 Financial instruments and financial risk management

The fair value of Intangible assets mainly corresponds to customer relationships.

34.A. 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.

	2013 Carrying amount	2012 Carrying amount
	(in € million)	
Held for trading	31	54
Cash flow hedges	22	21
Available-for-sale investments – New Business Development/AGEAS	38	66
Loans and receivables (including trade receivables, loans and other non-current assets except pension fund surpluses)	1,689	2,078
Other current receivables – financial instruments (classification: see previous page)	481	758
Cash and cash equivalents (classification: see previous page)	1,932	1,768
TOTAL FINANCIAL ASSETS	**4,192**	**4,745**
Held for trading	(3)	(50)
Cash flow hedges	(12)	(6)
Financial liabilities measured at amortized cost (includes long-term financial debt, other non-current liabilities, short-term financial debt, trade liabilities and dividends payable included in other current liabilities)	(5,146)	(5,589)
Financial lease liabilities	(3)	(3)
TOTAL FINANCIAL LIABILITIES	**(5,165)**	**(5,647)**

The financial assets classified as held for trading and designed as hedge accounting relationships are presented in "Other current receivables – Other".

34.B. Fair value of financial instruments

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. 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. Options are valuated based on the present value of probability weighted expected future payoffs, using market reference formulas.

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

The following table provides an analysis of financial instruments that are measured subsequently 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).

In accordance with the Group internal rules, the responsibility for measuring the fair value level lies to treasury department for the derivatives financial instruments and the financial debt, to Energy Services business unit for the energy derivatives financial instruments and to the finance department for financial assets.

Fair value of financial instruments measured at amortized cost

	2013		2012		
	Carrying amount	Fair value	Carrying amount	Fair value	Fair value level
			(in € million)		
Loans and receivables					
Loans and receivables (including trade receivables, loans and other non-current assets except pension fund surpluses)	1,689	1,689	2,078	2,078	2
Other current receivables – financial instruments					
Bonds and treasury bills of more than 3 months	95	95			1
Other current financial assets	20	20	95	95	2
Cash and cash equivalents					
Term deposits	381	381	378	378	2
Bonds and Treasury Bills of less than 3 months	632	632	137	137	1
Cash	892	892	961	961	2
TOTAL FINANCIAL ASSETS	**3,709**	**3,709**	**3,649**	**3,649**	
Subordinated loans and bonds	(2,838)	(2,981)	(2,427)	(2,609)	1
Long- and short-term financial debt	(677)	(704)	(1,225)	(1,284)	2
Other non-current liabilities, trade liabilities and dividends payable included in other current liabilities	(1,631)	(1,631)	(1,938)	(1,938)	2
Financial lease liabilities	(3)	(3)	(3)	(3)	2
TOTAL FINANCIAL LIABILITIES	**(5,149)**	**(5,319)**	**(5,592)**	**(5,834)**	

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

	2013			
	Level 1	Level 2	Level 3	Total
		(in € million)		
Held for trading				
• Foreign exchange contracts		2		2
• Energy swaps, futures and forward contracts		3		3
• CO_2 certificates futures and forward contracts	3	2		5
• Interest rate swaps		5		5
• Solvay share price swaps		15		15
Cash flow hedges				
• Foreign exchange contracts and swaps		18		18
• Energy swaps and futures contracts		2		2
• CO_2 certificates futures and forward contracts				
• Solvay share price swaps		1		1
Available-for-sale investments				
• New Business Development			38	38
• Other current receivables – financial instruments (Money Market Funds)	366			366
Cash and cash equivalents				
• Marketable securities	27	—	—	27
TOTAL FINANCIAL ASSETS	**397**	**49**	**38**	**484**
Held for trading				
• Foreign exchange contracts				
• Energy swaps, futures and forward contracts				
• CO_2 certificates futures and forward contracts	(1)	(1)		(3)
Cash flow hedges				
• Foreign exchange contracts and swaps		(5)		(5)
• Energy swaps and futures contracts	(1)			(1)
• CO_2 certificates futures and forward contracts	(6)	—	—	(6)
TOTAL FINANCIAL LIABILITIES	**(8)**	**(7)**	—	**(16)**

€ million	2012			
	Level 1	Level 2	Level 3	Total
		(in € million)		
Held for trading				
• Foreign exchange contracts and swaps		3		3
• Energy swaps, futures and forward contracts			5	5
• CO_2 certificates futures and forward contracts		39	7	46
Cash flow hedges				
• Foreign exchange contracts and swaps		20		20
• Interest rate swaps		1		1
Available-for-sale investments				
• New Business Development			31	31
• AGEAS (former Fortis)	35			35
• Other current receivables – financial instruments (Money Market Funds)	663			663
Cash and cash equivalents				
• Marketable securities	291	—	—	291
TOTAL FINANCIAL ASSETS	**989**	**63**	**43**	**1,095**
Held for trading				
• Foreign exchange contracts and swaps		(6)		(6)
• Energy swaps and futures contracts		(1)		(1)
• CO_2 certificates futures and forward contracts		(26)	(18)	(43)
Cash flow hedges				
• Foreign exchange contracts and swaps	—	(6)	—	(6)
TOTAL FINANCIAL LIABILITIES	—	**(39)**	**(18)**	**(56)**

The category “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.

Movements of the period

Reconciliation of level 3 fair value measurements of financial assets and liabilities

	2013				
	At fair value through profit or loss		Available-for-sale		
	Derivatives	Non-derivatives	Shares	Other	Total
	(in € million)				
Opening balance at January 1	**(7)**		**31**		**24**
Total gains or losses					
• Recognized in the income statement	7				7
• Recognized in other comprehensive income			(3)		(3)
Acquisitions			10		10
Closing balance at December 31	**—**		**38**		**38**

€ million	2012				
	At fair value through profit or loss		Available-for-sale		
	Derivatives	Non-derivatives	Shares	Other	Total
	(in € million)				
Opening balance at January 1	**(11)**		**61**		**50**
Total gains or losses					
• Recognized in the income statement	4		(8)		(4)
• Recognized in other comprehensive income					
Acquisitions			9		9
Reclassification from available-for-sale financial assets to investment in associate			(31)		(31)
Closing balance at December 31	**(7)**		**31**		**24**

Income and expenses of financial instruments recognized in the income statement and in equity

Income and expenses on financial instruments recognized in the income statement break down as follows:

	2013	2012
	(in € million)	
Recognized in the income statement		
Recycling from equity of currency cash flow hedges[(1)]	38	(14)
Recycling from equity of energy cash flow hedges[(1)]	(1)	27
Changes in the fair value of financial instruments held for trading (energy/CO_2 emission rights)	(5)	0
Recognized in the gross margin	**31**	**13**
Interest on loans and receivables	96	1
Ineffective portion of the changes in the fair value of financial instruments held for trading (energy/CO_2 emission rights)	1	0
Changes in the fair value of financial instruments held for trading(energy/CO_2 emission rights)	(2)	4
Changes in the fair value of financial instruments held for trading (currency)	5	0
Recycling from equity of currency cash flow hedges[(1)]	5	0
Recycling from equity of energy cash flow hedges[(1)]	(3)	0
Ineffective portion of the changes in fair value of cash flow hedges (currency)	1	0
Recognized in other operating gains and losses	**103**	**5**
Changes in the fair value of financial instruments held for trading (energy/CO_2 emission rights)	(4)	0
Changes in the fair value of financial instruments held for trading (Solvay share price swaps)	1	0
Recognized in non-recurring gains and losses	**(2)**	**0**
Cost of borrowings – Interest expense on financial liabilities at amortized cost	(187)	(167)
Interest income on cash and cash equivalents	24	16
Interest income on other current receivables – financial instruments	1	2
Other gains and losses on net indebtedness	(2)	(8)
Recognized in charges on net indebtedness	**(163)**	**(157)**
Income/loss from available-for-sale investments	**2**	**0**
Capital gain on available-for-sale investment posted directly to the income statement	**16**	**0**
Recycling from equity of unrecognized gain and losses related to disposed of available-for-sale financial assets[(1)]	**20**	**0**
Recycling from equity of impairment losses on available-for-sale financial assets[(1)]	**0**	**(2)**
Net result from equity method	**92**	**184**
TOTAL RECOGNIZED IN THE INCOME STATEMENT	**99**	**43**

Notes:—

(1) See next table.

The currency cash flow hedge corresponds to forward contracts aimed at hedging forecasted flows in currencies, mainly USD, JPY, BRL, RUB and KRW.

The financial instruments held for trading (currency) refer to forward exchange contracts related to the management of the Group's exchange exposure which have not been qualified as "hedge".

Income and expenses on financial instruments recognized in equity break down as follows:

	Continuing operations	
	2013	2012
	(in € million)	
Net change in the fair value of available-for-sale financial assets	(3)	12
Recycling to the income statement of unrecognized gain and losses related to disposed of available-for-sale financial assets	(20)	0
Recycling to the income statement of impairment losses on available-for-sale financial assets	0	2
Total available-for-sale financial assets	**(23)**	**14**
Effective portion of changes in fair value of cash flow hedge	35	24
Recycling to the income statement of currency cash flow hedges	(43)	14
Recycling to the income statement of energy cash flow hedges	4	(27)
Recycling to the income statement of interest rate swaps cash flow hedges	(5)	0
Total cash flow hedges	**(9)**	**11**
TOTAL	**(32)**	**25**

For available-for-sales financial assets, the changes mainly relate to AGEAS shares.

In 2013, the recycling to the income statement of the unrecognized gain and losses related to disposed of available-for-sale financial assets is linked to the disposal of the AGEAS shares.

In 2012, the net change in the fair value of available-for-sale financial assets recognized directly in equity relates mainly to the AGEAS shares.

34.C. Capital management

See item 2 in the Corporate Governance section.

34.D. 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.

Foreign currency risks

See item Foreign exchange risk 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, Chinese Yuan, Brazilian Real and Russian Ruble.

Exchange rate fluctuations, particularly of the US Dollar and Brazilian Real, can affect earnings. In the course of 2013 the EUR/USD exchange rate moved from 1.3194 at the start of January to 1.3791 at the end of December. In the course of 2012 the EUR/USD exchange rate moved from 1.2935 at the start of January to 1.3194 at the end of December.

During 2013 and 2012, the Solvay group did not hedge the currency risk of foreign operations.

Transactional risk

The transactional risk is the exchange risk linked to a specific transaction, such as a Group company buying or selling in a currency other than its functional currency.

The Group manages the transactional risk on receivables and borrowings at the level of Solvay CICC in Belgium and locally for Brazilian and South Korean affiliates.

The choice of borrowing currency depends mainly on the opportunities offered by the various markets. This means that the selected currency is not necessarily that of the country in which the funds will be invested. Nonetheless, operating entities are financed essentially in their own local currencies, with this currency being obtained, where appropriate, by currency swaps against the currency held by the financing company. The cost of these currency swaps is included under the cost of borrowing. These enable us to limit the exchange risk both in the financial company and in the Company finally using the funds.

In emerging countries it is not always possible to borrow in local currency, either because local financial markets are too narrow or funds are not available, or because the financial conditions are too onerous. In such a situation the Group has to borrow in a different currency. Nonetheless the Group has taken advantage of any opportunities to refinance its borrowing in emerging countries with local currency debt.

The Group's foreign exchange position is centralized at Solvay CICC. This centralized exchange position is then managed under rules and specific limits which have been set by the Group.

The main financial instruments used are the spot and forward purchase and sale of currencies; forward currency sales and the purchase of options.

Cash Flow Hedge

The Group uses derivatives to hedge clearly identified foreign exchange rate risks (hedging instruments). At the end of 2013 for future exposure, the Group had hedged forecasted sales in a nominal amount of US$693 million on sales and US$26 million on purchases (€ 521 million) and ¥ 12,599 million (€ 87 million).

Held for trading

The daily management of the transactional risk is mainly done at Solvay CICC either via spot or forward contracts. Those forward contracts are classified as held for trading.

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

	Notional amount		Fair value assets		Fair value liabilities	
	2013	2012	2013	2012	2013	2012
			(in € million)			
Held for trading						
• Forward exchange contracts	177	684	2	3	0	(6)
Cash flow hedges						
• Forward exchange contracts	608	682	18	20	(5)	(6)
TOTAL	**785**	**1,366**	**20**	**23**	**(6)**	**(12)**

The following table details the Group's sensitivity in profit or loss and equity to a 10% increase and decrease in EUR against USD and JPY as well as in BRL against USD.

10% represents the management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated assets and liabilities and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. It includes also the foreign exchange derivatives (not designated for hedging).

A positive number below indicates an increase in profit or equity when EUR strengthens 10% against USD or JPY (same for BRL against USD).

For a 10% weakening of EUR against USD or JPY, there would be a comparable impact on the profit or equity (the balances would be negative) (same for BRL against USD).

	Strengthening of EUR vs USD		Strengthening of EUR vs JPY		Strengthening of BRL vs USD	
	2013	2012	2013	2012	2013	2012
			(in € million)			
Profit or loss	8	7	—	—	—	—
Equity	30	37	9	10	12	17

Interest rate risks

See item "Interest rate risks" 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, 2013, around € 3.1 billion of the Group's gross debt was at fixed-rate: mainly:

- the bond issues (EMTN) € 500 million maturing 2018 (carrying amount € 490 million) and € 500 million maturing 2014 (carrying amount € 500 million) and retail: € 500 million (carrying amount € 499 million) maturing 2015;
- deeply subordinated issue placed on the market 2006 (€ 500 million maturing 2104 – carrying amount: € 498 million) carries a fixed coupon until 2016 and floating thereafter;
- European Investment Bank € 300 million maturing in 2016.
- Senior Note HY € 500 million maturing in 2018 (carrying amount € 521 million);
- Senior Note HY US$400 million maturing in 2020 (carrying amount € 330 million);

In November 2013, following the acquisition of Chemlogics for US$1,345 million financed with available cash, the Group issued € 1.2 billion hybrid bonds (treated as equity under IFRS) with the aim to further strengthen the Group's balance sheet ahead of its refinancing of debt maturities from 2014 onwards.

Interest rate exposure by currency is summarized below:

Currency	At 31/12/2013 Fixed rate	Floating rate	Total	At 31/12/2012 Fixed rate	Floating rate	Total
			(in € million)			
Financial liabilities						
EUR	(2,814)	(206)	(3,020)	(2,801)	(227)	(3,028)
USD	(332)	(11)	(343)	(304)	(122)	(426)
JPY		(1)	(1)			—
BRL	(1)	(34)	(36)		(54)	(54)
Other	(9)	(106)	(115)	(18)	(126)	(144)
Total	**(3,157)**	**(358)**	**(3,515)**	**(3,123)**	**(529)**	**(3,652)**
Cash and cash equivalents						
EUR		1,217	1,217		542	542
USD		287	287		699	699
JPY		28	28		26	26
BRL		96	96		137	137
Other		303	303		365	365
Total	**—**	**1,932**	**1,932**	**—**	**1,768**	**1,768**
Other current financial assets						
EUR		480	480		1,186	1,186
USD			—		(72)	(72)
JPY			—		(246)	(246)
BRL			—			—
Other		1	1		(110)	(110)
Total	**—**	**481**	**481**	**—**	**758**	**758**
TOTAL	**(3,157)**	**2,056**	**(1,102)**	**(3,123)**	**1,997**	**(1,125)**

In 2013 90% of financial debt is contracted at an average fixed rate of 5.58% with duration below ~3 years; the first significant maturity for debt reimbursement will occur in 2014. Including the issuance of the € 1.2 billion hybrid bonds (treated as equity under IFRS), the average fixed rate equals to 5.34% with a duration of ~4 years.

In 2012 86% of financial debt was contracted at an average fixed rate of 5.58% with duration of below four years.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management assessment of the reasonably possible change in interest rates.

Impact of interest rate changes at the end of 2013:

- on borrowing charges: if interest rates had been 1% higher/lower and with all other variables remaining constant, these would have increased/decreased by € 5 million (2012: increase/decrease by € 8 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 € 21 million (2012: € +23 million),
  - if interest rates had been 1% lower and with all other variables remaining constant, income would have decreased by € 16 million (2012: € (14) million).

Early 2013, the Group entered into interest rate swaps designated for hedging purposes. The initial target was to secure a potential funding in 2014, which became no longer needed following the issuance of the € 1.200 million hybrid bonds at the end of 2013. At the end of 2013, the mark-to-market of the interest rate swaps (€ +5.2 million) in included in the net financial charges.

€ million	Notional amount 2013	Notional amount 2012	Fair value assets 2013	Fair value assets 2012	Fair value liabilities 2013	Fair value liabilities 2012
			(in € million)			
Held for trading						
• Interest rate instruments (Swap)	500	—	5	—	—	—

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.

Other market risks

Energy price risks

The Group purchases a large portion of its coal, gas and electricity needs in Europe and the US based on fluctuating liquid market indices. In order to reduce the cost volatility, the Group has developed a policy for exchanging variable price against fixed price through financial swap contracts. Most of these hedging contracts meet the criteria to apply hedge accounting as defined by IFRS. Hedging performed through the purchase of physical energy at fixed price is qualified as "own use". Similarly the Group exposure to CO_2 price is partly hedged by forward purchase of EUA, which meet hedge accounting or "own-use" exemption criteria.

Finally some exposure to gas-electricity or coal-electricity spreads may arise from the production of electricity on Solvay sites (mostly from cogeneration units in Europe), which can be hedged by forward purchases and forward sales or optional schemes.

Energy Services

Financial hedging of energy and CO_2 risks is managed centrally by Energy Services on behalf of the Group entities.

Energy Services also carry out trading transactions energy and CO_2, whose residual price exposure is also maintained close to zero.

The following tables detail the notional principal amounts and fair values of energy price swaps and CO_2 derivatives outstanding at the end of the reporting period:

	Notional amount 2013	Notional amount 2012	Fair value assets 2013	Fair value assets 2012	Fair value liabilities 2013	Fair value liabilities 2012
			(in € million)			
Held for trading						
• Energy swaps, futures and forward contracts	254	44	3	5	—	(1)
• CO_2 options	—	86	—	—	—	—
• CO_2 certificates futures and forward contracts	170	208	5	46	(3)	(43)
Cash flow hedge(1)						
• Energy swaps and futures contracts	26	48	2	—	(1)	—
• CO_2 certificates futures and forward contracts	28	24	—	—	(6)	—
TOTAL	**479**	**410**	**11**	**51**	**(10)**	**(44)**

Notes:—

(1) Less than one year.

Credit risk

See item "Counterparty risk" in the Management of Risks section of this report

The carrying value of the trade receivables is a good approximation of the fair value at statement of financial position (balance sheet) closing date.

There is no significant concentration of credit risk at Group level to the extent that the receivables risk is spread over a large number of customers and markets.

The ageing of trade receivables, other current receivables – other, loans and other non-current assets is as follows:

			Of which receivables without write-down				
2013	**Total**	**With write-down**	**Not past due**	**Less than 30 days past due**	**Between 30 & 60 days past due**	**Between 60 & 90 days past due**	**More than 90 days past due**
				(in € million)			
Trade receivables	1,322	56	1,062	135	35	5	29
Other current receivables – other	582	26	320	119	21	5	91
Loans and other non-current assets	257	36	221				
TOTAL	**2,161**	**118**	**1,602**	**254**	**57**	**10**	**120**

			Of which receivables without write-down				
2012	**Total**	**With write-down**	**Not past due**	**Less than 30 days past due**	**Between 30 & 60 days past due**	**Between 60 & 90 days past due**	**More than 90 days past due**
				(in € million)			
Trade receivables	1,657	47	1,489	68	9	1	43
Other current receivables – other	685	4	662	10	3		5
Loans and other non-current assets	424	39	385				
TOTAL	**2,766**	**91**	**2,536**	**78**	**12**	**1**	**49**

Other current receivables – other' consists essentially of other receivables, deferred charges and accrued income.

Other non-current assets consist essentially of pension fund surpluses and other amounts receivable after more than one year. This balance includes a cash deposit made as a guarantee for the good execution of the fine imposed by the European Commission in connection with antitrust rules.

For credit risk regarding other financial assets, we refer to the note 33.

Liquidity risk

See item "Liquidity risk" 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 limit amounts to be refinanced each year.

In 2013, including the issuance of the € 1.2 billion hybrid bonds (treated as equity under IFRS), the average duration was ~4 years.

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.

2013	Total	On demand or within one year	In year two	In years three to five	Beyond five years
			(in € million)		
Outflows of cash related to financial liabilities:	**5,766**				
Other non-current liabilities	166	166			
Short-term financial debt	769	769			
Trade liabilities	1,353	1,353			
Income tax payable	17	17			
Dividends payables	112	112			
Other current liabilities	602	602			
Long-term financial debt	2,745		533	1,852	361
TOTAL FINANCIAL DEBT (SHORT AND LONG-TERM)	**3,515**	**769**	**533**	**1,852**	**361**

2012	Total	On demand or within one year	In year two	In years three to five	Beyond five years
			(in € million)		
Outflows of cash related to financial liabilities:	**6,425**				
Other non-current liabilities	216	216			
Short-term financial debt	331	331			
Trade liabilities	1,617	1,617			
Income tax payable	69	69			
Dividends payables	103	103			
Other current liabilities	768	768			
Long-term financial debt	3,321		1,067	1,339	915
TOTAL FINANCIAL DEBT (SHORT AND LONG-TERM)	**3,652**	**331**	**1,067**	**1,339**	**915**

In addition to the above-mentioned financing sources, the Group also has access to the following instruments:

- a Belgian Treasury Bill program in an amount of € 1 billion or as an alternative a US commercial paper program in an amount of US$500 million. They were both unused at the end of 2013 and 2012. The two programs are covered by back-up credit lines (see below);
- a € 1 billion and a € 550 million multilateral credit lines, maturing respectively in 2015 and in 2018; as well as bilateral credit lines (€ 300 million). They were all unused at the end of 2013 and 2012.

NOTES TO THE STATEMENT OF CHANGES IN EQUITY

Currency translation differences

The total difference amounts to € (356) million of which € (315) million for the Group's share, increasing the balance from € (423) million at the end of 2012 to € (780) million at the end of 2013.

The main variances are linked to the depreciation of USD, BRL, THB, RUB and INR compared to EUR.

Revaluation reserve

These differences represent the marking to market of available-for-sale investments and financial derivatives used for hedging purposes.

In 2013, the negative variation of € (23) million related to available-for-sale investment is mainly related to the disposal AGEAS 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 € +6 million at the end of 2013.

When the financial instrument designated as a hedge matures, its value recognized in equity is recycled to the income statement.

Defined Benefit pension plan

The increase in equity related to defined benefit pension plan refers to change in actuarial assumption (change in discount rate and to a lower extent difference between actual and expected return on plan assets).

Number of shares (in thousands)[5]

Information on the dividend proposed to the Shareholders' Meeting can be found in the management report.

	2013	2012
Shares issued and fully paid in at January 1	84,701	84,701
Capital increase	—	—
Shares issued and fully paid in at December 31	84,701	84,701
Treasury shares held at December 31	1,530	1,735
PER VALUE	**€ 15/SHARE**	**€ 15/SHARE**

[5] See the consolidated data per share in the financial information per share found in the management report.

MISCELLANEOUS NOTES

NOTE 35 Commitments to acquire tangible and intangible assets

	2013	2012
	(in € million)	
Commitments for the acquisition of tangible and intangible assets	161	76
of which: Joint ventures	13	8

NOTE 36 Dividends proposed for distribution but not yet recognized as a distribution to equity holders

The Board of Directors will propose to the General assembly of the shareholders a gross dividend of € 3.20. Taking into account the dividend advance payment distributed in January 2014 the dividends proposed for distribution but not yet recognized as a distribution to equity holders amount to € 156 million.

NOTE 37 Contingent liabilities

	2013	2012
	(in € million)	
Liabilities and commitments of third parties guaranteed by the Company	946	783
Environmental contingent liabilities	216	170
Litigation and other major commitments	21	2

The liabilities and commitments of third parties guaranteed by the Company relate mainly to guarantees given in the framework of:

- the joint venture project with Sadara for the construction and operation of an hydrogen peroxide plant in Saudi Arabia. A construction funding guarantee has been granted by Solvay to its partner to guarantee its share of the funding obligations of the project. In parallel, a similar guarantee for the funding obligations of the project by the partners has been granted to Solvay;
- the joint venture project with SIBUR for the construction and operation of a PVC plant in Russia. A guarantee of € 445 million on a several basis by each Sponsor SolVin and Sibur, which corresponds for each of 50% of the amount in principal of RusVinyl project finance of € 750 million equivalent plus interests and costs;
- VAT payment (€ 185 million).

Within the framework of the annual review of contingent liabilities, environmental contingent liabilities for a total amount of € 216 million have been identified. The risk related to these contingencies is considered as remote.

NOTE 38 Joint ventures and associates

The Joint Ventures and associates are consolidated according to the equity method of accounting. The table below presents the summary balance sheet of the joint-ventures and associates as if they were proportionately consolidated.

	2013			2012		
	Joint Ventures	Associates	Total	Joint Ventures	Associates	Total
			(in € million)			
Non-current assets	326	825	1,151	618	125	743
Current assets	290	209	498	242	112	355
Non-current liabilities	98	396	493	9	116	125
Current liabilities	125	143	267	31	73	104
Sales	410	314	724	531	196	727
Net result	79	13	92	159	60	218

NOTE 39 Related parties

Balances and transactions between Solvay SA and its subsidiaries, which are related parties of Solvay SA, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading transactions

	Sale of goods		Purchase of goods	
	2013	2012	2013	2012
	(in € million)			
Joint ventures	7	132	44	236
Associates	24	53	22	32
Other related parties	10	5	18	4
TOTAL	**41**	**190**	**84**	**272**

	Amounts owed by related parties		Amounts owed to related parties	
	2013	2012	2013	2012
	(in € million)			
Joint ventures	5	75	43	57
Associates	1	13	2	21
Other related parties	20	2	9	0
TOTAL	**26**	**90**	**55**	**78**

Loans to related parties

	2013	2012
	(in € million)	
Loans to key management personnel	—	—
Loans to joint ventures	—	—
Loans to associates	50	37
Loans to other related parties	32	51
TOTAL	**82**	**88**

Compensation of key management personnel

Amounts due in respect of the year (salary) or obligations existing at the end of the year (other elements):

	2013	2012
	(in € million)	
Wages, charges and short-term benefits	2	3
Long-term benefits	20	21
TOTAL	**21**	**24**
Total number stock subscription options and free shares granted	497,157	746,427

	2013	2012
	(in € million)	
Wages, charges and short-term benefits[1]	9	9
Long-term benefits[1]	1	17
TOTAL	**10**	**25**
Expenses related to stock subscription options and free shares granted	2	2

Notes:—

(1) Excluding employer social charges and taxes.

NOTE 40 Events after the reporting period

The recent significant devaluation of the Argentina Pesos (ARS) will have an additional negative impact on the result of the sale of Solvay Indupa.

Early 2014 a process to explore the divestment of Eco Services (Performance Chemicals) has been initiated. Eco Services is active in the recycling of sulfuric acid in the US oil and gas business.

There were no other material events after the reporting period.

NOTE 41 Policy in respect of capital

See item 2 in the Corporate Governance section of this report

2013 CONSOLIDATION SCOPE

The Group consists of Solvay SA and a total of 367 subsidiaries and associated companies in 56 countries.

Of these, 204 are fully consolidated, 4 are proportionately consolidated and 27 is accounted for under the equity method, whilst the other 132 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 during two consecutive years any of the three following thresholds in terms of their contribution to the Group's accounts:

- sales of € 20 million;
- total assets of € 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

Companies entering the Group

Country	Company	Comments
GERMANY	Solvin GmbH & Co. KG – PVDC	new company
	Solvay Energy Services Deutschland GmbH	new company
CHINA	Solvay High Performance Materials R&D (Shanghai) Co., Ltd., Shanghai	meets the consolidation criteria
	Solvay (Beijing) Energy Technology Co., Ltd	meets the consolidation criteria
	Zheijiang Lansol Fluorchem Co., Ltd	meets the consolidation criteria
SPAIN	Solvay Energy Services Iberica, S.L.	meets the consolidation criteria
ITALY	Solvay Energy Services Italia S.r.l.	new company
POLAND	Solvay Advanced Silicas Poland Sp. z o.o.	new company
SINGAPORE	Solvay Fluor Holding (Asia-Pacific) Pte. Ltd.	meets the consolidation criteria
THAILAND	Solvay Asia Pacific Company Ltd	meets the consolidation criteria
SAUDI ARABIA	Saudi Hydrogen Peroxide Co	new company
VIETNAM	Rhodia Nuoc Trong Biogas LLC	meets the consolidation criteria

Companies leaving the Group

Country	Company	Comments
BELGIUM	Peptisyntha SA	sold to CordenPharma
FRANCE	Solvay Organics France SAS	sold to Melchior investissement et industries
CHINA	Guangxi Laibin Bioqi New Energy Co. Ltd	sold to Guangxi Bijia Biological Technology Co., Ltd.
ITALY	Solvay Specialty Polymers Management S.r.l.	merged into Solvay SA
	Solvay Finanziaria S.p.A.	merged into Solvay SA
	Solvay Fluor Italia S.p.A.	merged into Solvay Specialty Polymers Italy S.p.A.
UNITED STATES	Rhodia Funding Inc.	merged into Solvay Inc.

List of fully consolidated Group companies

Indicating the percentage holding.

It should be noted that the percentage of voting rights is very close to the percentage holding.

BELGIUM	
Carrières les Petons S.P.R.L., Walcourt	100
Financière Solvay SA, Brussels	99.9
Rhodia Belgium SA, Brussels	100
Solvay Benvic & Cie Belgium S.N.C., Brussels	100
Solvay Chemicals International SA, Brussels	100
Solvay Chimie SA, Brussels	100
Solvay Coordination Internationale des Crédits Commerciaux 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 Specialty Polymers Belgium SA/NV	100
Solvay Stock Option Management S.P.R.L., Brussels	100
Solvic SA, Brussels	75
Solvin SA, Brussels	75
LUXEMBOURG	
Caredor SA, Strassen	100
Solvay Finance (Luxembourg) SA, Luxembourg	100
Solvay Hortensia SA, Luxembourg	100
Solvay Luxembourg S.a.r.l., Luxembourg	100

NETHERLANDS	
Rhodia International Holdings B.V., Den Haag	100
Solvay Chemicals and Plastics Holding B.V., Linne-Herten	100
Solvay Chemie B.V., Linne-Herten	100
Solvay Holding Nederland B.V., Linne-Herten	100
Solvin Holding Nederland B.V., Linne-Herten	59.4
FRANCE	
Cogénération Chalampe SAS., Puteaux	100
RHOD V S.N.C., Courbevoie	100
RHOD W S.N.C., Courbevoie	100
Rhodia Chimie SAS., Aubervilliers	100
Rhodia Energy GHG SAS., Puteaux	100
Rhodia Finance SAS., Courbevoie	100
Rhodia Laboratoire du Futur SAS., Pessac	100
Rhodia Operations SAS., Aubervilliers	100
Rhodia Participations S.N.C., Courbevoie	100
Rhodia SA, Courbevoie	100
Rhodianyl SAS., Saint-Fons	100
Solvay – Carbonate – France SAS., Paris	100
Solvay – Electrolyse – France SAS., Paris	100
Solvay – Fluorés – France SAS., Paris	100
Solvay – Olefines – France SAS., Paris	100
Solvay – Spécialités – France SAS., Paris	100
Solvay Benvic Europe – France SAS., Paris	100
Solvay Energie France SAS., Paris	100
Solvay Energy Services SAS., Puteaux	100
Solvay Finance France SA, Paris	100
Solvay Finance SA, Paris	100
Solvay Participations France SA, Paris	100
Solvay Speciality Polymers France SAS., Paris	100
Solvin France SA, Paris	75
ITALY	
SIS Italia S.p.A., Bollate	100
Società Elettrochimica Solfuri e Cloroderivati (ELESO) S.p.A., Bollate	100
Società Generale per l'Industria della Magnesia (SGIM) S.p.A., Angera	100
Solvay Bario e Derivati S.p.A., Massa	100
Solvay Benvic Europe – Italia S.p.A, Ferrara	100
Solvay Chimica Bussi S.p.A., Rosignano	100
Solvay Chimica Italia S.p.A., Milano	100
Solvay Energy Services Italia S.r.l.	100
Solvay Solutions Italia S.p.A., Milano	100
Solvay Specialty Polymers Italy S.p.A., Milano	100
Solvin Italia S.p.A., Ferrara	75
GERMANY	
Girindus AG, Hannover	82
Horizon Immobilien AG, Hannover	100
Salzgewinnungsgesellschaft Westfalen mbH & Co KG, Hannover(1)	65
Solvay Acetow GmbH, Freiburg	100
Solvay Chemicals GmbH, Hannover	100
Solvay Energy Services Deutschland mbH, Hannover	100
Solvay Fluor GmbH, Hannover	100
Solvay GmbH, Hannover	100
Solvay Holding GmbH, Freiburg	100
Solvay Infra Bad Hoenningen mbH, Hannover	100
Solvay Organics GmbH, Hannover	100
Solvay P&S GmbH, Freiburg	100
Solvay Specialty Polymers Germany GmbH, Hannover	100
Solvay Verwaltungs-und Vermittlungs GmbH, Hannover	100
Solvin GmbH & Co KG, Hannover	75
Solvin GmbH & Co. KG – PVDC, Rheinberg	75
Solvin Holding GmbH, Hannover	75

SPAIN	
Solvay Quimica S.L., Barcelona	100
Solvay Ibérica S.L., Barcelona	100
Solvin Spain S.L., Martorell	75
Solvay Benvic Europe – Iberica SA, Barcelona	100
Solvay Energy Services Iberica, S.L., Madrid	100
Solvay Solutions Espana S.L., Madrid	100
SWITZERLAND	
Solvay (Schweiz) AG, Bad Zurzach	100
Solvay Vinyls Holding AG, Bad Zurzach	100
Sopargest – Société de participation et de gestion SA, Fribourg	100
PORTUGAL	
3S Solvay Shared Services-Sociedade de Serviços Partilhados Unipessoal Lda, Carnaxide	100
Solvay Interox – Produtos Peroxidados SA, Povoa	100
Solvay Portugal – Produtos Quimicos SA, Povoa	100
AUSTRIA	
Solvay Österreich GmbH, Wien	100
UNITED KINGDOM	
Holmes Chapel Trading Ltd, Watford	100
McIntyre Group Ltd, Watford	100
Rhodia Holdings Ltd, Watford	100
Rhodia International Holdings Ltd, Oldbury	100
Rhodia Limited, Watford	100
Rhodia Organique Fine Ltd, Watford	100
Rhodia Overseas Ltd, Watford	100
Rhodia Pharma Solutions Holdings Ltd, Cramlington	100
Rhodia Pharma Solutions Ltd, Cramlington	100
Rhodia Reorganisation, Watford	100
Rhodia UK Ltd, Watford	100
Solvay Chemicals Ltd, Warrington	100
Solvay Interox Ltd, Warrington	100
Solvay Speciality Chemicals Ltd, Warrington	100
Solvay UK Holding Company Ltd, Warrington	100
IRELAND	
Solvay Finance Ireland Unlimited, Dublin	100
FINLAND	
Solvay Chemicals Finland Oy, Voikkaa	100
POLAND	
Rhodia Polyamide Polska Sp z.o.o., Gorzow Wielkopolski	100
Solvay Advanced Silicas Poland Sp. z o.o.	100
BULGARIA	
Solvay Bulgaria EAD, Devnya	100
RUSSIA	
Sertow OOO, Serpukhov Khimi	100
EGYPT	
Solvay Alexandria Sodium Carbonate Co, Alexandria	100
UNITED STATES	
Alcolac Inc., Cranbury	100
American Soda LLP, Parachute, CO	100
Ausimont Industries, Inc., Wilmington, DE	100
Girindus America Inc., Cincinnati, OH	82.1
Heat Treatment Services Inc., Cranbury	100
Peptisyntha, Inc., Torrance, CA	100
Rhodia India Holding Inc., Cranbury	100
Rocky Mountain Coal Company, LLC, Houston, TX	100
Solvay America Holdings, Inc., Houston, TX	100
Solvay America Inc., Houston, TX	100
Solvay Chemicals, Inc., Houston, TX	100
Solvay Finance (America) LLC, Houston, TX	100
Solvay Financial Services INC., Wilmington	100

Solvay Fluorides, LLC., Greenwich, CT	100
Solvay Holding INC., Cranbury	100
Solvay Information Services NAFTA, LLC, Houston, TX	100
Solvay Soda Ash Expansion JV, Houston, TX	80
Solvay Soda Ash Joint Venture, Houston, TX	80
Solvay Specialty Polymers USA, LLC, Alpharetta, GA	100
Solvay USA INC., Cranbury	100
CANADA	
Rhodia Canada Inc., Toronto	100
MEXICO	
Rhodia de Mexico SA de CV, Mexico	100
Rhodia Especialidades SA de CV, Mexico	100
Solvay Fluor Mexico SA de C.V., Ciudad Juarez	100
Solvay Mexicana S. de R.L. de C.V., Monterrey	100
Solvay Quimica Y Minera Servicios SA de CV, Monterrey	100
Solvay Quimica Y Minera Ventas SA de CV, Monterrey	100
BRAZIL	
Cogeracao de Energia Electricica Paraiso SA, Brotas	100
Rhodia Brazil Ltda, Sao Paolo	100
Rhodia Energy Brazil Ltda, Paulinia	100
Rhodia Poliamida Brasil Ltda, Sao Paolo	100
Rhodia Poliamida e Especialidades Ltda, Sao Paolo	100
Rhopart-Participacoes Servidos e Comercio Ltda, Sao Paolo	100
Solvay do Brasil Ltda, Sao Paulo	100
Solvay Indupa do Brasil SA, Sao Paulo	69.9
ARGENTINA	
Solvay Argentina SA, Buenos Aires	100
Solvay Indupa SAI.C., Bahia Blanca	69.9
Solvay Quimica SA, Buenos Aires	100
VENEZUELA	
Rhodia Silices de Venezuela C.A., Barquisimeto	100
URUGUAY	
Alaver SA, Montevideo	100
Fairway Investimentos SA, Montevideo	100
Zamin Company S/A, Montevideo	100
AUSTRALIA	
Rhodia Chemicals Pty Ltd, Sydney	100
Solvay Interox Pty Ltd, Banksmeadow	100
NEW ZEALAND	
Solvay New Zealand Ltd, Auckland	100
JAPAN	
Anan Kasei Co Ltd, Anan City	67
Nippon Solvay KK, Tokyo	100
Rhodia Japan K.K., Tokyo	100
Rhodia Nicca Ltd, Tokyo	60
Solvay Specialty Polymers Japan KK, Minato Ku-Tokyo	100
CHINA	
Baotou Solvay Rare Earths Company Ltd, Baotou	55
Beijing Rhodia Eastern Chemical Co., Ltd, Beijing	60
Liyang Solvay Rare Earth New Material Co., Ltd, Liyang City	96.3
Rhodia Hong Kong Ltd, Hong Kong	100
Solvay (Beijing) Energy Technology Co., Ltd, Beijing	100
Solvay (Shanghai) Engineering Plastics Co., Ltd	100
Solvay (Shanghai) International Trading Co., Ltd, Shanghai	100
Solvay (Shanghai) Ltd, Shanghai	100
Solvay (Zhangjiagang) Specialty Chemicals Co. Ltd, Suzhou	100
Solvay (Zhenjiang) Chemicals Co., Ltd, Zhenjiang New area	100
Solvay Biochemical (Taixing) Co. Ltd, Shanghai	59
Solvay Chemicals (Shanghai) Co. Ltd, Shanghai	100
Solvay China Co., Ltd, Shanghai	100

Solvay Fine Chemical Additives (Qingdao) Co., Ltd, Qingdao	100
Solvay Hengchang (Zhangjiagang) Specialty Chemical Co., Ltd, Zhangjiagang City	70
Solvay High Performance Materials R&D (Shanghai) Co., Ltd., Shanghai	100
Solvay Silica Qingdao Co., Ltd, Qingdao	100
Solvay Speciality Polymers (Changshu) Co. Ltd, Changshu	100
Zhejiang Lansol Fluorchem Co., Ltd, Zhejiang	55
Zhuhai Solvay Specialty Chemicals Co Ltd, Zhuhai City	100
THAILAND	
Advanced Biochemical (Thailand) Company Ltd, Bangkok	58.8
Solvay (Bangpoo) Specialty Chemicals Ltd, Bangkok	100
Solvay Asia Pacific Company Ltd, Bangkok	100
Solvay Peroxythai Ltd, Bangkok	100
Vinythai Public Company Ltd, Bangkok	58.8
SINGAPORE	
Rhodia Amines Chemicals Pte Ltd, Singapore	100
Solvay Fluor Holding (Asia-Pacific) Pte. Ltd., Singapore	100
Solvay Singapore Pte Ltd, Singapore	100
Solvay Specialty Chemicals Asia Pacific Pte. Ltd., Singapore	100
Vinythai Holding Pte Ltd., Singapore	58.8
INDIA	
Rhodia Polymers & Specialties India Private Limited, Mumbai	100
Rhodia Specialty Chemicals India Limited, Mumbai	72.9
Solvay Specialities India Private Limited, Mumbai	100
Sunshield Chemicals Limited, Mumbai	62.4
CAYMAN ISLANDS	
Blair International Insurance (Cayman) Ltd, Georgetown	100
SOUTH KOREA	
Daehan Solvay Special Chemicals Co., Ltd, Seoul	100
Solvay Chemicals Korea Co. Ltd, Seoul	100
Solvay Energy Services Korea Co. Ltd, Seoul	100
Solvay Korea Co. Ltd, Seoul	100
Solvay Silica Korea Co. Ltd, Incheon	100
Solvay Specialty Polymers Korea Company Ltd, Seoul	100
NAMIBIA	
Okorusu Fluorspar (Pty) Ltd, Otjiwarongo	100
Okorusu Holdings (Pty) Ltd, Windhoek	100

Note:—

(1) German limited partnership, which makes use of the exemption offered by Section 264 (b) of the German Commercial Code, not to publish their annual financial statements.

List of proportionately consolidated Group companies

FRANCE	
Butachimie S.N.C., Courbevoie	50
Hexagas SAS., Puteaux	50
GERMANY	
Warmeverbundkraftwerk Freiburg GmbH, Freiburg	49.9
UNITED STATES	
Primester, Kingsport TN	50

List of companies consolidated under the equity method

BELGIUM	
BASF Interox H_2O_2 Production NV, Brussels	50
NETHERLANDS	
MTP HP JV C.V., Weesp	50
MTP HP JV Management bv, Weesp	50
FRANCE	
GIE Chime Salindres, Salindres	50
GIE Osiris, Roussillon	34.8
GERMANY	
Solvay & CPC Barium Strontium GmbH & Co KG, Hannover	75
Solvay & CPC Barium Strontium International GmbH, Hannover	75
AUSTRIA	
Solvay Sisecam Holding AG, Wien	75
POLAND	
Zaklad Energoeloctryczny Energo-Stil Sp. z o.o., Gorzow Wielkopolski	25
BULGARIA	
Deven AD, Devnya	75
Solvay Sodi AD, Devnya	75
RUSSIA	
Poligran OAO, Tver	50
RusVinyl OOO, Moscow	29.7
Soligran ZAO, Moscow Aptekars	50
UNITED STATES	
Plextronics, Inc., Pittsburgh	47.3
MEXICO	
Silicatos y Derivados SA DE C.V.	20
Solvay & CPC Barium Strontium Monterrey S. de R.L. de C.V., Monterrey	75
Solvay & CPC Barium Strontium Reynosa S. de R.L. de C.V., Reynosa	75
BRAZIL	
Dacarto Benvic SA, Santo André	50
Peroxidos do Brasil Ltda, Sao Paulo	69.4
ARGENTINA	
Solalban Energia SA, Bahia Blanca	40.5
CHINA	
Qingdao Hiwin Solvay Chemicals Co. Ltd, Qingdao	30
THAILAND	
MTP HP JV (Thailand) Ltd, Bangkok	50
INDONESIA	
Solvay Manyar P.T., Gresik	50
INDIA	
Hindustan Gum & Chemicals Ltd, New Delhi	50
VIETNAM	
Rhodia Nuoc Trong Biogas LLC, Ho Chi Minh City	75
SAUDI ARABIA	
Saudi Hydrogen Peroxide Co, Jubail	50

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)

	2013	2012
	(in € million)	
Assets		
Fixed assets	**12,229**	**10,767**
Start-up expenses and intangible assets	102	93
Tangible assets	68	60
Financial assets	12,059	10,614
Current assets	**1,066**	**1,327**
Inventories	3	11
Trade receivables	194	148
Other receivables	735	613
Short-term investments and cash equivalents	115	529
Accruals	19	26
TOTAL ASSETS	**13,295**	**12,094**
Shareholders' equity and liabilities		
Shareholders' equity	**7,500**	**7,413**
Capital	1,271	1,271
Issue premiums	18	18
Reserves	1,948	1,948
Net income carried forward	4,262	4,175
Investment grants	1	1
Provisions and deferred taxes	**333**	**375**
Financial debt	**4,856**	**3,695**
• due in more than one year	3,005	2,303
• due within one year	1,851	1,392
Trade liabilities	**156**	**149**
Other liabilities	**336**	**346**
Accruals and deferred income	**114**	**116**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**13,295**	**12,094**

Income statement of Solvay SA (summary)

	2013	2012
	(in € million)	
Operating income	**1,000**	**798**
Sales	325	295
Other operating income	675	503
Operating expenses	**(1,202)**	**(1,010)**
Operating profit/loss	**(202)**	**(212)**
Financial gains/losses	422	1,274
Current profit before taxes	**220**	**1,062**
Extraordinary gains/losses	102	(149)
Profit before taxes	**322**	**913**
Income taxes	37	20
Profit for the year	**359**	**933**
Transfer to (-)/from (+) untaxed reserves		
Profit available for distribution	**359**	**933**

4. STATUTORY AUDITOR'S REPORT

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended December 31, 2013

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the 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.

The consolidated statement of financial position shows total assets of € 18,433 million and the consolidated income statement shows a consolidated profit (group share) for the year then ended of € 270 million.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Solvay SA/NV give a true and fair view of the group's net equity and financial position as of December 31, 2013, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Diegem, February 27, 2014

The statutory auditor

DELOITTE Bedrijfsrevisoren / Réviseurs d'Entreprises

BV o.v.v.e CVBA/ SC s.f.d. SCRL

Represented by Éric Nys

ANNEX A – INFORMATION ON CYTEC

This Annex A contains information regarding Cytec Industries, Inc. (“Cytec”) consisting, save as otherwise noted below, of extracts from the Cytec annual report on Form 10-K for the year ended December 31, 2014 filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 24, 2015 (“Form 10-K”), and the Cytec quarterly report on Form 10-Q for the period ended September 30, 2015 filed with the SEC on October 22, 2015 (the “Form 10-Q”) as indicated below. All such information extracted from the Form 10-K and Form 10-Q has been filed with or furnished to the SEC and is available on the SEC website at www.sec.gov. The Cytec annual report for 2013 is also available on the SEC website. Information set forth on the Cytec website or the SEC website is not considered to be part of this Prospectus and is not incorporated by reference herein.

Historically, and through September 30, 2015 Cytec prepared its consolidated financial statements in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”), which differ in certain respects from IFRS. Accordingly, the financial information of Cytec presented in this Annex A is not directly comparable to the financial information of Solvay presented in the prospectus, since, among other things, Solvay prepares its financial information in accordance with IFRS. As Cytec uses the U.S. dollar as its reporting currency, amounts given as Cytec financial information are set forth in U.S. dollars unless otherwise indicated.

You should read the Cytec information in Annex A and in the Summary section of this prospectus together with the other information in the prospectus, in particular the information with respect to the Acquisition.

The extracts from the Form 10-K and the Form 10-Q have been reproduced by Solvay as filed by Cytec with the SEC, except that (i) certain defined terms and table headings have been modified to maintain consistency with the prospectus, (ii) cross references, including to information contained in the consolidated financial statements of Cytec, have been modified by Solvay to reflect the manner in which the information is set forth in this Annex A, (iii) one word in the 10-Q and two figures in the 10-K have been corrected and (iv) the summary historical financial information in section I. Summary Financial Information of Cytec has been extracted by Solvay from the consolidated financial statements of Cytec included elsewhere in this Annex A except the table “Historical consolidated data – Five-Year Summary” which has been reproduced in its entirety from Cytec’s Form 10-K and does not appear elsewhere in this Annex A. Although Solvay has no knowledge that would indicate that any statements contained in this Annex A are inaccurate, incomplete or untrue, Solvay was not involved in the preparation of the Form 10-K and the Form 10-Q and, therefore, cannot verify the accuracy or completeness of the information obtained from such reports or any failure by Cytec to disclose events that may have occurred, but that are unknown to Solvay, that may affect the significance or accuracy of the information contained in such reports. However, Solvay is not aware, as far as it has been able to ascertain from information published by Cytec in such reports, that any facts have been omitted which would render the reproduced information inaccurate or misleading. The full Form 10-K and Form 10-Q as filed with the SEC are not to be considered part of this prospectus and are not incorporated by reference herein. However, the extracts of the Form 10-K and the Form 10-Q that are included in this Annex A are part of this prospectus.

Solvay has not independently verified certain adjustments and assumptions with respect to Cytec’s financial information.

Cytec’s audited annual consolidated financial statements included herein were audited by KPMG LLP.

The Cytec information herein is as of such earlier date as specified in such information, speaks only as of such date, and is subject to update, completion or amendment without notice. This information may be updated in accordance with applicable laws and regulations.

Some figures in this Annex A may not sum due to rounding. Some percentages in this Annex A have been calculated using unrounded figures.

For purposes of this Annex A only, the terms “the company”, “we”, “us” and “our” refer to Cytec and its consolidated subsidiaries.

I. SUMMARY FINANCIAL INFORMATION OF CYTEC

Summary financial information of Cytec

The summary historical financial information presented below as of and for the years ended December 31, 2014, 2013 and 2012 has been extracted by Solvay from Cytec's audited consolidated financial statements, which were contained in the Cytec annual report on Form 10-K for the year ended December 31, 2014 filed with the SEC on February 24, 2015 and which were prepared in accordance with accounting principles generally accepted in the United States of America. The summary historical financial information presented below as of and for the nine-month periods ended September 30, 2015 and 2014 has been extracted by Solvay from Cytec's unaudited consolidated interim financial statements, which were contained in the Cytec quarterly report on Form 10-Q for the period ended September 30, 2015 filed with the SEC on October 22, 2015 and which were prepared in accordance with U.S. GAAP.

The summary historical financial information of Cytec set forth below is not directly comparable to the financial information of Solvay presented in the Prospectus, since Cytec applies different accounting policies from Solvay and because Cytec prepares its financial information in accordance with U.S. GAAP. The primary differences between U.S. GAAP and IFRS relate to the manner in which the following types of expenditures or accruals are accounted for: research and development costs, employee benefits, provisions, derecognition of receivables, and share-based payments.

Cytec Consolidated Summary Financial Information

Cytec Industries Inc. and Subsidiaries Consolidated Statements of Income (Unaudited)

The following tables sets forth certain items in Cytec's consolidated statements of income:

	For the nine months ended September 30,	
	2015	**2014**
	(in US$ millions, except per share amounts)	
Net sales	$ 1,520.5	$ 1,523.0
Manufacturing cost of sales	(1,040.4)	(1,018.2)
Selling and technical services	(106.9)	(109.6)
Research and process development	(37.3)	(37.2)
Administrative and general	(95.2)	(93.3)
Amortization of acquisition intangibles	(10.3)	(10.9)
Net loss on sale of assets	—	—
Asset impairment charge	—	—
Earnings from operations	***230.4***	***253.8***
Other (expense) income, net	3.0	2.2
Net loss on early extinguishment of debt	—	—
Interest expense, net	(11.6)	(9.3)
Earnings from continuing operations before income taxes	***215.8***	***242.3***
Income tax provision	(57.6)	(70.2)
Earnings from continuing operations	***158.2***	***172.1***
Earnings from operations of discontinued business, net of tax	—	—
Net gain (loss) on sale of discontinued operations, net of tax	(1.5)	11.0
Earnings (loss) from discontinued operations, net of tax	***(1.5)***	***11.0***
Net earnings	***156.7***	***183.1***
Less: Net earnings attributable to noncontrolling interests	—	—
Net earnings attributable to Cytec Industries Inc.	***$ 156.7***	***$ 183.1***

Cytec Industries Inc. and Subsidiaries Consolidated Statements of Income (Audited)

	For the year ended December 31,		
	2014	2013	2012
	(in US$ millions, except per share amounts)		
Net sales	$ 2,007.7	$ 1,935.0	$ 1,708.1
Manufacturing cost of sales	(1,403.8)	(1,283.1)	(1,202.9)
Selling and technical services	(158.9)	(146.6)	(153.3)
Research and process development	(56.8)	(49.0)	(54.0)
Administrative and general	(140.1)	(126.5)	(140.0)
Amortization of acquisition intangibles	(14.4)	(14.6)	(9.0)
Net loss on sale of assets	—	—	(16.7)
Asset impairment charge	—	(5.8)	—
Earnings from operations	***233.7***	***309.4***	***132.2***
Other (expense) income, net	(6.4)	(7.8)	1.3
Net loss on early extinguishment of debt	(22.7)	(39.4)	(0.2)
Interest expense, net	(14.4)	(18.2)	(30.1)
Earnings from continuing operations before income taxes	***190.2***	***244.0***	***103.2***
Income tax provision	(46.1)	(72.3)	(27.5)
Earnings from continuing operations	***144.1***	***171.7***	***75.7***
Earnings from operations of discontinued business, net of tax	—	31.6	117.4
Net gain (loss) on sale of discontinued operations, net of tax	9.7	(29.4)	(16.1)
Earnings from discontinued operations, net of tax	***9.7***	***2.2***	***101.3***
Net earnings	***153.8***	***173.9***	***177.0***
Less: Net earnings attributable to noncontrolling interests	—	(0.4)	(2.1)
Net earnings attributable to Cytec Industries Inc.	***$ 153.8***	***$ 173.5***	***$ 174.9***

Cytec Industries Inc. and Subsidiaries Consolidated Balance Sheet

	As of September 30, 2015	As of December 31, 2014	As of December 31, 2013
	(in US$ millions, except per share amounts)		
Assets			
Current assets			
Cash and cash equivalents	$ 170.9	$ 133.9	$ 151.8
Trade accounts receivable, less allowance for doubtful accounts(1)	286.2	265.1	251.3
Other accounts receivable	72.9	74.6	74.4
Inventories	309.4	307.6	253.1
Deferred income taxes	35.1	27.4	32.1
Other current assets	21.9	26.2	25.1
Total current assets	896.4	834.8	787.8
Plants, equipment and facilities, at cost	1,669.7	1,680.8	1,567.1
Less: accumulated depreciation	(589.0)	(559.4)	(520.1)
Net plant investment	1,110.7	1,121.4	1,047.0
Acquisition intangibles(2)	128.7	141.6	161.1
Goodwill	502.0	508.8	521.3
Deferred income taxes	32.8	41.2	25.2
Other assets	137.5	119.4	138.1
Total assets	$2,808.1	$2,767.2	$2,680.5
Liabilities			
Current liabilities			
Accounts payable	179.1	$ 172.4	$ 175.7
Current maturities of long-term debt	1.5	1.2	0.1
Accrued expenses	160.3	184.6	178.4
Income taxes payable	9.2	8.4	14.2
Deferred income taxes	0.4	0.3	0.1
Total current liabilities	350.5	366.9	368.5
Long-term debt	740.1	741.7	716.2
Pension and other postretirement benefit liabilities	229.1	245.9	195.2
Other noncurrent liabilities	156.3	170.3	187.1
Deferred income taxes	34.5	31.4	31.6
Stockholders' equity			
Preferred stock(3)	—	—	—
Common stock(4)	1.0	1.0	1.0
Additional paid-in capital	481.7	474.2	467.4
Retained earnings	1,829.3	1,699.6	1,572.8
Accumulated other comprehensive income	(54.1)	13.1	95.7
Treasury stock(5)	(960.3)	(976.9)	(955.0)
Total equity	1,297.6	1,211.0	1,181.9
Total liabilities and stockholders' equity	$2,808.1	$2,767.2	$2,680.5

(1) Allowance for doubtful accounts of $3.5 million, $3.8 million and $4.6 million as at September 30, 2015 and as at December 31, 2014 and 2013, respectively

(2) Acquisiton intangibles are presented net of accumulated amortization of $80.1 as at September 30, 2015, $70.8 million and $58.0 million as at December 31, 2014 and 2013, respectively

(3) 20,000,000 shares authorized; none issued or outstanding as at September 30 2015, December 31, 2014 or 2013.

(4) $.01 par value per share, 150,000,000 shares authorized; 99,822,154 issued as at September 30, 2015, 99,772,436 issued as at December 31, 2014 and 99,451,504 as at December 31, 2013.

(5) Treasury stock is measured at cost, 28,275,035 shares as at September 30, 2015; 28,732,931 shares as at December 31, 2014 and 28,442,748 shares as at December 31, 2013

Cytec Industries Inc. and Subsidiaries Consolidated Summary Statement of Cash Flows

	For the nine months ended September 30, 2015	2014
	(in US$ millions)	
Net cash provided by operating activities	156.8	172.0
Net cash (used in) provided by investing activities	(96.9)	(170.4)
Net cash used in financing activities	(13.5)	6.9
Decrease in cash and cash equivalents	37.0	0.8

	For the year ended December 31, 2014	2013	2012
	(in US$ millions)		
Net cash provided by operating activities	263.4	30.6	313.7
Net cash (used in) provided by investing activities	(220.8)	712.1	(509.9)
Net cash used in financing activities	(48.6)	(764.5)	(44.0)
Decrease in cash and cash equivalents	(17.9)	(27.5)	(236.5)

Selected Financial Data—

Five-Year Summary (reproduced from Item 6 of Cytec's 10-K)

	2014	2013	2012	2011	2010
Statements of income data:					
Net sales	$2,007.7	$1,935.0	$1,708.1	$1,415.9	$1,223.4
Earnings from operations	$ 233.7(1)	$ 309.4(3)	$ 132.2(5)	$ 107.8(7)	$ 76.3(9)
Earnings from continuing operations	$ 144.1(2)	$ 171.7(4)	$ 75.7(6)	$ 57.5(8)	$ 45.0(10)
Earnings from discontinued operations, net of taxes	9.7	1.8	99.2	128.4	109.7
Net earnings attributable to Cytec Industries Inc	$ 153.8	$ 173.5	$ 174.9	$ 185.9	$ 154.7
Basic net earnings per share attributable to Cytec Industries Inc					
Earnings per share from continuing operations	$ 2.00	$ 2.18	$ 0.82	$ 0.59	$ 0.46
Earnings per share from discontinued operations, net of taxes	0.13	0.02	1.08	1.33	1.11
Net earnings per share attributable to Cytec Industries Inc	$ 2.13	$ 2.20	$ 1.90	$ 1.92	$ 1.57
Diluted net earnings per share attributable to Cytec Industries Inc.:					
Earnings per share from continuing operations	$ 1.96	$ 2.14	$ 0.81	$ 0.59	$ 0.45
Earnings per share from discontinued operations, net of taxes	0.13	0.02	1.06	1.31	1.10
Net earnings per share attributable to Cytec Industries Inc.	$ 2.09	$ 2.16	$ 1.87	$ 1.90	$ 1.55
Cash dividends declared and paid per common share	$ 0.375	$ 0.250	$ 0.250	$ 0.250	$ 0.025
Balance sheet data:					
Total assets	$2,767.2	$2,680.5	$3,924.2	$3,543.5	$3,678.5
Long-term debt	$ 741.7	$ 716.2	$ 567.4	$ 635.9	$ 641.5

Notes:—

(1) Includes a net pre-tax charge of $80.2 ($51.8 after-tax) for pension mark-to-market ("MTM") adjustments, consisting of the 2014 fourth quarter MTM adjustments and the portion deferred in inventory from the fourth quarter 2013 MTM adjustment, costs of $5.7 ($3.6 after tax) in connection with a lockout of employees at one of our plants, and net restructuring charges of $1.0 ($0.9 after tax) related to adjustments to our 2013 and 2012 initiatives.

(2) In addition to items in Note (1) above, includes pre-tax charges of $22.7 ($14.9 after-tax) on the early redemption of debt during the year and pre-tax charges of $2.8 ($1.9 after tax) related to environmental costs at inactive sites.

(3) Includes a net pre-tax benefit of $27.4 ($16.4 after-tax) for pension MTM adjustments, consisting of the 2013 fourth quarter MTM adjustments, the portion deferred in inventory from the fourth quarter 2012 MTM, and the second quarter 2013 MTM adjustment triggered by the curtailment of pension plans related to the divestiture of the former Coatings

business on April 3, 2013. Also included in 2013 are pre-tax charges of $6.9 ($5.6 after-tax) related to restructuring activities, including cost reduction initiatives in our Industrial Materials segment to address the current market conditions and better position ourselves for profitable growth, charges of $3.0 ($3.0 after-tax) for the write down of certain manufacturing assets in Nagpur, India, and charges of $1.2 ($1.1 after-tax) for costs to divest the Industrial Materials distribution product line.

(4) In addition to items in Note (3) above, includes pre-tax charges of $39.4 ($24.5 after-tax) on the early redemption of debt during the year, charges of $3.2 ($3.2 after-tax) related to the dissolution of our Process Materials Joint Venture in China, $2.2 ($1.7 after-tax) of environmental charges related to inactive sites, mainly in Canada, for revised remediation plans, and a net income tax benefit of $1.6 related to a revision of our previously accrued estimated income tax liability on the unrepatriated earnings of certain foreign subsidiaries as a result of the sale of our Coatings business. The revision is primarily due to changes in the tax attributes of certain foreign subsidiaries.

(5) Includes net pre-tax charges of $55.5 ($35.9 after-tax) for pension MTM adjustments, consisting of the 2012 fourth quarter MTM adjustments and the portion deferred in inventory from the fourth quarter 2011 MTM adjustment; $21.2 ($14.6 after-tax) for restructuring initiatives primarily related to mitigating continuing costs following the pending sale of our former Coatings business and realign the supporting structure of the acquired Umeco business; pre-tax charge of $16.7 ($10.5 after-tax) for the loss recognized on sale of Stamford facility; charges of $8.4 ($8.2 after-tax) related to the acquisition of Umeco; expense of $5.6 (3.8 after-tax) for Umeco inventory that had been written up to fair value at the acquisition date; and $2.5 ($1.5 after-tax) of accelerated depreciation for our Stamford facility prior to the recognition of the sale in the fourth quarter 2012.

(6) In addition to items in Note (5) above, includes pre-tax charges of $1.1 ($0.7 after-tax) for a foreign exchange loss on an acquired Umeco intercompany loan that was settled during the third quarter, and a tax provision of $7.5 related to the establishment of a liability for unrepatriated earnings of foreign subsidiaries, which we could no longer consider permanently reinvested due to the pending sale of Coatings.

(7) Includes net pre-tax charges of $60.5 ($38.0 after-tax) for pension MTM adjustments, which consists of the 2011 fourth quarter MTM adjustments, an MTM adjustment triggered by the sale of our former Building Block Chemicals business, and the portion deferred in inventory from the fourth quarter 2010 MTM adjustment; net pre-tax charges of $0.8 ($0.5 after-tax) for adjustments of our 2010 and 2009 restructuring initiatives; a pre- tax charge of $0.6 ($0.4 after-tax) primarily related to adjustments to environmental accruals for revised remediation plans to an active site in Europe, $0.7 ($0.4 after-tax) of accelerated depreciation for our Stamford facility sold in September 2011, which was being treated as a financing activity and remained on our books until our environmental remediation was complete and the sale could be recognized, and a pre-tax gain of $3.3 ($2.1 after-tax) on the sale of assets in Bogota, Columbia.

(8) In addition to items in Note (7) above, includes pre-tax charges of $5.2 ($3.3 after-tax) for environmental accrual adjustments primarily in the U.S. at inactive sites.

(9) Includes net pre-tax charges of $45.7 ($28.2 after-tax) for pension MTM adjustments, consisting of the 2010 fourth quarter MTM adjustments and the portion deferred in inventory from the fourth quarter 2009 MTM adjustment; a pre-tax charge of $5.5 ($3.4 after-tax) related to the exit of certain phosphorus derivative products at our Mt. Pleasant, TN facility, and $1.0 ($0.6 after-tax) related to the adjustment of prior years' restructuring initiatives.

(10) In addition to items in Note (9) above, includes a tax charge of $8.3 related to the impact of health care legislation, and a tax benefit of $9.7 related to a valuation allowance reversal in two international jurisdictions.

II. BUSINESS *(extracted from Item 1 of Cytec's 10-k)*

Overview

(Currencies in millions, except per share amounts)

We are a global specialty materials and chemicals company focused on developing, manufacturing and selling value-added products. Our products serve a diverse range of end markets including aerospace and industrial materials, mining and plastics. We use our technology and application development expertise to create chemical and material solutions that are formulated to perform specific and important functions for our customers. Our strategy is to develop a robust, sustainable portfolio of businesses that provide sales and earnings growth and minimum operating margins of 10%, and to improve our return on assets by investing in and expanding our growth platforms while selectively monetising or exiting non-strategic or under-performing businesses. We have been active in our portfolio realignment in recent years. In July 2012, we acquired Umeco plc ("Umeco"), a provider of advanced composites and process materials to the aerospace and industrial markets. Also in July 2012, we divested our pressure sensitive adhesives ("PSA") product line. In April 2013, we completed the sale of our Coating Resins ("Coatings") business to Advent International ("Advent"). The amounts and percentages included in this document exclude our discontinued operations, except where noted. We had net sales from continuing operations of $2,007.7 and earnings from operations of $233.7 in 2014. We operate on a global basis with 48% of our 2014 revenues in North America, 31% in Europe, Middle East, and Africa, 12% in Asia-Pacific, and 9% in Latin America. We have manufacturing and research facilities located in 11 countries. Cytec was incorporated as an independent public company in December 1993.

Segments

We regularly review our segment reporting and classifications and may periodically change our reportable segments to align with strategic and operational changes.

We have four reportable business segments: Aerospace Materials, Industrial Materials, In Process Separation, and Additive Technologies. The Aerospace Materials segment principally includes advanced composites, carbon fiber, and structural film adhesives. The Industrial Materials segment includes structural composite materials (high performance automotive, motorsports, recreation, tooling, and other structural materials markets) and process materials (aerospace, wind energy, and other process materials markets). The In Process Separation segment includes mining chemicals and phosphines. The Additive Technologies segment includes polymer additives, specialty additives, and formulated resins.

Vision and Strategy

Our corporate vision is to deliver technology beyond our customers' imagination. To achieve our corporate vision, our strategy includes the following initiatives:

- Achieve sustainable and profitable growth by providing innovative solutions to meet customer needs. We seek to collaborate closely with our customers to understand their needs and provide them with a superior value proposition, whether through improvement in product quality, performance, cost or a new enabling technology. We seek to market our specialty products in terms of the value they provide and focus on delivering a high level of technical service to our customers as we work with them on solving problems and providing them with better products for their applications.
- Provide a culture that challenges, engages, and rewards our employees. We know that progress and growth depend on every employee taking responsibility, being creative, and contributing to our overall successful performance. We strive to have our employees challenged and to enjoy success as we continue to build a stronger Cytec. As part of this process, employees have opportunities to embark on career paths geared towards advancement in various areas of our organisation. Our goal is to attract, retain and develop employees to their highest potential and be recognised as a global employer of choice.
- Universally recognised as the technology leader in our markets. We are dedicated to creating a sustainable competitive advantage through superior technology. We believe our technology is the ultimate engine of our growth and success. To that end, we focus on our new product pipeline and delivering value-added products to our customers every year. In 2014, we continued to invest in our growth platforms (i.e., Aerospace Materials, Industrial Materials, and In Process Separation).
- Positively impact society by our commitment to safety, health, and environmental stewardship. We focus our innovation on the development of environmentally sustainable products, and demonstrate our respect for the communities in which we operate. We operate on a global basis with manufacturing plants and research facilities located in 11 countries, including high growth emerging markets where we will continue to expand sales as markets develop. Our global operations add to the vitality and the economy of the regions in which we operate.

We are focused on operational excellence. To develop and implement best practices, we benchmark our performance against our competitive peer group. This has had a significant positive impact in terms of our safety and environmental performance. Manufacturing has the largest impact on our costs and we use various techniques such as Six Sigma® (a trademark of Motorola Inc.) and lean manufacturing to reduce our product costs by improving process yields, reducing batch times, increasing capacity and improving and/or streamlining our manufacturing processes. We continuously review our operational footprint versus current and projected market demand and accordingly, from time to time, we may also expand, shutdown parts of, or close certain manufacturing or research facilities.

Our management team regularly reviews our product line portfolio in terms of strategic fit and capital allocation based on financial performance, which includes factors such as growth, profitability, and return on invested capital. From time to time, we may also dispose of or withdraw certain product lines. We may also acquire additional product lines or technologies. We conduct regular reviews of our plant sites' cost effectiveness, including individual facilities within such sites, to ensure our long-term competitiveness.

Over the years, in the course of our ongoing operations, we have made a number of strategic business and product line acquisitions and dispositions.

Acquisitions

Umeco plc

On July 20, 2012, we completed the acquisition of all of the outstanding shares of Umeco, an international provider of composite and process materials, in an all-cash transaction at a cost of approximately $423.8. The acquisition is intended to strengthen our position as a leading manufacturer of composite materials, while offering significant opportunities for growth and value creation, particularly in industrial composites and process materials. The acquired Umeco business is being reported partly in the Aerospace Materials segment, but mostly in the Industrial Materials segment. See Note 2 of Notes to Consolidated Financial Statements for further details.

Star Orechem International Private Limited

On March 30, 2012, we acquired the manufacturing assets of Star Orechem International Private Limited (“SOIL”), in Nagpur, Central India, in a cash transaction. The acquisition is expected to increase our global capacity for our metal extraction product (“MEP”) line of our In Process Separation segment by approximately 15%, and provides the ability to further expand production at the site. We completed the capabilities and upgrading project of the acquired plant to meet appropriate safety and operating standards, and began production of our mining chemical products in the fourth quarter of 2014. The results of operations of the acquired business have been included in our In Process Separation segment since April 1, 2012. The acquisition was funded from our cash on hand and has been accounted for as an acquisition of a business. See Note 2 of Notes to Consolidated Financial Statements for further details.

Discontinued Operations and Dispositions

Coating Resins

On April 3, 2013, we completed the sale of our remaining Coatings business to Advent, a global private equity firm, for a total value of $1,133.0, including assumed liabilities of $118.0, resulting in a cumulative after-tax loss on the sale of $16.9 in 2013. These cumulative after-tax losses are included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statement of income for 2013. The final price paid and loss on sale remains subject to final working capital and other customary adjustments. After-tax earnings from operations of the discontinued business for the years ended December 31, 2013 and 2012 were $31.6 and $117.4, respectively.

In connection with the sale of Coatings to Advent, we agreed to retain certain liabilities, including liabilities for U.S. pension and other postretirement benefits and certain tax liabilities related to taxable periods (or portions thereof) ending on or before April 3, 2013. In 2014, we recorded after-tax charges of $1.0 related to certain of these tax liabilities. Additionally, in 2014, we recorded a tax benefit of $11.1 based on our best estimate of the purchase price allocation attributable to the Coatings business sold in various taxing jurisdictions, offset by after-tax charges of approximately $3.6 for purchase price and working capital adjustments and charges of $0.6 to true up the tax expense related to the divestiture.

Previously, on July 31, 2012, we completed the sale of the pressure sensitive adhesives (“PSA”) product line of the former Coatings business to Henkel AG & Co. for approximately $105.0, including working capital of approximately $15.0. In 2012, we received cash consideration of $112.8 from the sale and recorded an after-tax gain on the sale of $8.6, which is included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statement of income. In 2012, we also recorded cumulative after-tax charges of $24.7 to adjust our carrying value of the Coatings disposal group to its fair value less cost to sell, based on the terms of the definitive agreement with Advent at that time. The charge is also included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statement of income for 2012.

The results of operations of the former Coatings business are reported as discontinued operations, and are therefore excluded from both continuing operations and segment results for all periods presented. The results of the PSA product line are included in discontinued operations up through its sale on July 31, 2012. All previously reported financial information has been revised to conform to the current presentation.

Sale of the Industrial Materials distribution product line

On July 12, 2013, we sold the Industrial Materials distribution product line, which we acquired as part of the Umeco acquisition, to Cathay Investments for $8.6, subject to final working capital and other customary adjustments. In 2013, we recorded an after-tax charge of $12.5 to adjust our carrying value of the disposal group to its fair value less cost to sell, based on the terms of the agreement. In 2014, we recorded an after-tax benefit of $0.2 related to final purchase price and settlement of final working capital adjustments. These amounts are included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statements of income.

The results of operations of the former Industrial Materials distribution product line prior to its divestiture remain in continuing operations for all periods presented, as the results of operations for the business and assets and liabilities sold were not material to disclose as discontinued operations or assets held for sale.

Former Umeco entities divested prior to our acquisition

As part of our acquisition accounting for Umeco in 2012, we established reserves related to income tax and value added tax liabilities of an entity that had been divested by Umeco in 2011, for periods that were under audit prior to it its divestiture. We continued to accrue interest through the end of 2013. In the first quarter of 2014, we agreed to a settlement for audit periods through March 31, 2009, which resulted in a benefit of approximately $3.6. The benefit is included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statement of income for 2014.

Segment Information

Revenues from external customers, earnings from operations, and total assets for each of our four reportable segments can be found in Note 18 of Notes to Consolidated Financial Statements.

Aerospace Materials

Our Aerospace Materials segment is a global provider of technologically advanced materials for aerospace markets.

Its primary product lines and products are:

Product Line	Major Products	Principal Applications
Advanced composites	Aerospace-qualified prepregs, resin infusion systems, ablatives	Large commercial airliners, regional and business jets, military aircraft, rotorcraft, engines and launch vehicles
Structural and film adhesives	Structural/surfacing adhesives films	Large commercial airliners, regional and business jets, military aircraft, rotorcraft, and engines
Carbon fibers	High performance standard modulus carbon fibers	Reinforcements for secondary structure aerospace and advanced industrial composites

We typically market Aerospace Materials products and services directly to our customers using our dedicated sales and technical support team. Sales are largely dependent on commercial and military aircraft build-rates and the number of aircraft programs that specify us as a qualified supplier. A large majority of global commercial aircraft programs qualified and specify our products for use in primary and secondary structure applications. We have a number of long-term agreements, expiring over various periods, to supply aircraft manufacturers with various qualified aerospace materials, with the prices generally being fixed by year.

We are a major supplier for military fixed wing programs, such as the F-35 Joint Strike Fighter and F-18 fighter jet programs, where advanced composites generally account for a higher percentage of structural weight. Newer commercial aircraft, such as the Boeing 787 Dreamliner, the Airbus A350, and Bombardier's CSeries, are included in the programs to which we supply advanced composites and structural adhesives. These aircraft have adopted a higher percentage of advanced composites to deliver greater fuel efficiency. We are also a leading supplier for the business and regional jet market, supporting new programs such as the HondaJet aircraft, and for the emerging aerospace markets in China, UAE and Russia. Another important composites application is aircraft engines, where we are supplying resin systems for the fan blades and containment cases to the new LEAP-1 engines program. These engines are an option for Airbus's A320neo program, are available on Boeing's 737MAX and have been selected for the C919 program, COMAC's new single-aisle commercial jet. We expect the demand for advanced composites, structural adhesives, and carbon fiber reinforcement to increase as new aerospace programs and applications are designed, developed, and introduced.

Advanced Composites, Structural Adhesives, and Carbon Fibers

Advanced composites are exceptionally strong and lightweight materials (prepregs and resin infusion systems) we manufacture from high performance fibers (like carbon fiber) with epoxy, bismaleimide, phenolic, polyimide, and other resins formulated or purchased by us.

Our customers use composites for primary structural aircraft applications such as wing, tail and rudder assemblies, engine fan blades and housings and fuselage components. Composites are also used for secondary structural applications such as fairings, movable surfaces, and aircraft interiors. Standard modulus carbon fibers are used largely for secondary structure composites, while intermediate modulus fibers are used for primary structure composites. Ablatives are used for rocket nozzles and launch components and our carbon/carbon products to make aircraft and other high-performance brakes.

Structural and film adhesives are used for bonding and surfacing both metal and composite aircraft components. We also manufacture specialty adhesive forms for complex composites assemblies, such as honeycomb and sandwich structures and special surfacing films to provide aircraft lightning strike protection. We manufacture and sell various high-performance grades of standard modulus polyacrylonitrile ("PAN") type and pitch type carbon fibers used as a reinforcement material for aerospace and other extreme-demand and high-performance composites. Carbon fiber has many advantageous characteristics in the manufacture of advanced composites, such as lightweight properties, high strength, long fatigue life and enhanced heat and corrosion resistance. We utilise approximately 88% of our carbon fiber production internally (which represents approximately 42% of our demand for carbon fiber) and sell the balance to third parties. We purchase all of the aramid, glass and intermediate modulus carbon fibers and base resins and a portion of the standard modulus carbon fibers used to manufacture our composites from third parties.

We have mechanically completed the expansion of our standard modulus carbon fiber line in South Carolina and are in the process of qualifying the material with customers. Once fully qualified and commercially operating, the new production line will double our capacity for PAN carbon fiber. We expect the project to cost $324.0 on completion, of which $303.5 has been spent as of December 31, 2014, and expect the project to be completed and qualified for aerospace applications in 2016.

Industrial Materials

Set forth below are our primary product lines and major products in this segment and their principal applications.

Product Line	Major Products	Principal Applications
Structural materials	Industrial grade prepregs, resin infusion systems, structural/ surfacing adhesives	High performance composites for motorsports, automotive, defense, rail, tooling, recreation, alternative energy and other markets
Process materials	Process materials/solutions (vacuum bagging, release films and sealant tapes)	Process materials for the forming, infusion, and curing of composite structures

In Industrial Materials, we market our products through a direct sales force for the structural materials and process materials product lines. In certain regions globally, both the structural materials and the process materials product lines use agents to market products to our customers. We employ a specialised technical service organisation and a customer support team to enable Industrial Materials to create value for our customers.

Structural Materials

Our structural materials product line includes the development, manufacturing, and supply of advanced composite materials for a diverse range of industries such as motorsports, automotive, defense, rail, tooling, recreation, alternative energy, and other markets. We have manufacturing operations in the U.K. and U.S., and distribute our products worldwide. Our customers for this product line include Formula 1 teams, manufacturers of high performance supercars, other automotive original equipment manufacturers (OEMs), Boeing, Airbus, and key players in the other markets we serve.

Process Materials

Our process materials product line includes the development, manufacture, and supply of vacuum bagging and other process materials to the composites industry and other markets, providing a wide range of materials and technical support to a growing number of international customers. We have manufacturing operations in Italy and France, and value-added distribution facilities in the U.K. and U.S. We have a global distribution network, and our customers for this product line include Airbus, Boeing, and manufacturers of wind turbine blades.

In Process Separation

Set forth below are our primary product lines and major products in this segment and their principal applications.

Product Line	Major Products	Principal Applications
Mining chemicals	Flotation promoters, collectors, frothers, dispersants and depressants, solvent extractants, flocculants, filter and dewatering aids, antiscalants, and defoamers	Mineral separation and processing for copper, alumina, cobalt, nickel, phosphate, and other minerals
Phosphines	Catalyst ligands, high purity phosphine gas and biocides	Pharmaceutical, chemical and electronic manufacturing, gas fracking, and fumigation

We market our In Process Separation chemicals through specialised sales and technical service staffs for each of our product lines. Sales are usually made directly to large customers and through distributors to smaller customers. For a discussion of raw materials, refer to "Customers and Suppliers."

Mining Chemicals

Our mining chemicals product line is primarily used in applications to separate desired minerals from host ores. We have a leading position in the base metal processing industry, particularly in the flotation and solvent extraction of copper and associated metals. Our phosphine-based mining chemical products are used primarily in the flotation of complex sulfide ores and the solvent extraction of cobalt/nickel. We also have a leading position in the alumina processing industry, where our HxPAMs are particularly effective at the flocculation of "red mud" and our patented MaxHT® antiscalant is sold for suppressing sodalite scale formation. Demand for mining chemicals varies mostly with industry conditions such as global production and inventory levels with respect to which our products have processing applications. We strive to develop new technologies as well as new formulations tailored for specific applications. Our expectation is that demand for our specialty and new products will continue to grow which may require us to make capital investments in new capacity over the next several years. The previously discussed acquisition of the SOIL assets will increase Cytec's global capacity for its metal extraction product line by approximately 15% and provide the ability to further expand production at the site. We recently completed upgrades to the acquired SOIL assets' manufacturing capacity, which will expand our global manufacturing footprint for the In Process Separation business, providing us with a more direct supply chain line to better serve our mining customers in Africa and the Asia Pacific region.

Phosphines

Our phosphine specialties are utilised for a variety of applications. We are a leading supplier of ultra-high purity phosphine gas, used in semiconductor manufacturing and light emitting diode applications, and have significant positions in various phosphine derivative products including phosphonium salts used in pharmaceutical catalysts and biocides. Included in the phosphine product line are organo phosphorus compounds. The compounds are used primarily as intermediates and catalyst ligands for organic and chemical synthesis in the pharmaceutical and chemical industries. Fumigation using our phosphine gas is practiced in an increasing number of applications including grain and timber.

To help meet projected higher demand levels for phosphine products, we recently completed the expansion of our plant in Canada for commercial production at a total project cost of approximately $160.0.

Additive Technologies

Set forth below are our primary product lines and major products in this segment and their principal applications.

Product Line	Major Products	Principal Applications
Polymer additives	Ultraviolet light stabilisers and absorbers, high performance antioxidants and antistatic agents	Plastics, coatings, and fibers for: agricultural films, automotive parts, building and construction, packaging, outdoor furniture, sporting goods, toys and apparel
Specialty additives	Surfactants and PTZ® Phenothiazine (acrylic acid stabilisers)	Water-based paints, adhesives, and coatings for textiles and paper, super absorbent polymers, pharmaceuticals and acrylic acid
Formulated resins	Formulated resins	Formulated resins for bonding and/or sealing of electrical and electronic components, and filtration

We market our Additive Technologies chemicals through specialised sales and technical service staffs for each of our product lines. Sales are usually made directly to large customers and through distributors to smaller customers. For a discussion of raw materials, refer to "Customers and Suppliers."

Polymer Additives

We are a global supplier to the plastics industry of specialty additives, which protect plastics from the ultraviolet radiation of sunlight and from oxidation. We seek to enhance our position with new products based on proprietary chemistries combined with our technical support. In certain cases, we use a combination of additives to achieve a level of efficiency not previously achieved in polymer applications.

Specialty Additives

We are a leading global supplier of sulfosuccinate surfactants, Docusate sodium, and PTZ® phenothiazine. Sulfosuccinate surfactants are used in emulsion polymers, paints, paper coatings, printing inks, and other diverse customer applications. Docusate is a pharmaceutical grade product used as both an active ingredient and excipient/formulating aid. PTZ® phenothiazine is primarily used as an acrylic acid, acrylic ester and methacrylate monomer stabiliser.

Formulated Resins

Our formulated resins products include formulated high technology, specialty polyurethane and epoxy resin systems tailored to suit the individual needs of our customers. Common uses for this technology include electronics encapsulation and protection, adhesive applications to bond metal to composite materials, filtration membranes adhesion or sealing and in the tooling industry.

Associated Company

As part of the Umeco transaction, we acquired a 51% interest in Shanghai Umeco Composites Co. Ltd, which made products used in our process materials product line of our Industrial Materials segment. In July 2013, in agreement with our joint venture partner, we decided to exit and shutdown the joint venture in China. The decision resulted in an after-tax charge of approximately $3.2 in 2013, which is included in Other (expense) income, net on the consolidated statements of income in 2013. Since the entity did not satisfy the characteristics of a variable interest entity, and the minority interest holder had rights that allowed them to participate in certain significant decisions expected to be made in the ordinary course of business, we accounted for this joint venture using the equity method of accounting. Our portion of the joint venture's results of operations is included in Other (expense) income, net in our consolidated statements of income prior to its liquidation, which occurred in the first quarter of 2014.

Competition

We actively compete with companies producing the same or similar products and, in some instances, with companies producing different products designed for the same uses. We encounter competition in price, delivery, service, performance, product innovation, product recognition and quality, depending on the product involved. For some of our products, our competitors are larger, have greater financial resources, or are more vertically integrated. As a result, these competitors may be able to offer better supply security to end customers and better able to withstand a change in conditions within the industries in which we operate, changes in the prices of raw materials without increasing their prices, or a change in the economy as a whole. To compete effectively over the long term, we believe we may need to secure alternate access to cost competitive intermediate modulus carbon fibers for primary structure aerospace applications and large tow carbon fibers for automotive and industrial applications.

Our competitors can be expected to continue to develop and introduce new and enhanced products, which could cause a decline in market acceptance of our products. Current and future consolidation among our competitors and customers may also cause a loss of market share as well as put downward pressure on pricing. Our competitors could cause a reduction in the prices for some of our products as a result of intensified price competition. Competitive pressures can also result in the loss of major customers.

In general, we compete by maintaining a broad range of products, focusing our resources on products in which we have a competitive advantage and fostering our reputation for quality products, competitive prices and excellent technical service and customer support. To help increase sales and margins, we are seeking to leverage our leading market positions and our research and development efforts to develop value-added products and products based on proprietary technologies. If we cannot compete successfully, our businesses, financial condition, results of operations, and cash flows could be adversely affected.

Customers and Suppliers

Approximately 21%, 20%, and 19% of our 2014, 2013 and 2012 net sales, respectively, were to Boeing and its subcontractors, of which 20%, 20%, and 18% related to our Aerospace Materials segment, and 1%, 0%, and 1% related to our Industrial Materials segment. A summary of various long-term customer supply agreements is disclosed under “Commitments” in Note 12 of Notes to Consolidated Financial Statements.

A number of our customers operate in cyclical industries such as the automotive and construction industries, and in the somewhat less cyclical aerospace and mining industries. This in turn, causes demand for our products to also be cyclical.

Key raw materials for the Aerospace Materials and Industrial Materials segments are carbon fiber and various resins. Key raw materials for the In Process Separation and Additive Technologies segments are propylene derivatives such as acrylic acid, oxo-alcohols, nonylphenol, maleic anhydride, and natural gas for energy. These are typically available although we have experienced tight markets for certain raw materials from time to time.

Oil and natural gas are important indirect raw materials for many of our products. The prices of both of these commodities have been volatile over time. Sudden price swings can adversely affect our ability to recover increased costs from our customers or demand for our products. Prices for these commodities may vary widely between geographic regions and, as a result of this, many of our products could compete with similar products made with less expensive raw materials available elsewhere and we may not be able to recover any or all of these increased costs.

To minimise reliance on any one supplier, we generally attempt to retain multiple sources for high-volume raw materials. We are dependent on a limited number of suppliers for carbon fibers that are used in many of our advanced composite products. As we manufacture some of our own standard modulus carbon fibers, the risk of future carbon fiber supply limitations is somewhat reduced. Because of the time and expense to qualify materials for aerospace applications, a supply shortage in a low volume raw material also could cause production disruptions. Accordingly, there are risks of supply disruptions.

Changes to raw material costs year on year are an important factor in profitability. Raw material prices can increase or decrease based on supply and demand and other market forces. We have, from time to time, experienced difficulty procuring several key raw materials, such as but not limited to, carbon fiber and certain base resins due to general market conditions or conditions unique to a significant supplier. We may experience supply disruptions of these and other materials in the future. Such conditions, if protracted, could result in our inability to manufacture our products, resulting in lower than anticipated revenues. If we are unable to raise our selling prices to recover the increased costs of raw materials driven by higher energy costs or other factors, our profit margins will be adversely affected. In other cases, we may have to reduce the selling prices of our products due to competitive pressures and may not be able to retain the additional profitability from the reduced raw material costs.

International

We operate on a global basis, with manufacturing and research facilities located in 11 countries. Through our sales forces, third-party distributors and agents, we market our products internationally. Geographical information is contained in Note 18 of Notes to Consolidated Financial Statements.

International operations are subject to various risks, which may or may not be present in U.S. operations. These risks include political instability, the possibility of expropriation, restrictions on royalties, dividends and remittances, exchange rate fluctuations, requirements for governmental approvals for new ventures and local participation in operations such as local equity ownership and workers' councils. Since we conduct business through subsidiaries in many different countries, fluctuations in exchange rates could have a major impact on our reported revenues, which are reported in U.S. dollars. In 2014, approximately 55% of our consolidated net sales occurred outside of the U.S., a significant portion of which are denominated in foreign currencies. However, we have material operations outside the U.S., which tend to offset some of the impact on earnings. Accordingly, changes in exchange rates could cause favorable or unfavorable fluctuations in our reported results of operations. Cross border transactions, both with external parties and intercompany relationships result in increased exposure to exchange effects. Such fluctuations between the various currencies in which we do business have caused and will continue to cause currency transaction gains and losses, which may be material. While we may periodically enter into currency forward contracts to hedge currency fluctuations of transactions denominated in currencies other than the functional currency of the respective entity, it is not always cost effective to hedge all foreign currency exposures in a manner that would completely eliminate the effects of changes in exchange rates on our results of operations or cash flows. Further, our international sales are translated into U.S. dollars for reporting purposes. The strengthening or weakening of the U.S. dollar could result in favorable or unfavorable translation effects as the results of our foreign operations are translated into U.S. dollars. Foreign currency translation favorably impacted our sales by approximately $0.8 and favorably impacted our income from operations for the year ended December 31, 2014 by approximately $1.8, respectively, as compared to fiscal 2013. While we do not currently believe that we are likely to suffer a material adverse effect on our results of operations in connection with our existing international operations, any of these events could have an adverse effect on our international operations in the future by reducing the demand for our products, affecting the prices at which we can sell our products or otherwise having an adverse effect on our operating performance. See Note 18 of Notes to Consolidated Financial Statements for further discussion on geographical information.

Research and Process Development

During 2014, 2013 and 2012, we invested $56.8, $49.0, and $54.0, respectively, into research and process development.

Trademarks and Patents

We have approximately 1,100 granted patents and 1,200 pending applications in various countries around the world. We also have trademark applications and registrations for approximately 140 product names. We do not believe that the loss of patent or trademark protection on any one product or process would have a material adverse effect on our company. While the existence of a patent is presumptive evidence of its validity, we cannot assure that any of our patents will not be challenged, nor can we predict the outcome of any challenge.

Employees

We employ approximately 4,600 employees of whom about 37% are represented by unions. We believe that our relations with employees and unions are generally good.

Operating Risks

Our revenues are largely dependent on the continued operation of our various facilities. There are many risks involved in operating our facilities, including the breakdown, failure or substandard performance of equipment, operating errors, natural disasters, the need to comply with directives of, and maintain all necessary permits from, government agencies, and potential terrorist attack. Our operations can be adversely affected by raw material shortages, labor force shortages or work stoppages and events impeding or increasing the cost of transporting our raw materials and finished products. The occurrence of material operational problems, including but not limited to the above events, may have a material adverse effect on the productivity and profitability of a particular manufacturing facility. With respect to certain facilities, such events could have a material effect on our company as a whole.

Our operations are also subject to various hazardous incidents related to the production of industrial chemicals and aerospace materials. These include the use, handling, processing, testing, storage, and transportation of certain hazardous materials. Under certain circumstances, these hazards could cause personal injury and loss of life, severe damage to and destruction of property and equipment, environmental damage, off-site impacts, and suspension of operations. Claims arising from any future catastrophic occurrence at one of our locations may result in Cytec being named as a defendant in lawsuits asserting potentially large claims.

We typically seek to utilise third-party insurance. This insurance covers portions of certain of these risks to the extent that coverage is available and can be obtained on terms we believe are economically justified.

Environmental Matters and REACH

We are subject to various laws and regulations which impose stringent requirements for the control and abatement of pollutants and contaminants and the manufacture, transportation, storage, handling and disposal of hazardous substances, hazardous wastes, pollutants and contaminants.

In particular, under various laws in the U.S. and certain other countries in which we operate, a current or previous owner or operator of a facility may be liable for the removal or remediation of hazardous materials at the existing or former facility and nearby areas. Such laws typically impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous materials. In addition, under various laws governing the generation, transportation, treatment, storage or disposal of solid and hazardous wastes, owners and operators of facilities may be liable for removal or remediation, or other corrective action at areas where hazardous materials have been released. The costs of removal, remediation, or corrective action may be substantial. The presence of hazardous materials in the environment at any of our facilities, or the failure to abate such materials promptly or properly, may adversely affect our ability to operate such facilities. Certain of these laws also impose liability for investigative, removal and remedial costs on persons who dispose of or arrange for the disposal of hazardous substances at facilities owned or operated by third parties. Liability for such costs is retroactive, strict, and joint and several.

We are required to comply with laws that govern the emission of pollutants to the ground, waters and the atmosphere and with laws that govern the generation, transportation, treatment, storage, and disposal of solid and hazardous wastes. We are also subject to laws that regulate the manufacture, processing, and distribution of chemical substances and mixtures, as well as the transportation and disposition of certain hazardous and non-hazardous substances. In addition, certain laws govern the abatement, removal, and disposal of asbestos-containing materials and heavy metal-containing substances, the maintenance and related containment of aboveground storage tanks, the integrity of underground storage tanks, as well as equipment, which contains or is contaminated by polychlorinated biphenyls. The costs of compliance with such laws and related regulations may be substantial, and regulatory standards tend to evolve towards more stringent requirements. These requirements might, from time to time, make it uneconomic or impossible to continue operating a facility. Non-compliance with such requirements at any of our facilities could result in substantial civil penalties or our inability to operate all or part of the facility, or our ability to produce and subsequently sell certain products.

Global warming could have an adverse impact on our operations, particularly in hurricane prone or low-lying areas near the ocean. At this time, we are not able to speculate as to the potential timing or impact from global warming, however we believe we currently have adequate insurance coverage related to natural disasters at our sites. There are several initiatives in the United States and other countries to regulate certain industries and actions to reduce the impact of global warming. Some of these initiatives, if made effective, could have a direct adverse impact on our operations or an indirect adverse impact by affecting our suppliers or customers. The U.S. Environmental Protection Agency ("EPA") regulates the registry of greenhouse gas emissions for certain facilities. Currently, we have one site that is required to report such emissions under the EPA climate registry rule. We do not expect this regulation to have a significant impact from a cost or operations perspective, as we already have systems in place to measure and report our emissions. We continue to monitor proposed legislation and regulation and its impact.

Further discussion of environmental matters is in Note 12 of Notes to Consolidated Financial Statements.

The Registration, Evaluation and Authorisation of Chemicals ("REACH") legislation in the European Union requires manufacturers and importers of certain chemicals to register such chemicals and evaluate their potential impact on human health and the environment. Under REACH, where warranted by a risk assessment, specified uses of some hazardous substances may be restricted. All Tier I covered substances were registered as of the November 30, 2010 deadline and all Tier II substances were registered by May 2013. Subsequently, registration is required based on volume for covered substances manufactured or imported into the European Union in quantities greater than one metric ton per year. REACH is expected to take effect in three primary stages over eleven years following the effective date. The registration, evaluation, and authorisation phases would require expenditures and resource commitments, for example, in order to compile and file comprehensive reports, including testing data, on each chemical substance and perform chemical safety assessments. We did not incur significant costs for REACH compliance in 2014, 2013 and 2012 and we do not expect to incur significant costs in 2015. The overall cost of compliance until the May 2018 final deadline for phase-in substances could be substantial, although at this time we do not expect costs to be substantial. In addition, it is possible that REACH may affect raw material supply, customer demand for certain products, and our decision to continue to manufacture and sell certain products in the European Union.

III. PROPERTIES *(extracted from Item 2 of Cytec's 10-k)*

We operate manufacturing and research facilities in 11 countries. Capital spending for our continuing operations for the years ended December 31, 2014, 2013 and 2012 was $220.8, $304.9, and $145.3, respectively. Capital spending in 2014 and 2013 is primarily attributable to continued investment for the strategic expansion of our growth businesses within the Aerospace Materials and In Process Separation segments, including the carbon fiber expansion project and expansion of our phosphine plant in Canada for our In Process Separation segment.

Our capital expenditures are intended to provide increased capacity, improve the efficiency of production units, improve the quality of our products, modernise or replace older facilities, or install equipment for the protection of employees, neighboring communities, and the environment.

Our manufacturing and research facilities and the segments served by each such facility for our continuing operations are as follows:

Facility	Segments Served
Anaheim, California	Aerospace Materials
Antofagasta, Chile	In Process Separation
Atequiza, Mexico	In Process Separation
Belmont (Willow Island), West Virginia	Additive Technologies; In Process Separation
D'Aircraft (Anaheim), California	Aerospace Materials; Industrial Materials
Greenville, South Carolina	Aerospace Materials; Industrial Materials
Greenville, Texas	Aerospace Materials
Havre de Grace, Maryland	Aerospace Materials; Industrial Materials
Heanor, U.K.(2)	Industrial Materials; Aerospace Materials
Kalamazoo, Michigan	Aerospace Materials
Manchester, U.K.	Industrial Materials; Aerospace Materials
Mondovi, Italy	Industrial Materials
Mount Pleasant, Tennessee	In Process Separation; Additive Technologies
Nagpur, India	In Process Separation
Niagara Falls, Canada	In Process Separation
Oestringen, Germany	Aerospace Materials
Olean, New York	Additive Technologies

Facility	Segments Served
Orange, California	Aerospace Materials
Rayong, Thailand	In Process Separation
Rock Hill, South Carolina	Aerospace Materials; Industrial Materials
Saint-Jean, France(2)	Industrial Materials
Santa Fe Springs, California(1)	Industrial Materials
Shanghai, China(2)	Aerospace Materials; Additive Technologies
Stamford, Connecticut(1)	In Process Separation; Additive Technologies
Sumner, Washington(1)	Industrial Materials
Tulsa, Oklahoma	Aerospace Materials; Industrial Materials
West Yorkshire, U.K.(2)	Industrial Materials
Winona, Minnesota	Aerospace Materials; Industrial Materials
Wrexham, U. K.	Aerospace Materials

Notes:—

(1) These facilities have long-term leases and/or operating agreements

(2) These facilities consist of both buildings that are owned and buildings that are leased

We own all of the foregoing facilities and their sites, except as noted. We lease our corporate headquarters in Woodland Park, New Jersey, office space in Brussels, Belgium, our Aerospace Materials headquarters located in Tempe, Arizona, and our shared services offices in Riga, Latvia.

IV. LEGAL PROCEEDINGS *(extracted from Item 3 of Cytec's 10-k)*

Environmental, Contingencies And Commitments

We are subject to substantial costs arising out of environmental laws and regulations, which include obligations to remove or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites or to pay compensation to others for doing so.

Our most significant environmental liabilities relate to remediation and regulatory closure obligations at manufacturing sites now or formerly owned by us. We are also involved in legal proceedings directed at the cleanup of various other sites, including a number of federal or state Superfund sites. Because the laws pertaining to Superfund sites generally impose retroactive, strict, joint and several liability, a governmental plaintiff could seek to recover all remediation costs at any such site from any of the potentially responsible parties ("PRPs") for such site, including us, despite the involvement of other PRPs. In some cases, we are one of several hundred identified PRPs, while in others we are the only one or one of only a few. Generally, where there are a number of financially solvent PRPs, liability has been apportioned, or we believe, based on our experience with such matters, that liability will be apportioned based on the type and amount of waste disposed by each PRP at such disposal site and the number of financially solvent PRPs. In many cases, the nature of future environmental expenditures cannot be quantified with accuracy. In addition, from time to time in the ordinary course of our business, we are informed of, and receive inquiries with respect to, additional sites that may be environmentally impaired and for which we may be responsible.

As of December 31, 2014 and 2013, the aggregate environmental related accruals were $59.5 and $63.1, respectively, of which $9.5 and $11.9 was included in accrued expenses, with the remainder of $50.0 and $51.2 included in other noncurrent liabilities, respectively. Environmental remediation spending for the years ended December 31, 2014, 2013 and 2012, was $7.0, $8.7, and $3.9, respectively.

Our process is to review our environmental remediation accruals quarterly and based on new information, we may from time to time adjust our environmental related accruals. Overall, our adjustments resulted in a net increase of $4.2 in our environmental accruals for the year ended December 31, 2014, of which $2.4 related to an inactive U.S. site to revise its projected remediation costs based on a revised Closure Plan approved by the Florida Department of Environmental Protection and $1.8 related primarily to several U.S. and European sites.

Our environmental related accruals can change substantially due to such factors as additional information on the nature or extent of contamination, methods of remediation required, changes in the apportionment of costs among responsible parties, and other actions by governmental agencies or private parties, or if we are named in a new matter and determine that an accrual needs to be provided, or if we determine that we are not liable and no longer require an accrual.

Piles Creek

We were notified by the National Oceanic and Atmospheric Administration ("NOAA"), a federal natural resource trustee, that, after an environmental assessment, we are one of six parties potentially responsible for damages to natural resources in Piles Creek, a tidal influenced tributary partially running through an industrial area in Linden, New Jersey. A portion of Piles Creek runs adjacent to our previously closed landfill in Linden, New Jersey. NOAA further advised that it seeks compensation from the six PRPs in the form of restoring other tidal wetlands. Thus far, no legal action has been taken by NOAA and we are investigating our contribution, if any, to this matter. Accordingly, no loss contingency has been recorded.

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognised in the period in which the liability is incurred and becomes determinable with an offsetting increase in the carrying amount of the related long-lived asset. The recognition of an asset retirement obligation at fair value requires that management make numerous estimates, assumptions and judgments regarding such factors as the estimated probabilities, amounts and timing of settlements, the credit-adjusted risk-free rate to be used, inflation rates, market risk-premium, and changes in environmental, regulatory, and legal environments. In periods subsequent to initial measurement of the liability, we must recognise period-to-period changes in the liability resulting from the passage of time and revisions such as the timing or the amount of the original estimate of undiscounted cash flows. Over time, the liability is accreted to its future value, and the capitalised cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we either settle the obligation for its recorded amount or incur a gain or loss.

A summary of the changes in the asset retirement obligation for the years ended December 31, 2014 and 2013 is presented below:

Asset retirement obligation at December 31, 2012	$15.9
Liabilities incurred	2.5
Liabilities settled	(0.5)
Accretion expense	1.0
Revision in estimated cash flows	(1.7)
Currency exchange	0.1
Asset retirement obligation at December 31, 2013	$17.3
Liabilities incurred	—
Liabilities settled	(0.5)
Accretion expense	0.9
Revision in estimated cash flows	(2.2)
Currency exchange	(0.3)
Asset retirement obligation at December 31, 2014	$15.2

Our long-lived assets subject to asset retirement obligations are primarily related to asbestos abatement and Resource Conservation and Recovery Act ("RCRA") closures at certain manufacturing and research facilities. As of December 31, 2014, 22 of our sites have been identified with regulatory closure obligations. Assets subject to asset retirement obligations are primarily manufacturing and research facilities, related equipment, and storage tanks. We are also obligated to return certain land to its original condition upon vacating.

There are no sites with a regulatory closure obligation for which a liability has not been estimated and recorded.

At December 31, 2014, there were no assets legally restricted for purposes of settling asset retirement obligations. The asset retirement obligation liability has been recorded as Other noncurrent liabilities in the accompanying consolidated balance sheets.

Other Contingencies

We are the subject of numerous lawsuits and claims incidental to the conduct of our or certain of our predecessors' businesses, including lawsuits and claims relating to product liability and personal injury, including asbestos, environmental, contractual, employment and intellectual property matters.

As of December 31, 2014 and 2013, the aggregate self-insured and insured contingent liability was \$45.9 and \$46.9, respectively, and the related insurance recovery receivable for the liability as well as claims for past payments was \$19.7 and \$20.0, respectively. The asbestos liability included in the above amounts at December 31, 2014 and 2013 was \$36.5 and \$37.9, respectively, and the insurance receivable related to the liability as well as past payments was \$19.3 and \$19.6, respectively. A net deferred tax benefit has been recognised for those claims for which full insurance recovery is not expected.

Asbestos

We, like many other industrial companies, have been named as one of hundreds of defendants in a number of lawsuits filed in the U.S. by persons alleging bodily injury from asbestos. The claimants allege exposure to asbestos at facilities that we own or formerly owned or from products that we formerly manufactured for specialised applications. Most of these cases involve numerous defendants, sometimes as many as several hundred. Historically, most of the closed asbestos claims against us have been dismissed without any indemnity payment by us; however, we can make no assurances that this pattern will continue.

The following table presents information about asbestos claims activity:

	Years ended December 31,	
	2014	**2013**
Number of claimants at beginning of period	8,100	8,000
Number of claimants associated with claims closed during period	(3,000)	(100)
Number of claimants associated with claims opened during period	100	200
Number of claimants at end of period	5,200	8,100

Numbers in the foregoing table are rounded to the nearest hundred and are based on information as received by us, which may lag actual court filing dates by several months or more. Claims are recorded as closed when a claimant is dismissed or severed from a case. Claims are opened whenever a new claim is brought, including from a claimant previously dismissed or severed from another case. In 2014, by virtue of a new Texas law, which amended the Texas Civil Code, the Texas courts commenced dismissing dormant asbestos cases without prejudice to re-filing by plaintiffs. In the fourth quarter of 2014, the Texas courts dismissed almost 3,000 claimants with claims against us. We expect additional dismissals in 2015.

Our asbestos related contingent liabilities and related insurance receivables are based on an actuarial study performed by a third party, which is updated every three years. During the third quarter of 2012, we completed an actuarial study of our asbestos related contingent liabilities and related insurance receivables, which will be updated again in the third quarter of 2015. The study is based on, among other things, the incidence and nature of historical claims data through June 30, 2012, the incidence of malignancy claims, the severity of indemnity payments for malignancy and non-malignancy claims, dismissal rates by claim type, estimated future claim frequency, settlement values and reserves, and expected average insurance recovery rates by claim type. The study assumes liabilities through 2049. Overall, we expect to recover approximately 48% of our future indemnity costs. We have completed Coverage-In-Place-Agreements with most of our larger insurance carriers.

The ultimate liability and related insurance recovery for all pending and anticipated future claims cannot be determined with certainty due to the difficulty of forecasting the numerous variables that can affect the amount of the liability and insurance recovery. These variables include but are not limited to: (i) significant changes in the number of future claims; (ii) significant changes in the average cost of resolving claims; (iii) changes in the nature of claims received; (iv) changes in the laws applicable to these claims; and (v) financial viability of co-defendants and insurers.

Lead Pigment

Over the past 20 years, we have been named as defendants in more than fifty cases in the U.S. in which plaintiffs assert claims for personal injury, property damage, and other claims for relief relating to one or more kinds of lead pigment that were used as an ingredient decades ago in architectural paint. Eight lead ingestion personal injury cases remain outstanding. The different suits were brought by government entities and/or individual plaintiffs, on behalf of themselves and others. The suits variously sought compensatory and punitive damages and/or injunctive relief, including funds for the cost of monitoring, detecting and removing lead based paint from buildings and for medical monitoring; for personal injuries allegedly caused by ingestion of lead based paint; and plaintiffs' attorneys' fees. We settled one of these cases in 2005 for an immaterial amount in order to avoid litigation costs. In all of the others, we prevailed in court or were dismissed as a defendant.

We currently are one of several defendants in eight personal injury lead ingestion cases, consisting of 172 plaintiffs venued in federal and state courts in Milwaukee, Wisconsin. One of the eight cases, which is venued in Federal District Court in Milwaukee, consists of 164 claimants, each alleging personal injury as a result of the ingestion of white lead carbonate in paint. The remaining seven cases consist of less than 10 total plaintiffs. We believe that the eight personal injury cases against us are without merit.

In July 2005, in a case in which we were one of several defendants, the Supreme Court of Wisconsin held that Wisconsin's risk contribution doctrine applies to bodily injury cases against manufacturers of white lead pigment. Under this doctrine, manufacturers of white lead pigment may be liable for injuries caused by white lead pigment based on their past market shares, unless they can prove they are not responsible for the white lead pigment which caused the injury in question. Seven of the eight personal injury cases, including the personal injury case consisting of 164 plaintiffs, were filed before January 2011, when the Wisconsin legislature passed legislation that will make it substantially more difficult to bring lead suits in the future, including a 25 year statute of repose. In June 2013, the Governor of Wisconsin signed into law the biennial budget, which contained within it a provision that retroactively applies the 2011 law to all claims of lead poisoning whether filed or accrued.

The defendants, including the Company, moved to dismiss the personal injury lead cases pending in Wisconsin state court pursuant to the new law. By decision dated March 2014 in the Wisconsin state court case styled *Clark et al. v. American Cyanamid Company et al*., the court denied the defendants' motion holding unconstitutional the retroactive application of the new law. The defendants, including the Company, petitioned for leave to appeal the trial court's decision. The petition for leave was granted by the Wisconsin Appellate Division.

Also, in 2010, the United States District Court for the Eastern District of Wisconsin held that the risk contribution theory imposed by the Wisconsin Supreme Court for lead pigment violates the due process clause set forth in the 14th Amendment to the United States Constitution. The Court's decision was appealed to the United States Circuit Court of Appeals for the Seventh Circuit. The Seventh Circuit Court of Appeals also requested that the parties brief the constitutionality of the new retroactivity provision in the biennial budget. In the third quarter of 2014, the United States Court of Appeals for the Seventh Circuit reversed the trial court's dismissal and held that the risk contribution theory imposed by the Wisconsin Supreme Court for lead pigment is permissible under the United States Constitution. The Court also held that the retroactivity provision of Wis. State 845.046 is unconstitutional as it effects a vested right. Some defendants, including the Company, have petitioned the United States Supreme Court for review of the Seventh Circuit's decision. As a result of the Seventh Circuit's decision, the lead ingestion cases venued in the United States District Court of Wisconsin will proceed.

Finally, in July 2009, the Wisconsin Supreme Court, in the case styled *Ruben Godoy et al v. E.I. DuPont de Nemours et al*., upheld a lower court's decision dismissing the plaintiff's strict liability and negligent defect causes of action for white lead carbonate. The decision in these cases, the new statutory law in Wisconsin, and our non-existent or diminutive market share, reinforces our belief that we have no liability in any of the eight Wisconsin cases, and accordingly, we have not recorded a loss contingency.

Other

Periodically, we enter into settlement discussions for lawsuits or claims for which we have meritorious defenses and for which an unfavorable outcome against us is not probable. In such instances, no loss contingency is recorded since a loss is not probable and it is our policy to expense defense costs as incurred. Typically, we consider these types of settlements in fairly limited circumstances usually related to the avoidance of future defense costs and/or the elimination of any risk of an unfavorable outcome. Such settlements, if any, are recorded when it is probable a liability has been incurred, typically upon entering into a settlement agreement.

While it is not feasible to predict the outcome of all pending environmental matters, lawsuits and claims, it is reasonably possible that there will be a necessity for future provisions for costs for environmental matters and for other contingent liabilities that we believe, will not have a material adverse effect on our consolidated financial position, but could be material to our consolidated results of operations or cash flows in any one accounting period. We cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts. Moreover, many of these liabilities are paid over an extended period, and the timing of such payments cannot be predicted with any certainty.

From time to time, we are also included in legal proceedings as a plaintiff involving tax, contract, patent protection, environmental and other legal matters. Gain contingencies related to these matters, if any, are recorded when they are realised.

Accounting for Uncertainty in Income Taxes

We recognise the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognised in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realised upon effective settlement. See Note 13 for additional information.

Commitments

Rental commitments

Rental expense under property and equipment leases was $9.6 in 2014, $8.3 in 2013, and $10.9 in 2012. Estimated future minimum rental expenses under property and equipment leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2014 are:

Year	Operating Leases	Capital Lease	Total Leases
2015	$10.1	$ 3.0	$13.1
2016	8.2	3.1	11.3
2017	6.4	3.3	9.7
2018	2.9	2.5	5.4
2019	2.0	—	2.0
Thereafter	13.3	—	13.3
Total minimum lease payments	**$42.9**	**$11.9**	**$54.8**

Capital lease

In conjunction with the recognition of the loss on sale of the Stamford facility in the fourth quarter of 2012 discussed in Note 3, we recorded the lease as a capital lease asset and obligation as of December 31, 2012 in the amount of $7.6, excluding executory costs.

Customer-related and purchase commitments

We frequently enter into long-term contracts with customers with terms that vary depending on specific industry practices. The business of Cytec Industries and its consolidated subsidiaries as a whole is not substantially dependent on any single contract or any series of related contracts. Set forth below are more specific terms about our significant sales contracts.

The Aerospace Materials segment is party to a number of long-term supply and pricing agreements that cover various time periods. Included are several contracts with terms of 5 years or more, which obligate us to sell and, subject to certain exceptions, obligate the respective customers to purchase their requirements of various specialty materials for products related to certain aircraft programs. Such agreements are common practice in the aerospace and aircraft manufacturing industries.

We frequently enter into long-term agreements in order to lock in prices and availability of raw materials, equipment, supplies, and services required to operate our businesses. At December 31, 2014, obligations under such agreements totaled $45.4, of which $37.0 are expected to be paid in 2015.

Other commitments

We had $15.0 of outstanding letters of credit, surety bonds, and bank guarantees at December 31, 2014 that are issued on our behalf in the ordinary course of business to support certain of our performance obligations and commitments. The instruments are typically renewed on an annual basis.

V. CYTEC ADDITIONAL INFORMATION

The below has been extracted from “Part II Other Information—Item 1A. Risk Factors” of Cytec’s 10-Q:

Certain factors may have a material adverse effect on our business, financial condition and results of operations and you should carefully consider them. It is not possible to predict or identify all such factors. For discussion of our potential risks or uncertainties, please refer to “Item 1A-Risk Factors” included in our 2014 Annual Report on Form 10-K. Except as set forth in the following updated risk factor, there have been no material changes to the risk factors disclosed in our 2014 Annual Report on Form 10-K and reproduced in “VI. Risk Factors” below.

The Company may fail to complete the Merger, and uncertainties related to the Merger or the failure to complete the Merger could negatively impact the Company’s business or share price.

As previously disclosed, on July 28, 2015, the Company entered into the Merger Agreement with Solvay and its wholly owned subsidiary, Merger Subsidiary. Pursuant to the Merger Agreement, Merger Subsidiary will be merged with and into the Company, with the Company surviving the Merger as a wholly-owned subsidiary of Solvay. In connection with the Merger, each issued and outstanding share of our common stock, par value $0.01 per share, other than shares held by the Company, Solvay or any of their respective subsidiaries and shares with respect to which appraisal rights are properly demanded and not waived, withdrawn or lost, will be converted into the right to receive $75.25 in cash, without interest and less any applicable withholding taxes.

The Merger is subject to the satisfaction of a number of conditions beyond the Company’s control, including certain antitrust, competition and other regulatory approvals, and is subject to approval by the Company’s stockholders and other customary closing conditions. There is no assurance that the Merger and related transactions will occur on the terms and timeline currently contemplated or at all. The conditions to the Merger could prevent or delay the completion of the transaction. In addition, the efforts to satisfy the closing conditions of the Merger, including the regulatory approval process, may place a significant burden on the Company’s management and internal resources, and the proposed transaction, whether or not consummated, may result in a diversion of management’s attention from day-to-day operations and a disruption of our operations. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the Merger process could adversely affect the Company’s business, results of operations and financial condition. Furthermore, if the proposed Merger is not completed, the share price of our common stock may decline to the extent that the current market price of our common stock reflects an assumption that the Merger and the related transactions will be completed. The Merger Agreement also contains specified termination rights, including, in certain instances, the payment of termination fees, in the event that the Merger is not consummated.

VI. RISK FACTORS (extracted from Item 1A Risk Factors of Cytec’s 10-K)

The risk factors described below should be considered together with information included in the Annual Report, including, but not limited to, the discussion under “Comments on Forward-Looking Statements” in the section preceding Part I, and discussions of the business included in Part I, Item 1, “Business,” and Part II, Item 7, “Management’s Discussion and Analysis.”

Our successful and timely completion of major capital projects involves a number of risks

We have limited capacity available for future growth in several important product lines. We have ongoing capital projects to complete and/or qualify in an effort to expand capacity for future growth. A protracted late start or failure to successfully startup any of these expansion projects whether due to construction delays, permitting issues or otherwise, could lead to reduced revenue and growth opportunities, potential contractual penalties for failures to meet customer requirements and/or potential loss of market share. In addition, any unanticipated problems, expenses or additional capital required to complete any of these projects or reduction in demand for products produced at these sites could lead to reduced profitability or returns to the applicable business segment and overall company.

Uses of Cash

We have generated a significant amount of cash in recent years. Our uses of cash are as follows: investment in the typical maintenance of business capital spending projects; expansion/cost reduction capital in our growth product lines and fast payback/margin improvement capital in our cash product lines; bolt-on acquisitions for our growth product lines; return of excess cash to shareholders through share repurchases and dividends; and debt repurchases, if available at a reasonable price. The use of cash for capacity expansions or bolt-on acquisitions requires the use of significant estimates by management on future revenues and costs. If the actual results for revenues are materially less or costs are materially higher than the estimates made by management, it would reduce the returns on the use of the cash employed and future cash generation.

Restructuring charges, goodwill impairment, acquisition intangible impairment, or other asset impairment charges may affect our results of operations in the future

Management regularly reviews the cost effectiveness of its plant sites and/or assets at such sites. Long-lived assets with determinable useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We may find it necessary to record disposition, restructuring, or asset impairment charges in connection with such reviews. For example, we recorded restructuring charges of approximately $1.0 in 2014, $6.9 in 2013, and $21.2 in 2012, principally related to employee severance and asset impairments. See Note 4 of Notes to Consolidated Financial Statements for further details. Such charges could have a material adverse effect on our results of operations in the period in which they are recorded.

We test goodwill for impairment on an annual basis each October 1st and more often if events occur or circumstances change that would likely reduce the fair value of a reporting unit to an amount below its carrying value. We also test for other possible acquisition intangible impairments if events occur or circumstances change that would indicate that the carrying amount of such intangible asset may not be recoverable. Any resulting impairment loss would be a non-cash charge and may have a material adverse impact on our results of operations in any future period in which we record a charge. In total, we had goodwill of $508.8 and acquisition intangibles with a net carrying value of $141.6 at December 31, 2014. See "Significant Accounting Estimates / Critical Accounting Policies" under Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," for further discussion on our goodwill impairment testing.

Loss of certain significant customers, such as Boeing and its subcontractors, or reductions of sales from certain programs from customers, such as the Boeing 787 program or Lockheed Martin Joint Strike Fighter, may have an adverse effect on results of the affected segment and loss of several significant customers may have an adverse effect on our consolidated results

Approximately 21%, 20%, and 19% of our 2014, 2013 and 2012 net sales, respectively, were to Boeing and its subcontractors, of which 20%, 20%, and 18% related to our Aerospace Materials segment, and 1%, 0%, and 1% related to our Industrial Materials segment. The loss of Boeing as a customer, or a reduction in volumes sold to them, whether it is caused by a work stoppage or other disruption, could adversely affect our results of operations until such business is replaced or the disruption ends. In addition, where we are the sole supplier for a significant customer or market, disruptions, or delays in our ability to supply may result in the customer seeking or qualifying alternative suppliers. A summary of various long-term customer supply agreements is disclosed under "Commitments" in Note 12 of Notes to Consolidated Financial Statements.

Some of the markets in which we operate have experienced business cycles and downturns and deterioration in any such cyclical markets could adversely affect our revenue and financial condition

Reductions in aerospace or defense spending could result in a decline in our net sales, which could adversely affect our revenue and financial condition. A number of our customers operate in cyclical industries such as the automotive, construction, and mining industries. This in turn, causes demand for our products in these markets to also be cyclical.

Interruptions in our supply chain from key suppliers or increases in the cost of raw materials could negatively affect our profitability

Key raw materials for the Aerospace Materials and Industrial Materials segments are carbon fiber and various resins. Key raw materials for the In Process Separation and Additive Technologies segments are propylene derivatives such as acrylic acid, oxo-alcohols, nonylphenol, maleic anhydride and natural gas for energy. These are typically available although we have experienced tight markets for certain raw materials from time to time. Because of the time and expense to qualify materials for aerospace applications, a supply shortage in a low volume raw material also could cause production disruptions. Accordingly, there are risks of supply disruptions.

Oil and natural gas are important indirect raw materials for many of our products. The prices of both of these commodities have been volatile over time. Sudden price swings can adversely affect our ability to recover increased costs from our customers or demand for our products. Prices for these commodities may vary widely between geographic regions and, as a result of this, many of our products could compete with similar products made with less expensive raw materials available elsewhere and we may not be able to recover any or all of these increased costs.

We are dependent on a limited number of suppliers for carbon fibers that are used in many of our advanced composite products. As we manufacture some of our own standard modulus carbon fibers, the risk of future carbon fiber supply limitations is somewhat reduced.

Changes to raw material costs year on year are an important factor in profitability. Raw material prices can increase or decrease based on supply and demand and other market forces. We have, from time to time, experienced difficulty procuring several key raw materials, such as but not limited to, carbon fiber and certain base resins due to general market conditions or conditions unique to a significant supplier. We may experience supply disruptions of these and other materials in the future. Such conditions, if protracted, could result in our inability to manufacture our products, resulting in lower than anticipated revenues. If we are unable to raise our selling prices to recover the increased costs of raw materials driven by higher energy costs or other factors, our profit margins will be adversely affected. In other cases, we may have to reduce the selling prices of our products due to competitive pressures and may not be able to retain the additional profitability from the reduced raw material costs.

We face active competition from other companies, which could adversely affect our revenue and financial condition

We actively compete with companies producing the same or similar products and, in some instances, with companies producing different products designed for the same uses. We encounter competition in price, delivery, service, performance, product innovation, product recognition and quality, depending on the product involved. For some of our products, our competitors are larger, have greater financial resources, or are more vertically integrated. As a result, these competitors may be able to offer better supply security to end customers and better able to withstand a change in conditions within the industries in which we operate, changes in the prices of raw materials without increasing their prices, or a change in the economy as a whole. To compete effectively over the long term, we believe we may need to secure alternate access to cost competitive intermediate modulus carbon fibers for primary structure aerospace applications and large tow carbon fibers for automotive and industrial applications.

Our competitors can be expected to continue to develop and introduce new and enhanced products, which could cause a decline in market acceptance of our products. Current and future consolidation among our competitors and customers may also cause a loss of market share as well as put downward pressure on pricing. Our competitors could cause a reduction in the prices for some of our products as a result of intensified price competition. Competitive pressures can also result in the loss of major customers.

We face numerous risks relating to our international operations that may adversely affect our results of operations

We operate on a global basis, with manufacturing and research facilities located in 11 countries. Through our sales forces, third-party distributors and agents, we market our products internationally.

International operations are subject to various risks which may or may not be present in U.S. operations. These risks include political instability, the possibility of expropriation, restrictions on royalties, dividends and remittances, exchange rate fluctuations, requirements for governmental approvals for new ventures and local participation in operations such as local equity ownership and workers' councils. Since we conduct business through subsidiaries in many different countries, fluctuations in exchange rates could have a major impact on our reported revenues, which are reported in U.S. dollars. In 2014, approximately 55% of our consolidated net sales occurred outside of the U.S., a significant portion of which are denominated in foreign currencies. However, we have material operations outside the U.S., which tend to offset some of the impact on earnings. Accordingly, changes in exchange rates could cause favorable or unfavorable fluctuations in our reported results of operations. Cross border transactions, both with external parties and intercompany relationships result in increased exposure to exchange effects. Such fluctuations between the various currencies in which we do business have caused and will continue to cause currency transaction gains and losses, which may be material. While we may periodically enter into currency forward contracts to hedge currency fluctuations of transactions denominated in currencies other than the functional currency of the respective entity, it is not always cost effective to hedge all foreign currency exposures in a manner that would completely eliminate the effects of changes in exchange rates on our results of operations or cash flows. The strengthening or weakening of the U.S. dollar could result in favorable or unfavorable translation effects as the results of our foreign operations are translated into U.S. dollars. While we do not currently believe that we are likely to suffer a material adverse effect on our results of operations in connection with our existing international operations, any of these events could have an adverse effect on our international operations in the future by reducing the demand for our products, affecting the prices at which we can sell our products or otherwise having an adverse effect on our operating performance. See Note 18 of Notes to Consolidated Financial Statements for further discussion on geographical information.

Political and economic instability and risk of government actions affecting our business and our customers or suppliers may adversely impact our business, results of operations and cash flows

We are exposed to risks inherent in doing business in each of the countries or regions in which we or our customers or suppliers operate including: civil unrest, acts of terrorism, sabotage, epidemics, force majeure, war or other armed conflict and related government actions including: sanctions/embargoes, the deprivation of contract rights, the inability to obtain or retain licenses required by us to operate our plants or import or export our goods or raw materials; the expropriation or nationalisation of our assets, and restrictions on travel, payments or the movement of funds. In particular, if additional restrictions on trade with Russia were adopted by the European Union or the United States, and were applicable to our products, we could lose sales and experience lower growth rates in the future.

Our facilities are subject to operating risks that may adversely affect our operations

Our revenues are largely dependent on the continued operation of our various facilities. There are many risks involved in operating our facilities, including the breakdown, failure or substandard performance of equipment, operating errors, natural disasters, the need to comply with directives of, and maintain all necessary permits from, government agencies, and potential terrorist attack. Our operations can be adversely affected by raw material shortages, labor force shortages or work stoppages and events impeding or increasing the cost of transporting our raw materials and finished products. The occurrence of material operational problems, including but not limited to the above events, may have a material adverse effect on the productivity and profitability of a particular manufacturing facility. With respect to certain facilities, such events could have a material effect on our company as a whole.

Our operations are also subject to various hazards incident to the production of industrial chemicals. These include the use, handling, processing, storage, and transportation of certain hazardous materials. Under certain circumstances, these hazards could cause personal injury and loss of life, severe damage to and destruction of property and equipment, environmental damage and suspension of operations. Claims arising from any future catastrophic occurrence at one of our locations may result in Cytec being named as a defendant in lawsuits asserting potentially large claims.

We are subject to significant environmental and product regulatory expenses and risks

We are subject to various laws and regulations which impose stringent requirements for the control and abatement of pollutants and contaminants and the manufacture, transportation, storage, handling and disposal of hazardous substances, hazardous wastes, pollutants and contaminants.

In particular, under various laws in the U.S. and certain other countries in which we operate, a current or previous owner or operator of a facility may be liable for the removal or remediation of hazardous materials at the facility and nearby areas. Such laws typically impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such hazardous materials. In addition, under various laws governing the generation, transportation, treatment, storage or disposal of solid and hazardous wastes, owners and operators of facilities may be liable for removal or remediation, or other corrective action at areas where hazardous materials have been released. The costs of removal, remediation, or corrective action may be substantial. The presence of hazardous materials in the environment at any of our facilities, or the failure to abate such materials promptly or properly, may adversely affect our ability to operate such facilities. Certain of these laws also impose liability for investigative, removal and remedial costs on persons who dispose of or arrange for the disposal of hazardous substances at facilities owned or operated by third parties. Liability for such costs is retroactive, strict, and joint and several.

We are required to comply with laws that govern the emission of pollutants into the ground, waters and the atmosphere and with laws that govern the generation, transportation, treatment, storage, and disposal of solid and hazardous wastes. We are also subject to laws that regulate the manufacture, processing, and distribution of chemical substances and mixtures, as well as the transportation and disposition of certain hazardous and non-hazardous substances. In addition, certain laws govern the abatement, removal, and disposal of asbestos-containing materials and heavy metal-containing substances, the maintenance and related containment of aboveground storage tanks, the integrity of underground storage tanks, as well as equipment, which contains or is contaminated by polychlorinated biphenyls. The costs of compliance with such laws and related regulations may be substantial, and regulatory standards tend to evolve towards more stringent requirements. These requirements might, from time to time, make it uneconomic or impossible to continue operating a facility. Non-compliance with such requirements at any of our facilities could result in substantial civil penalties or our inability to operate all or part of the facility, or our ability to produce and subsequently sell certain products.

Global warming could have an adverse impact on our operations, particularly in hurricane prone or low-lying areas near the ocean. Initiatives in the United States and other countries to regulate certain industries and actions to reduce the impact of global warming, if made effective, could have a direct adverse impact on our operations or an indirect adverse impact by affecting our suppliers or customers.

Further discussion of environmental matters is in Note 12 of Notes to Consolidated Financial Statements.

We are subject to significant litigation expense and risk

We are the subject of numerous lawsuits and claims incidental to the conduct of our or certain of our predecessors' businesses, including lawsuits and claims relating to product liability and personal injury, including asbestos, environmental, contractual, employment and intellectual property matters. While it is not feasible to predict the outcome of all pending environmental matters, lawsuits and claims, it is reasonably possible that there will be a necessity for future provisions for costs for environmental matters and for other contingent liabilities that we believe will not have a material adverse effect on our consolidated financial position, but could be material to our consolidated results of operations or cash flows in any one accounting period. See "Item 3. LEGAL PROCEEDINGS" for further details.

Our past and future acquisitions, joint ventures, alliances, and divestitures may not achieve the anticipated synergies and benefits, which may have a material adverse effect on our business, financial position, and results of operations and could cause the market price of our common stock to decline

We have acquired and divested businesses and product lines and entered into joint ventures and alliances in the past and plan to pursue such activities in the future. Our growth may be limited by our ability to identify appropriate acquisition, joint venture and alliance targets and our available cash and borrowing capacity to pursue such activities. The costs incurred in completing acquisitions and participating in joint ventures and alliances as well as the time it takes to integrate acquisitions could result in unanticipated expenses and losses.

If we are unable to successfully integrate an acquisition into our business in an efficient and effective manner, or at all, we could fail to realise all of the anticipated benefits of the acquisition, such as increased revenue, cost savings, synergies and growth opportunities, within the anticipated time frame or at all. The integration process could disrupt our business and an unsuccessful integration could have a material adverse effect on our business, financial position, and results of operations. In addition, the integration could result in unanticipated problems, expenses, liabilities, competitive responses and diversion of management's attention and may cause the market price of our common stock to decline.

Due to the nature of joint venture and alliances, we may share control with unaffiliated parties or entities. The joint venture or alliance may not operate or perform as anticipated if the unaffiliated parties do not fulfill their obligations or if the parties to the joint venture or alliance do not agree on key decisions or plans which could have a material adverse effect on our business, financial results and results of operations.

If we fail to successfully complete divestitures of businesses or product lines and realise the intended benefits of such divestitures, such failures could have a material adverse effect on our financial results and results of operations.

The final price and net gain or loss on the sale of the Coatings business and the acquisition of our metal extraction product ("MEP") manufacturing facility in Nagpur, India are subject to final working capital and other customary adjustments. While we believe we have adequately accounted for all aspects of the sale of these businesses, there is a possibility that certain expenses or adjustments to working capital, environmental, tax or other matters may arise which could have a material effect on our results of operations, financial position, and cash flows.

Risks related to implementation of our new global enterprise resource planning system

We are engaged in a multi-year implementation of a new global enterprise resource planning system ("ERP"). The ERP is designed to improve the efficiency of our supply chain and financial transaction processes, accurately maintain our books and records, and provide information important to the operation of the business to our management team. The company's ERP will continue to require significant investment of human and financial resources. In implementing the ERP, we may experience significant delays, increased costs and other difficulties. Any significant disruption or deficiency in the design and implementation of the ERP could adversely affect our ability to process orders, ship product, send invoices and track payments, fulfill contractual obligations or otherwise operate our business. We also face the challenge of supporting our older systems and implementing necessary upgrades while we implement the new ERP system. While we have invested significant resources in planning and project management, significant implementation issues may arise.

We are subject to cyber-security risks

We are subject to cyber-security risks primarily related to breaches of security pertaining to unauthorised access and loss of our proprietary data and intellectual property due to attack by hackers, breaches, employee error, or malfeasance. In addition, our information technology ("IT") systems are vulnerable to damage from power outages, computer viruses, telecommunication or utility failures, systems failures, natural disasters, and other similar disruptions. Any system failure, accident or security breach could result in disruptions to our operations. A material network breach in the security of our IT systems could include the theft or loss of our, or our customers', intellectual property or other confidential information. To the extent that any disruptions or security breach results in a loss or damage to our data, or in inappropriate disclosure of confidential information or intellectual property, it could lead to claims against us, affect our relationships with our customers, cause damage to our reputation, reduce the effectiveness and efficiency of operations, interfere with regulatory compliance, and ultimately harm our business. To protect against these risks, we follow industry standard practices for employing security solutions to minimise the potential of unauthorised access or malicious activity impacting our company's systems and data. We also engage third party consultants from time to time to assess our security systems to ensure our security solutions are operating effectively. While we will continue to implement such protective measures to reduce the risk of and detect future cyber incidents, cyber-attacks are becoming more sophisticated and frequent, and the techniques used in such attacks change rapidly. There can be no assurances that our protective measures will prevent future attacks that could have a significant impact on our business.

Legislation and regulations may affect our business and results of operations

Increased legislative and regulatory activity and burdens, and a more stringent manner in which they are applied (particularly in the United States), could significantly impact our business and the economy as a whole. For example, the Affordable Care Act (the "ACA"), which was adopted in 2010 and is being phased in over several years, significantly affects the provision of both health care services and benefits in the United States; the ACA may impact our cost of providing our employees and retirees with health insurance and/or benefits, and may also impact various other aspects of our business. We provide benefits to our employees which are competitive within the industries in which we operate. The ACA did not have a material impact on our fiscal 2014, 2013 or 2012 financial results; however, we are continuing to assess the impact of the ACA on our health care benefit costs. The regulatory environment is still developing, and the potential exists for future legislation and regulations to be adopted. These developments, as well as the increasingly strict regulatory environment, may also adversely affect the customers to which, and the markets into which, we sell our products, and increase our costs and otherwise negatively affect our business, financial condition or results of operations, including in ways that cannot yet be foreseen.

We have contracts, activities and operations domestically and internationally which are subject to United States and foreign laws and regulations, including the Foreign Corrupt Practices Act, the U.K. Anti-Bribery Act (and similar foreign anti-corruption and anti-bribery laws), False Claims Act, regulations relating to import and export control (including the International Traffic in Arms Regulation promulgated under the Arms Export Control Act), technology transfer restrictions and the anti-boycott provisions of the United States Export Administration Act. Although we have implemented policies and procedures and provided training that we believe are sufficient to address these risks, we cannot be certain that we will always be in compliance with these laws and regulations. Any determination that we or our sales representatives or consultants failed to comply with these laws and regulations could result in administrative, civil, or criminal liabilities and fines and, in extreme cases, result in suspension or debarment from government contracts or suspension of our export privileges, which could have a material adverse effect on our business.

A downturn in global economic conditions may adversely impact our customers, our suppliers, and ultimately, our results of operations and cash flows, our credit ratings, and our ability to grow

A lack of credit availability from the credit markets could adversely impact our customers' demand for our products, their ability to pay their accounts receivable with us, and/or their viability. We attempt to mitigate the risks associated with extending credit to our customers by maintaining detailed credit procedures and routinely updating customer credit limits. It is possible that these procedures will not fully mitigate customer collectability risk. Our results of operations in 2014 and 2013 were not significantly impacted by the inability of our customers to pay. However, the risks associated with extending credit to our customers could increase if global economic conditions or the financial viability of our customers worsen.

Additionally, our suppliers could be impacted by a downturn in global economic conditions in many of the same ways that such conditions would impact us. If economic conditions deteriorate or the financial viability of our suppliers worsens, our suppliers may not be able to meet their raw material commitments to us, could request shortened payment terms, or could reduce or in extreme cases eliminate the amount of credit they extend to us. Our operations in 2014 and 2013 were not significantly impacted by these factors due to the diversity of our supplier base and our materials sourcing strategies. However, it is possible that such procedures and strategy may not completely eliminate these risks.

As we have experienced in the past, downturns in the global economy can impact the aerospace, mining, construction, automotive, and general industrial markets that we serve and could lead to a significant reduction in our sales and operating profitability. If economic conditions deteriorate, we may be forced to take additional cost reduction initiatives that could lead to further reductions in profitability and could jeopardise our ability to fund growth programs designed to position us for success when economic conditions improve. Further, the reduced profitability and cash generation that would be triggered by a weakening of economic conditions could (1) limit the amounts we can borrow under our primary credit facility due to the covenants contained in the agreement, and (2) could unfavorably impact our credit rating. In both instances, our ability to borrow could be limited and thus our liquidity adversely impacted.

Changes to certain assumptions for our pension and postretirement plans could adversely affect our operating results and liquidity

Earnings may be positively or negatively impacted by the amount of expense or income recorded for employee benefit plans, primarily pension plans and other postretirement plans. Pensions and other postretirement benefits incorporate significant assumptions including the rate used to discount the future estimated liability, the long-term rate of return on plan assets, and several assumptions relating to the employee workforce (salary increases, medical costs, retirement age and mortality). Our pension expense and funding requirements may also be affected by our actual return on plan assets, and by legislation and other government regulatory actions. Changes in assumptions, laws, or regulations could lead to variability in operating results and could have an adverse impact on liquidity.

Risks related to new product development

Our ability to compete successfully and grow our business depends in part on our ability to continue to identify, develop, and commercialise new and innovative specialty chemicals and materials and new applications for such technology for our current and new markets and obtain and protect our intellectual property rights in such developments. Failure or delays in such the foregoing could have a material adverse effect on our business.

VII. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 EXTACTED FROM ITEM 2 OF CYTEC'S 10-Q)

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements. Currency amounts are in millions, except per share amounts. Percentages are approximate.

General

Overview

We are a global specialty materials and chemicals company focused on developing, manufacturing and selling value-added products. Our products serve a diverse range of end markets including aerospace and industrial materials, mining, and plastics. Sales price and volume by region and the impact of exchange rates on our reporting segments are important measures that are analyzed by management and are provided in our segment analysis.

We report net sales in four geographic regions: North America, Latin America, Asia/Pacific, and Europe/Middle East/Africa. The destination of the sale determines the region under which it is reported, which is consistent with management's view of the business. North America consists of the United States and Canada. Latin America includes Mexico, Central America, South America, and the Caribbean Islands. Asia/Pacific is comprised of Asia, Australia, and the islands of the South Pacific Rim.

Increasing selling volumes, geographic expansion, and new product introductions are important factors of our profitability. Selling price changes and raw material cost changes year on year are also important factors of our profitability especially in years of high volatility. See our Segment Results for discussion of the year-to-year impact of these important factors.

Segments

We have four reportable business segments: Aerospace Materials, Industrial Materials, In Process Separation, and Additive Technologies. The Aerospace Materials segment principally includes advanced composites, carbon fiber, and structural film adhesives. The Industrial Materials segment includes structural composite materials (high performance automotive, motorsports, recreation, tooling and other structural materials markets) and process materials (aerospace, wind energy, and other process materials markets). The In Process Separation segment includes mining chemicals and phosphine chemicals. The Additive Technologies segment includes polymer additives, specialty additives, and formulated resins. We regularly review our segment reporting and classifications and may periodically change our reportable segments to align with operational changes.

Merger Agreement with Solvay SA

On July 29, 2015, we announced that the Company had entered into an Agreement and Plan of Merger (the "Merger Agreement") with Solvay SA ("Solvay") and its wholly owned subsidiary, Tulip Acquisition Inc. ("Merger Subsidiary"). Pursuant to the Merger Agreement, Merger Subsidiary will be merged with and into the Company (the "Merger"), with the Company surviving as a wholly-owned subsidiary of Solvay (the "Surviving Corporation"). In connection with the Merger, each issued and outstanding share of our common stock, par value$0.01 per share, other than shares held by the Company, Solvay or any of their respective subsidiaries and shares with respect to which appraisal rights are properly demanded and not waived, withdrawn or lost, will be converted into the right to receive $75.25 in cash, without interest and less any applicable withholding taxes.

Each of the Company, Solvay and Merger Subsidiary has made customary representations and warranties in the Merger Agreement. The Company has also agreed to various customary covenants and agreements, including, among others, and subject to certain exceptions, to conduct its business in the ordinary course of business between the execution of the Merger Agreement and closing of the Merger and not to engage in certain specified types of transactions during such period. Under the terms of the Merger Agreement, the Company is permitted to pay regular quarterly dividends in an amount not to exceed $0.125 per share. In addition, the Company will be subject to customary "no-shop" restrictions on its ability to solicit alternative acquisition proposals from third parties and to provide information to, and engage in discussions with, third parties regarding alternative acquisition proposals, except as permitted by the Merger Agreement.

The Merger Agreement contains specified termination rights, including the right for each of the Company and Solvay to terminate the Merger Agreement if the Merger is not consummated by January 28, 2016 (subject to one automatic three-month extension if all of the conditions to closing, other than the conditions related to obtaining certain governmental approvals, have been satisfied). The Merger Agreement also provides for other customary termination rights for both Solvay (including if the Board of Directors of the Company changes its recommendation in respect of the Merger) and the Company, and further provides that the Company would be required to pay Solvay a termination fee equal to $140.0 following a termination in certain circumstances.

The Merger is subject to certain closing conditions, including (i) the approval of the Merger Agreement by a majority of the outstanding shares of our common stock, (ii) the absence of any law or order prohibiting the consummation of the Merger, (iii) expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976 (the "HSR Act") and expiration or termination of any applicable waiting period or, if applicable, receipt of approval (which approvals remains in full force and effect), under any similar foreign antitrust or competition laws in Brazil, the European Union, Israel, Japan, Mexico, South Korea, Turkey and Ukraine; and (iv) the conclusion of any review, investigation or other proceeding by the Committee on Foreign Investment in the United States ("CFIUS") pursuant to Section 721 of the Defense Production Act of 1950, as added by the Exon-Florio Amendment of 1988 and as amended by the Foreign Investment and National Security Act of 2007. In addition to customary conditions in favor of both parties regarding the accuracy of the other party's representations and warranties (subject to customary materiality qualifiers) and the other party's compliance with its covenants and agreements contained in the Merger Agreement (subject to customary materiality qualifiers), Solvay's obligations to complete the Merger are also subject to the conditions that there have been no event or occurrence that would reasonably be expected to have a material adverse effect on the Company, the receipt of approval from the Defense Security Service of the U.S. Department of Defense and the absence of written objection from the Directorate of Defense Trade Controls of the U.S. Department of State.

The Company and Solvay submitted a joint voluntary notice to CFIUS on September 14, 2015 and CFIUS is currently reviewing the proposed transaction. The Company and Solvay notified the Directorate of Defense Trade Controls of the transaction on September 21, 2015, and are working with the Defense Security Service on a detailed plan to mitigate foreign ownership, control or influence. The applicable waiting period under the HSR Act expired on September 24, 2015. The Company made applicable filings in Mexico and Ukraine on September 24, 2015, in South Korea on October 5, 2015, in Israel on October 8, 2015, in Turkey on October 9, 2015 and in the European Union on October 13, 2015. The Company currently expects that applicable filings in Brazil and Japan will be made in due course.

Assuming timely satisfaction of the necessary closing conditions, we currently expect the closing of the Merger to occur in the fourth quarter of 2015.

Discontinued operations

Coating Resins

On April 3, 2013, we completed the divestiture of our remaining Coatings business to Advent International ("Advent"), a global private equity firm. In connection with the sale of the business to Advent, we agreed to retain certain liabilities, including liabilities for U.S. pension and other postretirement benefits and certain tax liabilities related to taxable periods (or portions thereof) ending on or before April 3, 2013. For the nine months ended September 30, 2015, we recorded after-tax losses of $1.5 from the sale of Coatings, of which $0.1 related to the tax liabilities and $1.4 was for additional costs upon exiting a former Coatings facility. During the three and nine months ended September 30, 2014, we recorded after-tax charges of $0.1 and $1.4, respectively, related to certain of these tax liabilities. For the three and nine months ended September 30, 2014, we also incurred after-tax charges of approximately $0.3 and $2.5, respectively, for purchase price and working capital adjustments related to the sale. Additionally, in the nine months ended September 30, 2014, we recorded tax benefits of $11.1 based on our best estimate of the purchase price allocation attributable to the Coatings business sold in various taxing jurisdictions. These after-tax losses and gains are included in Net (loss) gain on sale of discontinued operations, net of tax in the consolidated statements of income. The final price paid and loss on sale remains subject to final working capital and other customary adjustments.

As of September 30, 2015, the final working capital adjustment on the Coatings divestiture transaction is in dispute. We believe we will recover the net amount we have recorded with respect to the final working capital adjustment.

Other divestitures

Former Umeco entities divested prior to our acquisition

As part of our acquisition accounting for Umeco in 2012, we established reserves related to income tax and value added tax liabilities of an entity that had been divested by Umeco in 2011, for periods that were under audit prior to it its divestiture. We continued to accrue interest through the end of 2013. In the first quarter of 2014, we agreed to a settlement for audit periods through March 31, 2009, which resulted in a benefit of approximately $3.6. The benefit is included in Net (loss) gain on sale of discontinued operations, net of tax in the consolidated statement of income for the nine months ended September 30, 2014.

Sale of the Industrial Materials distribution product line

In the third quarter of 2014, we recorded an after-tax benefit of $0.2 related to final purchase price and settlement of final working capital adjustments from the sale of the Industrial Materials distribution product line in July 2013, which we acquired as part of the Umeco acquisition in 2012. These amounts are included in Net (loss) gain on sale of discontinued operations, net of tax in the consolidated statements of income.

Quarter Ended September 30, 2015, Compared With Quarter Ended September 30, 2014

Consolidated Results

Net sales for the three months ended September 30, 2015 were $497.3, down 2% compared with $506.8 for the three months ended September 30, 2014. Overall selling volumes were down1%, and there was an unfavorable 1% impact ($6.4) of changes in exchange rates. Overall selling prices remained flat. Aerospace Materials' net sales increased by 4%, which was due to higher volumes of 3% and price increases of 1%. Net sales for Industrial Materials segment decreased 21%, as volumes were down by 19% and an unfavorable impact from the changes in exchange rates decreased sales by 3%, which were partly offset by price increases of 1%. In Process Separation's net sales decreased 2% as higher sales volumes of 1% were offset by lower selling prices of 2% and a 1% unfavorable impact in exchange rates. Net sales for Additive Technologies decreased 3% due to a 4% unfavorable impact in exchange rates and a 2% decrease in selling prices, which were partly offset by improved volumes of 3%.

For a detailed discussion on revenues, refer to the Segment Results section below.

Manufacturing cost of sales was $326.8, or 65.7% of net sales, in the third quarter of 2015, compared with $342.0, or 67.5% of net sales, in the third quarter of 2014. Total manufacturing costs decreased by $15.2, primarily due to an $11.9 favorable impact from changes in exchange rates, lower variable costs from lower volumes of $7.1, and net lower raw material costs of $3.7. These cost reductions were partly offset by $5.4 of higher overall plant operating costs, inflationary factors, capital project expenses, and freight and warehousing costs. Additionally, we had net unfavorable absorption of $1.7 and higher restructuring charges of $0.4 in 2015 compared to 2014.

Overall operating expenses (which include Selling and technical services, Research and process development, and Administrative and general expenses) increased by $4.6 in the third quarter of 2015 compared to the third quarter of 2014. The increase was due primarily to $4.5 of transaction and merger related expenses (legal, advisory and other related fees), higher restructuring costs of $2.4, and $1.9 of higher costs associated with the continuing development and implementation of a single, global enterprise resource planning ("ERP") system. These increases were partly offset by a $4.0 favorable impact from changes in exchange rates.

Amortization of acquisition intangibles was $3.4 in the third quarter of 2015 compared to $3.6 in the third quarter of 2014.

Other expense, net was $1.5 in the third quarter of 2015, compared to $1.6 in the third quarter of 2014.

Interest expense, net was $4.0 in the third quarter of 2015 compared with $3.1 in the prior year. The increase of $0.9 is primarily due to lower capitalized interest of $2.7 related to the completion of several of our major capital projects in our growth product lines in 2014, partly offset by lower interest expense of $1.6, mostly from the redemption of higher interest debt in the fourth quarter of 2014 and replacement with new debt issued at a lower rate, and higher interest income of $0.2.

The effective tax rate for continuing operations for the three months ended September 30, 2015 was a tax provision of 24.4%, or $19.2, compared to a tax provision of 31.2%, or $24.4, for the three months ended September 30, 2014. The effective tax rate for the three months ended September 30, 2015 was favorably impacted primarily by a net tax benefit of $5.0 attributable to the closure of the federal tax examination in the U.S.

Earnings from continuing operations for the third quarter of 2015 were $59.5 ($0.81 per diluted share), an increase of $5.7 from $53.8 ($0.73 per diluted share) reported for the same period in 2014. Included in the third quarter of 2015 were after-tax charges of $4.5 ($0.06 per diluted share) for transaction and merger related expenses (legal, advisory and other related fees) and after-tax charges of $1.8 ($0.02 per diluted share) of restructuring charges primarily related to previous restructuring initiatives. Included in the third quarter of 2014 were after-tax charges of $0.4 ($0.01 per diluted share) related to costs resulting from an employee lockout at our manufacturing plant in Greenville, Texas.

(Loss) earnings from discontinued operations, net of tax, was $0.0 in the third quarter of 2015 compared with a loss of $0.2 in 2014. For 2014, it consisted of an after-tax charge of $0.1 related to adjustments of certain tax liabilities of the Coatings business that we retained related to taxable periods (or portions thereof) ending on or before April 3, 2013. Additionally, it included a tax charge of $0.3 to true up the tax expense related to the divestiture of Coatings, and a benefit of $0.2 for final purchase price and settlement of final working capital adjustments related to the sale of the former Industrial Materials distribution product line sold in 2013.

Net earnings for the third quarter of 2015 were $59.5 ($0.81 per diluted share), an increase of $5.9 from the net earnings of $53.6 ($0.73 per diluted share) in the same period in 2014.

Segment Results

Year-to-year comparisons and analysis of changes in net sales by segment and region during the quarter are set forth below.

Aerospace Materials

				% Change Due to		
	2015	**2014**	**Total % Change**	**Price**	**Volume / Mix**	**Currency**
North America	$171.0	$156.4	9%	2%	7%	— %
Latin America[1]	1.9	1.9	—	—	—	—
Asia/Pacific	20.4	18.1	13%	1%	12%	— %
Europe/Middle East/Africa	68.2	74.4	(8)%	— %	(8)%	— %
Total	$261.5	$250.8	4%	1%	3%	— %

Notes:—

(1) Due to the low level of sales in this geographic region, percentage comparisons are not meaningful.

Net sales increased 4%, primarily due to a 3% increase in selling volumes. The higher selling volumes in the third quarter of 2015 were primarily attributable to increased volumes in the large commercial aircraft market in anticipation of build rate increases, and increased volumes in certain defense sectors. These volume increases were partially offset by lower demand from the civilian rotorcraft market. Selling prices improved sales by 1%, while changes in exchange rates did not significantly impact net sales.

Earnings from operations were $54.8, or 21% of net sales in 2015, compared with $45.7, or 18% of net sales in 2014. The $9.1 increase in earnings was due to improved marginal income due to higher selling volumes of $6.8, the favorable net impact from changes in exchange rates of $3.8, increased selling prices of $3.5, $2.9 of lower period costs in 2015 due to lower benefit costs and project expenses, and $0.6 of lower operating expenses. These earnings were partly offset by unfavorable absorption of $6.9 due mostly to scheduled plant maintenance and larger inventory builds in the prior year period, and $1.6 of higher raw material costs.

Industrial Materials

	2015	2014	Total % Change	% Change Due to Price	Volume / Mix	Currency
North America	$27.7	$26.4	5%	1%	4%	— %
Latin America[1]	1.2	2.1	— %	— %	— %	— %
Asia/Pacific[1]	2.2	5.7	— %	— %	— %	— %
Europe/Middle East/Africa	32.7	46.1	(29)%	1%	(25)%	(5)%
Total	$63.8	$80.3	(21)%	1%	(19)%	(3)%

Notes:—

(1) Due to the low level of sales in this geographic region, percentage comparisons are not meaningful.

Net sales were down 21% compared to the third quarter of 2014. Selling volumes decreased 19%, driven primarily by lower demand in the aerospace tooling, high performance automotive, and process materials aerospace and wind markets. Selling volumes also were impacted due to integration and start up issues related to the implementation of our new global ERP at certain Industrial Materials' sites this quarter. Net sales were down 3% from the unfavorable impact of changes in exchange rates, which was partly offset by increased selling prices of 1%.

Earnings from operations were $1.2, or 2% of net sales in 2015, compared with $6.8, or 9% of net sales in 2014. Earnings decreased by $5.6 due to lower selling volumes of $6.2, as well as increased manufacturing costs of approximately $3.5 from increased labor and inflationary costs. These effects were partially offset by lower operating expenses of $1.3, favorable absorption of $0.9, and higher selling prices of $0.9. The favorable net impact from changes in exchange rates was $1.0.

In Process Separation

	2015	2014	Total % Change	% Change Due to Price	Volume/ Mix	Currency
North America	$ 31.7	$ 33.4	(5)%	(2)%	(3)%	— %
Latin America	32.5	34.7	(6)%	(2)%	(4)%	— %
Asia/Pacific	22.3	18.7	19%	(3)%	27%	(5)%
Europe/Middle East/Africa	19.8	21.4	(7)%	(1)%	(5)%	(1)%
Total	$106.3	$108.2	(2)%	(2)%	1%	(1)%

Net sales were down 2% compared to the third quarter of 2014. Sales volumes were up 1%, as strong demand in our alumina and mineral processing product lines was mostly offset by lower demand in our phosphine product lines and metal extraction product lines compared to the prior year. Selling prices were lower by 2%. Changes in foreign exchange rates were unfavorable by 1%.

Earnings from operations were $30.8, or 29% of net sales in 2015, compared with $27.1, or 25% of net sales in 2014. The $3.7 increase in earnings was principally due to a $4.2 favorable net impact from changes in exchange rates, $3.5 of lower raw material costs, favorable net absorption of $3.0 from higher volumes for increased future demand, and improved marginal income due to higher selling volumes of $1.4. These increases were mostly offset by higher manufacturing costs of $4.4 due to higher overall plant operating costs, which included higher depreciation related to the startup of manufacturing plants in Canada and India, and higher freight for increased demand. Additionally, there were higher operating expenses of $2.1 for inflationary factors and to support continued growth, and lower selling prices of $1.9.

Additive Technologies

	2015	2014	Total % Change	% Change Due to Price	Volume/Mix	Currency
North America	$27.1	$28.8	(6)%	(2)%	(4)%	— %
Latin America	5.2	7.0	(26)%	(3)%	(23)%	— %
Asia/Pacific	19.4	18.1	7%	(2)%	11%	(2)%
Europe/Middle East/Africa	14.0	13.6	3%	(1)%	19%	(15)%
Total	$65.7	$67.5	(3)%	(2)%	3%	(4)%

Net sales were down 3% compared to the third quarter of 2014. Volumes were up 3%, primarily from higher demand for polymer additive products across the European and Asia/Pacific regions, which was offset by weaker demand for specialty additives products, mostly in North America. Selling prices reduced sales by 2% and changes in exchange rates were unfavorable by 4%.

Earnings from operations were $10.8, or 16% of net sales in 2015, compared with $8.4, or 12% of net sales in 2014. Earnings increased by $2.4, primarily from lower raw material costs of $1.7, favorable fixed cost absorption of $1.3, improved marginal income due to higher selling volumes of $0.8, and a favorable net impact from changes in exchange rates of $0.7. These were partly offset by net selling price decreases of $1.2, higher manufacturing costs and freight of $0.7, and higher operating costs of $0.2.

Nine Months Ended September 30, 2015, Compared With Nine Months Ended September 30, 2014

Consolidated Results

Net sales for the nine months ended September 30, 2015 of $1,520.5 were flat compared to net sales of $1,523.0 for the nine months ended September 30, 2014. Overall selling volumes were up 2%, which was offset by an unfavorable 2% impact ($25.8) of changes in exchange rates. Selling prices remained flat. Aerospace Materials net sales increased by 4%, of which 3% was from higher selling volumes and 1% was due to price increases. Net sales for Industrial Materials segment decreased 18%, due to volume decreases of 14% and a 5% unfavorable impact from changes in exchange rates, which were partly offset by selling price increases of 1%. Net sales for In Process Separation increased 5%, due to sales volume increases of 7%, partly offset by lower selling prices of 1% and a 1% unfavorable impact from changes in exchange rates. Despite volume increases of 6%, Additive Technologies' net sales were down 1% compared to 2014, due to the unfavorable impact from changes in exchange rates of 4% and lower selling prices of 3%.

For a detailed discussion on sales, refer to the Segment Results section below.

Manufacturing cost of sales was $1,040.4, or 68.4% of net sales, in the nine months ended September 30, 2015, compared with $1,018.2, or 66.9% of net sales, in the nine months ended September 30, 2014. Total manufacturing costs increased by $22.2, related mostly to higher manufacturing and other period costs of $42.3 due to higher overall plant operating costs, expenses related to capital projects, inflationary factors, and higher spending to meet increased volume demands for the year. This included $10.7 of increased costs in 2015 resulting from an employee lockout at our manufacturing plant in Greenville, Texas. The lockout was settled in the first quarter of 2015, but the higher costs of inventory produced during the lockout continued to impact cost of sales as that inventory was sold during the first half of 2015. Additionally, we incurred a $22.0 year on year increase in pension and other postemployment benefits ("OPEB") mark-to-market ("MTM") adjustments, higher restructuring costs of $1.6, and unfavorable net absorption of $1.1. Partly offsetting these cost increases were a $38.4 favorable impact from changes in exchange rates and $7.0 of net lower raw material costs.

Overall operating expenses (which include Selling and technical services, Research and process development, and Administrative and general expenses) decreased by $0.7 in the nine months ended September 30, 2015 versus the nine months ended September 30, 2014. The decrease was due primarily to an $12.5 favorable impact from changes in exchange rates, as the U.S. dollar strengthened significantly against the Euro year over year, and lower benefit costs of approximately $2.6. Partly offsetting the decrease were $5.6 of higher costs associated with the continuing development and implementation of a single, global enterprise resource planning ("ERP") system, and $4.4 of higher restructuring costs in 2015, and $4.5 of transaction and merger related expenses (legal, advisory and other related fees).

Amortization of acquisition intangibles was $10.3 and $10.9 in the first nine months of 2015 and 2014, respectively.

Other expense, net was $3.0 in the first nine months of 2015 compared to $2.2 in the first nine months of 2014. In the nine months ended September 30, 2015, Other expense, net included charges of $2.5 related to additional environmental remediation requirements at certain inactive sites in the U.S.

Interest expense, net was $11.6 for the nine months ended September 30, 2015 compared with $9.3 in the prior year. The increase of $2.3 was primarily due to lower capitalized interest of $7.3 related to the completion of several of our major capital projects in our growth product lines in 2014, partly offset by lower interest expense of $4.6, mostly from the redemption of higher interest debt in the fourth quarter of 2014 and replacement with new debt issued at a lower rate, and higher interest income of $0.4.

The effective tax rate for continuing operations for the nine months ended September 30, 2015 was a tax provision of 26.7%, or $57.6, compared to a tax provision of 29.0%, or $70.2, for the nine months ended September 30, 2014. The effective tax rate for the nine months ended September 30, 2015 was favorably impacted by a net tax benefit of $6.7, consisting of $7.4 of adjustments to the unrecognized tax positions due to the closure of the U.S. federal tax examination, a statute lapse in non-U.S. jurisdictions, and changes in tax rates for U.S. and certain international operations, partially offset by $0.7 of valuation allowance charges.

Earnings from continuing operations for the nine months ended September 30, 2015 were $158.2 ($2.16 per diluted share), an increase [correction: decrease] of $13.9 from $172.1 ($2.34 per diluted share) reported for the same period in 2014. Included in the nine months ended September 30, 2015 was an after-tax charge of $9.9 ($0.14 per diluted share) for pension and OPEB MTM adjustments deferred in inventory from the 2014 MTM adjustments, after-tax charges of $7.2 ($0.10 per diluted share) related to expenses incurred and associated with the lockout of employees at one of our manufacturing plants, after-tax charges of $4.5 ($0.06 per diluted share) related to transaction and merger related costs, net after-tax charges of $4.3 ($0.06 per diluted share) for restructuring charges primarily related to 2015 initiatives related to realignment of support functions across all segments related to ongoing development and implementation of our new ERP platform, and net after-tax charges of $0.9 ($0.01 per diluted share) related to environmental charges at inactive sites. Included in the nine months ended September 30, 2014 was an after-tax benefit of $3.8 ($0.05 per diluted share) for pension and OPEB MTM adjustments deferred in inventory from the 2013 MTM adjustments, after-tax charges of $0.4 ($0.01 per diluted share) related to expenses incurred related to the lockout of employees at one of our manufacturing plants, and net after-tax charges of $0.2 ($0.00 per diluted share) for adjustments to previous restructuring initiatives.

(Loss) earnings from discontinued operations, net of tax, was $(1.5) and $11.0 for the first nine months of 2015 and 2014, respectively. For 2015, (Loss) earnings from discontinued operations, net of tax consisted of after-tax losses of $1.5 related to the sale of Coatings, of which $0.1 was related to adjustments of certain tax liabilities of the Coatings business that we retained related to taxable periods (or portions thereof) ending on or before April 3, 2013, and $1.4 of additional costs of exiting a former Coatings facility. For 2014, it included benefits of approximately $3.6 related to the settlement of income tax and value added tax liabilities of an entity that had been divested by Umeco in 2011, for periods that were under audit prior to its divestiture. In connection with the sale of Coatings, we recorded after-tax charges of $1.3 for adjustments to certain tax indemnities related to Coatings for taxable periods prior to its divestiture, after-tax charges of approximately $2.3 related to purchase price and working capital adjustments relating to the divestiture, and a tax benefit of $11.1 based on our best estimate of the purchase price allocation attributable to the Coatings business sold in various taxing jurisdictions.

Net earnings for the nine months ended September 30, 2015 were $156.7 ($2.14 per diluted share), an increase of $26.4 from the net earnings of $183.1 ($2.49 per diluted share) in the same period in 2014.

Segment Results

Year-to-year comparisons and analysis of changes in net sales by segment and region during the year are set forth below.

Aerospace Materials

	2015	2014	Total % Change	% Change Due to Price	Volume/ Mix	Currency
North America	$503.9	$468.4	8%	2%	6%	— %
Latin America[(1)]	5.5	6.7	— %	— %	— %	— %
Asia/Pacific	61.3	53.7	14%	1%	13%	— %
Europe/Middle East/Africa	214.9	227.9	(6)%	(1)%	(5)%	— %
Total	$785.6	$756.7	4%	1%	3%	— %

Notes:—

(1) Due to the low level of sales in this geographic region, percentage comparisons are not meaningful.

Net sales increased 4% for the first nine months of 2015 compared to 2014. Overall selling volumes were up 3%, mostly due to higher demand in large commercial transport in anticipation of build rate increases, and certain defense sectors. Additionally, selling prices increased net sales by 1%. Changes in exchange rates did not significantly impact net sales.

Earnings from operations were $153.6, or 20% of net sales in 2015, compared with $136.4, or 18% of net sales in 2014. The $17.2 increase in earnings consisted of improved marginal income due to higher selling volumes of $26.0, a $13.0 favorable net impact from changes in exchange rates, selling price increases of $8.3, and lower operating expenses of $1.9 primarily in commercial and research and development due to the timing of project spending and cost reduction initiatives. These improvements in earnings were partially offset by $14.2 of higher net period costs in 2015 due to expenses associated with ongoing capital projects and inflation, and higher raw material costs of $0.5. Additionally, there was an unfavorable impact from absorption of $17.3 due mostly to larger inventory builds in the prior year period.

Industrial Materials

	2015	2014	Total % Change	% Change Due to Price	Volume/ Mix	Currency
North America	$ 79.5	$ 85.6	(7)%	1%	(8)%	— %
Latin America[(1)]	5.0	8.2	— %	— %	— %	— %
Asia/Pacific	12.7	11.0	— %	— %	— %	— %
Europe/Middle East/Africa	108.9	145.2	(25)%	1%	(17)%	(9)%
Total	$206.1	$250.0	(18)%	1%	(14)%	(5)%

Notes:—

(1) Due to the low level of sales in this geographic region, percentage comparisons are not meaningful.

Net sales were down 18% overall from 2014. Selling volumes were down 14%, primarily from lower demand in the aerospace tooling, motorsports, and wind markets. Selling volumes also were impacted due to integration and start up issues related to the implementation of our new global ERP at certain Industrial Materials' sites this year. Additionally, net sales were lower from the unfavorable impact from changes in exchange rates of 5%. This exchange rate impact was mostly in Europe, as the U.S. dollar strengthened significantly against the Euro year over year. Selling prices increased 1% over 2014.

Earnings from operations were $11.7, or 6% of net sales in 2015, compared with $24.7, or 10% of net sales in 2014. The $13.0 decrease in earnings was driven by lower marginal income on lower selling volumes of $13.8, increased period costs of approximately $8.1 due to increased plant and personnel costs, and higher raw material costs of $0.5. The higher costs were partially offset by the favorable impact from absorption of $4.3, higher selling prices of $1.9, lower operating expenses of $1.7, and a favorable net impact from changes in exchange rates of $1.5.

In Process Separation

	2015	2014	Total % Change	% Change Due to Price	Volume/ Mix	Currency
North America	$ 98.3	$ 96.2	2%	(1)%	3%	— %
Latin America[1]	98.4	91.6	7%	(1)%	8%	— %
Asia/Pacific	68.6	59.9	15%	(1)%	20%	(4)%
Europe/Middle East/Africa	57.9	60.6	(4)%	(1)%	(2)%	(1)%
Total	$323.2	$308.3	5%	(1)%	7%	(1)%

Net sales increased 5%, primarily due to higher sales volumes of 7%. The volume increase in 2015 was primarily from higher demand in our mineral processing and alumina product lines, partly offset by lower metal extraction product and phosphine product sales. Selling prices were down 1%, while changes in foreign exchange rates resulted in a 1% reduction in net sales.

Earnings from operations were $92.1, or 28% of net sales in 2015, compared with $74.8, or 24% of net sales in 2014. The $17.3 increase in earnings was principally due to improved marginal income due to higher selling volumes of $14.4, a favorable net impact from changes in exchange rates of $10.3, net favorable fixed cost absorption of $9.0, and lower raw material costs of $7.2. These increases were partially offset by higher manufacturing costs of $14.8 due to higher overall plant operating costs, which included higher depreciation related to the startup of manufacturing plants in Canada and India, and higher freight from increased volumes. Additionally, there were higher operating expenses of $6.4 primarily related to commercial activities, and $2.4 from lower selling prices.

Additive Technologies

	2015	2014	Total % Change	% Change Due to Price	Volume/ Mix	Currency
North America	$ 84.8	$ 87.7	(3)%	(2)%	(1)%	— %
Latin America	17.7	19.7	(10)%	(3)%	(7)%	— %
Asia/Pacific	57.8	50.6	14%	(4)%	20%	(2)%
Europe/Middle East/Africa	45.3	50.0	(9)%	(4)%	9%	(14)%
Total	$205.6	$208.0	(1)%	(3)%	6%	(4)%

Net sales were down 1% compared with 2014. Selling volumes were up 6%. Demand for polymer additives products increased across all regions. Higher volumes for specialty additives products occurred primarily in the Asia/Pacific region due to increased demand for industrial surfactants and docusate products, which were partly offset by weaker demand in the European region mostly due to instability in the chemical industry driven by lower oil prices. There was an unfavorable impact from changes in exchange rates of 4% mostly as the U.S. dollar strengthened considerably against the Euro year over year. Selling prices were down by 3%.

Earnings from operations were $29.5, or 14% of net sales in 2015, compared with $26.7, or 13% of net sales in 2014. The $2.8 increase in earnings was due primarily from increased marginal income due to higher selling volumes of $5.1, favorable fixed cost absorption of $2.9, lower commercial and operating expenses of $1.6, $0.8 of lower variable costs, and a $0.8 favorable impact from changes in exchange rates. These increases were partly offset by lower selling prices of $5.7, $1.6 of higher freight and warehousing due to higher volumes, and higher period costs of $1.1 mostly related to inflationary costs and plant maintenance.

LIQUIDITY AND FINANCIAL CONDITION

At September 30, 2015, our cash balance was $170.9 compared with $133.9 at December 31, 2014. At September 30, 2015, approximately 53% of our cash was located outside of the U.S.

Net cash provided by (used in) continuing operations

Net cash provided by operating activities of continuing operations was $160.0 in 2015 compared to $171.7 in 2014. Trade accounts receivable increased $38.0 due to higher sales levels, as days outstanding of 49 days as of the end of the third quarter of 2015 was unchanged from year end 2014. Accounts payable increased by $13.3, as accounts payable days outstanding at September 30, 2015 increased two days to 48 days from 46 days at the end of 2014. Inventory increased $11.8. Inventory days on hand were at 95 days at the end of the third quarter of 2015, which is up nine days since year end 2014. Accrued expenses decreased by $19.0, primarily due to lower accrued incentive compensation and employee benefits compared to year-end. Income taxes payable decreased by $2.5. We disclosed in our 2014 Annual Report on Form 10-K that we expected to contribute $4.9 and $10.2, respectively, to our pension and postretirement plans in 2015. Through September 30, 2015, actual contributions to our pension and postretirement plans were $4.2 and $7.4, respectively.

Net cash used in investing activities was $96.9 in 2015 compared to $170.4 in 2014. Capital spending for the first nine months of 2015 was $96.9 compared to $170.3 in 2014. Capital spending in 2015 was primarily attributable to continued investment for the strategic expansion of our growth businesses within the Aerospace Materials and Industrial Materials segments, in addition to maintenance of business capital across the Company and the investment in our new global ERP system. Our total capital spending for 2015 is expected to be in a range of approximately $160.0 to $170.0.

Net cash used in financing activities in 2015 was $13.5, compared to net cash provided of $6.9 in 2014. During the first nine months of 2015, we paid cash dividends of $26.8 and made net payments of $0.4 related to our long term borrowings. We also received $9.9 of proceeds from stock option exercises and had $3.8 of excess tax benefits related to share-based payment arrangements.

Share repurchases

There were no share repurchases during three and nine months ended September 30, 2015 and $150.0 was available under the current buyback program as of September 30, 2015. The Merger Agreement with Solvay imposes certain restrictions upon repurchases of our common stock while the Merger is pending.

Dividends

On July 16, 2015, the Board of Directors declared a $0.125 per common share cash dividend, payable on August 25, 2015 to shareholders of record as of August 10, 2015. Cash dividends paid in the third quarter of 2015 and 2014 were $9.0 and $9.0, respectively, and for the nine months ended September 30, 2015 and 2014 were $26.8 and $17.9, respectively. On October 15, 2015, the Board of Directors declared a $0.125 per common share cash dividend, payable on November 25, 2015 to shareholders of record as of November 10, 2015, as is permitted under the Merger Agreement with Solvay.

Net cash (used in) provided by operating activities of discontinued operations

Net cash used in operating activities of discontinued operations was $3.2 for nine months ended September 30, 2015 compared to net cash provided of $0.3 for nine months ended September 30, 2014. In 2015, the net cash used was related to payments for the exit of a former Coatings site that occurred in 2015.

Funding of future cash requirements

We believe that we have the ability to fund our operating cash requirements, planned capital expenditures, planned cash dividends, as well as the ability to meet our debt service requirements for the foreseeable future from existing cash, from internal cash generation, and, when appropriate, through utilization of our existing credit line. From time to time, based on such factors as local tax regulations, prevailing interest rates and our plans for capital investment or other investments, it may make economic sense to utilize our existing credit lines in order to meet our cash requirements, which may include debt-service related disbursements. We are required to meet financial ratios under our $400.0 Revolving Credit Facility, including a maximum permitted ratio of consolidated total debt (as defined) to consolidated EBITDA (as defined) and a minimum consolidated EBITDA (as defined) to consolidated interest expense ratio. Complying with these ratios could limit our ability to plan for or react to market conditions or meet extraordinary capital needs and could otherwise restrict our financing activities. Our ability to comply with the covenants will depend on our future operating performance. If we fail to comply with those covenants and terms, we will be in default. In this case, we would be required to obtain waivers from our lenders in order to maintain compliance. If we were unable to obtain any necessary waivers, the amounts outstanding under this Revolving Credit Facility could be accelerated, and become immediately due and payable, and we would not be able to borrow any additional funds under the agreement while such default continued. We are in compliance with these covenants and expect to be in compliance through the effective time of the merger with Solvay. We have no borrowings outstanding under the Revolving Credit Facility as of September 30, 2015. Our ability to fully utilize our Revolving Credit Facility can be limited by our actual calculated debt covenant ratio as compared to the maximum debt covenant ratio permitted under the Revolving Credit Facility. At September 30, 2015, $400.0 of the Revolving Credit Facility was available to us, and we expect that the full amount will continue to be available based on our current forecasts.

Use of cash

We have generated a significant amount of cash in recent years. Our top priorities for use of cash will continue to be investment in the typical maintenance of business capital spending projects, followed by expansion/cost reduction capital in our growth product lines and fast payback/margin improvement capital in our cash product lines. We will pursue bolt-on acquisitions and equity investments related to our growth product lines. In addition, we will continue to return excess cash to shareholders through dividends.

Inflation at this time is not considered significant although higher costs for energy and commodities could impact our future operating expenses and capital spending. The impact of increasing raw material costs are discussed under "Customers and Suppliers" in Item 1, "Business," and also in Item 1A, "Risk Factors," in our 2014 Annual Report on Form 10-K.

Contractual Obligations and Commitments

Reference is made to Note 12 in Notes to Consolidated Financial Statements included herein which describes certain gross liabilities totaling $6.2 for unrecognized tax benefits for continuing operations that will be resolved at some point over the next several years.

OTHER

2015 OUTLOOK

In our October 22, 2015 press release, which was also furnished as an exhibit to a Current Report on Form 8-K, we presented our outlook for our full year 2015 results at the time based on various assumptions set forth in the press release. There can be no assurance that sales or earnings will develop in the manner projected. Actual results may differ materially. See "Comments on Forward-Looking Statements."

Critical Accounting Policies

See "Critical Accounting Policies" under Item 7A of our 2014 Annual Report on Form 10-K, filed with the Securities and Exchange Commission. There were no changes to our critical accounting policies.

COMMENTS ON FORWARD-LOOKING STATEMENTS

A number of the statements made by us in our Annual Report on Form 10-K, in other documents, including but not limited to the Chairman, President and Chief Executive Officer's and Vice President and Chief Financial Officer's letters to stockholders and stakeholders, respectively, in our press releases and in other reports to the Securities and Exchange Commission, may be regarded as "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this report, including those made by the management of Cytec, other than historical statements, are forward-looking statements.

Forward-looking statements include, among others, statements concerning: our expectations with respect to the proposed Merger with a subsidiary of Solvay, our or any of our segments' outlook for the future, anticipated results of acquisitions and divestitures, future aircraft build rates, expectations on the amount of our composite material content on new aerospace programs, timing of new mine startups, selling price, raw material cost and working capital trends, anticipated changes in currency rates and their effects, economic forces within the industries in which we operate, anticipated costs, target completion and qualification dates and expenditures for capital projects, expected sales growth, operational excellence strategies and their results, expected annual tax rates, our long-term goals, environmental remediation costs, future legal settlements, claims and judgments, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Such statements are based upon our current beliefs and expectations and are subject to significant risks and uncertainties, including risks and uncertainties discussed in Item 1A, "Risk Factors," of our 2014 Annual Report on Form 10-K, as updated in this Form 10-Q. Actual results may vary materially from those set forth in the forward-looking statements.

The following factors, among others, could affect our anticipated results: risks and uncertainties related to the proposed Merger, including the expected timing and likelihood of completion of the Merger, including the timing, receipt and terms and conditions of any required governmental approvals of the Merger that could cause the parties to abandon the transaction, the state of the credit markets generally and the availability of financing and the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; our ability to successfully complete planned or ongoing restructuring and capital expansion projects, including realization of the anticipated results from such projects; our ability to maintain or improve current ratings on our debt; our ability to obtain financing or borrow fully against committed lines, changes in financial conditions or the financial status of our existing lenders markets; changes in global and regional economies; the financial well-being of our customers and the end-consumers of products incorporating our products; changes in demand for our products or in the quality, costs and availability of our raw materials, particularly when such raw materials are only available from a single or limited number of sources and cannot be substituted with other unqualified materials; timing of new product introductions; customer inventory reductions; changes in the build rates for certain aircraft programs; the actions of competitors; currency and interest rate fluctuations; technological change, particularly in aerospace program technology; manufacturing capacity constraints; our ability to renegotiate expiring long-term contracts; our ability to raise our selling prices when our product costs increase; changes in employee relations, possible strikes or work stoppages at our facilities or at the facilities of our customers or suppliers; new laws and regulations or changes in their interpretation, including those related to taxation, global warming and those particular to the purchase, sale, storage and manufacture of chemicals or operation of chemical plants; governmental funding for those military programs that utilize our products; litigation, including its inherent uncertainty and changes in the number or severity of various types of claims brought against us and changes in the laws applicable to these claims; quality problems; difficulties in plant operations and materials transportation, including those caused by hurricanes or other natural forces; short or long-term climate changes; environmental matters; returns on employee benefit plan assets and changes in the discount rates used to estimate employee benefit liabilities; changes in the medical cost trend rate; changes in accounting principles or new accounting standards; political instability or adverse treatment of foreign operations in any of the significant countries in which we or our customers operate; war, terrorism or sabotage; epidemics; and other unforeseen circumstances. Unless indicated otherwise, the terms "Cytec," "Company," "we," "us," and "our" each refer collectively to Cytec Industries Inc. and its subsidiaries.

VIII. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (FOR THE YEAR ENDED DECEMBER 31, 2014 EXTRACTED FROM ITEM 7 OF CYTEC'S 10-K)

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements. It is assumed that the reader is familiar with the description of our business and risk factors contained in Part I of this report. Currency amounts are in millions, except per share amounts. Percentages are approximate. Per share amounts for the periods presented below reflect the effects of our September 2014 stock split.

General

We are a global specialty materials and chemicals company focused on developing, manufacturing and selling value-added products. Our products serve a diverse range of end markets including aerospace and industrial materials, mining and plastics. Sales price and volume by region and the impact of exchange rates on our reporting segments are important measures that are analysed by management and are provided in our segment analysis.

We report net sales in four geographic regions: North America, Latin America, Asia/Pacific, and Europe/Middle East/Africa. The destination of the sale determines the region under which it is reported consistent with management's view of the business. North America consists of the United States ("U.S.") and Canada. Latin America includes Mexico, Central America, South America, and the Caribbean Islands. Asia/Pacific is comprised of Asia, Australia and the islands of the South Pacific Rim.

Increasing selling volumes, geographic expansion, and new product introductions are important factors of our profitability. Selling price changes and raw material cost changes year on year are also important factors of our profitability especially in years of high volatility. See our Segment Results for discussion of the year-to-year impact of these important factors.

Segments

We regularly review our segment reporting and classifications and may periodically change our reportable segments to align with strategic and operational changes.

As discussed below, the former Coating Resins ("Coatings") business is reported as discontinued operations for all periods presented, and the acquired Umeco business is reported partly in our Aerospace Materials segment, but mostly in our Industrial Materials segment, and includes results of operations since we acquired it on July 20, 2012.

Acquisitions

Umeco plc

On July 20, 2012, we completed the acquisition of all of the outstanding shares of Umeco plc ("Umeco"), an international provider of composite and process materials, in an all-cash transaction at a cost of approximately $423.8. The acquisition is intended to strengthen our position as a leading manufacturer of composite materials, while offering significant opportunities for growth and value creation, particularly in industrial composites and process materials. The acquired Umeco business is being reported partly in the Aerospace Materials segment, but mostly in the Industrial Materials segment. See Note 2 of Notes to Consolidated Financial Statements for further details.

Star Orechem International Private Limited

On March 30, 2012, we acquired the manufacturing assets of Star Orechem International Private Limited ("SOIL"), in Nagpur, Central India, in a cash transaction. The acquisition is expected to increase our global capacity for our metal extraction product ("MEP") line of our In Process Separation segment by approximately 15%, and provides the ability to further expand production at the site. We completed the capabilities and upgrading project of the acquired plant to meet appropriate safety and operating standards, and began production of our mining chemical products in the fourth quarter of 2014. The results of operations of the acquired business have been included in our In Process Separation segment since April 1, 2012. See Note 2 of Notes to Consolidated Financial Statements for further details.

Discontinued Operations

Coating Resins

On April 3, 2013, we completed the sale of our remaining Coatings business to Advent International ("Advent"), a global private equity firm, for a total value to $1,133.0, including assumed liabilities of $118.0, resulting in a cumulative after-tax loss on the sale of $16.9 in 2013. These cumulative after-tax losses are included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statement of income for 2013. The final price paid and loss on sale remains subject to final working capital and other customary adjustments. After-tax earnings from operations of the discontinued business for the years ended December 31, 2013 and 2012 were $31.6 and $117.4, respectively.

In connection with the sale of Coatings to Advent, we agreed to retain certain liabilities, including liabilities for U.S. pension and other postretirement benefits and certain tax liabilities related to taxable periods (or portions thereof) ending on or before April 3, 2013. In 2014, we recorded after-tax charges of $1.0 related to certain of these tax liabilities and other tax related adjustments with respect to the divestiture. Additionally, in 2014, we recorded a tax benefit of $11.1 based on our best estimate of the purchase price allocation attributable to the Coatings business sold in various taxing jurisdictions, offset by after-tax charges of approximately $3.6 for purchase price and working capital adjustments and charges of $0.6 to true up the tax expense related to the divestiture.

Previously, on July 31, 2012, we completed the sale of the pressure sensitive adhesives ("PSA") product line of the former Coatings business to Henkel AG & Co. for approximately $105.0, including working capital of approximately $15.0. In 2012, we received cash consideration of $112.8 from the sale and recorded an after-tax gain on the sale of $8.6, which is included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statement of income. In 2012, we also recorded cumulative after-tax charges of $24.7 to adjust our carrying value of the Coatings disposal group to its fair value less cost to sell, based on the terms of the definitive agreement with Advent at that time. The charge is also included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statement of income for 2012.

The results of operations of the former Coatings business are reported as discontinued operations, and are therefore excluded from both continuing operations and segment results for all periods presented. The results of the PSA product line are included in discontinued operations up through its sale on July 31, 2012. All previously reported financial information has been revised to conform to the current presentation.

Sale of the Industrial Materials distribution product line

On July 12, 2013, we sold the Industrial Materials distribution product line, which we acquired as part of the Umeco acquisition, to Cathay Investments for $8.6, subject to final working capital and other customary adjustments. In 2013, we recorded an after-tax charge of $12.5 to adjust our carrying value of the disposal group to its fair value less cost to sell, based on the terms of the agreement. In 2014, we recorded an after-tax benefit of $0.2 related to final purchase price and settlement of final working capital adjustments. These amounts are included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statements of income.

The results of operations of the former Industrial Materials distribution product line prior to its divestiture remain in continuing operations for all periods presented, as the results of operations for the business and assets and liabilities sold were not material to disclose as discontinued operations or assets held for sale.

Former Umeco entities divested prior to our acquisition

As part of our acquisition accounting for Umeco in 2012, we established reserves related to income tax and value added tax liabilities of an entity that had been divested by Umeco in 2011, for periods that were under audit prior to it its divestiture. We continued to accrue interest through the end of 2013. In the first quarter of 2014, we agreed to a settlement for audit periods through March 31, 2009, which resulted in a benefit of approximately $3.6. The benefit is included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statement of income for 2014.

Results of Operations

The following table sets forth the percentage of net sales of certain items in our consolidated statements of income:

	Years ended December 31,		
	2014	2013	2012
		(%)	
Net sales	100.0	100.0	100.0
Manufacturing cost of sales	69.9	66.3	70.4
Gross profit	30.1	33.7	29.6
Selling and technical services	7.9	7.6	9.0
Research and process development	2.8	2.5	3.2
Administrative and general	7.0	6.5	8.2
Amortisation of acquisition intangibles	0.7	0.8	0.5
Net loss on sale of assets	—	—	1.0
Asset impairment charge	—	0.3	—
Earnings from operations	11.6	16.0	7.7
Earnings from continuing operations	7.2	8.9	4.4

Net Sales by Segment and Geographic Area

Net Sales	North America	Latin America	Asia/Pacific	Europe/ Middle East/Africa	Total
2014					
Aerospace Materials	626.1	8.1	72.3	293.6	1,000.1
Industrial Materials	107.5	11.7	15.5	191.1	325.8
In Process Separation	120.9	126.0	80.8	82.8	410.5
Additive Technologies	115.0	24.8	68.0	63.5	271.3
Total	969.5	170.6	236.6	631.0	2,007.7
2013					
Aerospace Materials	609.4	5.5	66.9	279.0	960.8
Industrial Materials	95.4	12.2	11.9	196.8	316.3
In Process Separation	96.1	117.6	96.3	72.7	382.7
Additive Technologies	121.6	23.9	69.1	60.6	275.2
Total	922.5	159.2	244.2	609.1	1,935.0
2012					
Aerospace Materials	545.3	4.4	58.6	268.8	877.1
Industrial Materials	63.3	6.8	6.5	99.8	176.4
In Process Separation	103.5	113.0	85.6	82.1	384.2
Additive Technologies	118.7	22.1	67.6	62.0	270.4
Total	**830.8**	**146.3**	**218.3**	**512.7**	**1,708.1**

Net sales in the U.S. were $912.8, $865.2, and $782.1, or 45%, 45%, and 46% of total net sales, for 2014, 2013 and 2012, respectively. International net sales were $1,094.9, $1,069.8, and $926.0, or 55%, 55%, and 54% of total net sales, for 2014, 2013 and 2012, respectively.

We have four reportable business segments: Aerospace Materials, Industrial Materials, In Process Separation, and Additive Technologies. The Aerospace Materials segment principally includes advanced composites, carbon fiber, and structural film adhesives. The Industrial Materials segment includes structural composite materials (high performance automotive, motorsports, recreation, tooling and other structural materials markets) and process materials (aerospace, wind energy, and other process materials markets). The In Process Separation segment includes mining chemicals and phosphines. The Additive Technologies segment includes polymer additives, specialty additives, and formulated resins.

For more information on our segments, refer to Note 18 of Notes to Consolidated Financial Statements and further discussions under “Segment Results” below.

Year ended December 31, 2014, compared with year ended December 31, 2013

Consolidated Results

Net sales for 2014 were $2,007.7, up 4% compared with net sales of $1,935.0 for 2013. Overall selling volumes for our continuing businesses were up 4%, while price increases improved sales by 1%. These increases were partially offset by the impact of the divestiture of the former Industrial Materials distribution product line in July 2013, which resulted in 2014 net sales to be lower by 1%. The impact of changes in exchange rates on sales was minimal. Aerospace Materials net sales increased by 4%, of which 2% was from higher selling volumes and 2% was due to price increases. Overall, net sales for the Industrial Materials segment were up 3%. An 8% decrease as a result of the divestiture of the former distribution product line in July 2013 was more than offset by a 9% increase due to higher sales volume for remaining products. Higher prices increased sales by 1%, and the favorable impact from changes in exchange rates increased sales by 1%. Net sales for In Process Separation increased 7% due mostly to sales volume increases, while Additive Technologies’ net sales were down 1% compared to 2013, as volume increases of 1% were more than offset by price decreases of 2%. For a detailed discussion on sales, refer to “Segment Results” section below.

Manufacturing cost of sales was $1,403.8, or 69.9% of sales, for 2014 compared with $1,283.1, or 66.3% of sales, for 2013. The increase in manufacturing cost of sales of $120.7 compared to 2013 was due mostly to net unfavorable pension and other postemployment benefits (“OPEB”) mark-to-market (“MTM”) adjustments of

$67.1 in 2014 versus 2013. This significant unfavorable impact was due to the use of updated mortality tables and a lower discount rate in the 2014 MTM calculation, offset to an extent by favorable returns on plan assets. We also incurred $41.3 of higher manufacturing and other period costs due to higher overall plant operating costs and freight from increased volume. This included higher costs of $5.7 related to an employee lockout at our manufacturing plant in Greenville, Texas. In addition, we had higher materials costs and freight of $29.2 related to higher sales volumes, and $17.0 of higher raw material costs, primarily in Aerospace Materials. Partly offsetting these cost increases were lower costs of $21.9 from the divestiture of the Industrial Materials distribution product line in July 2013 and favorable fixed cost absorption of $12.7 on increased production volumes in Aerospace Materials.

Overall operating expenses (which include Selling and technical services, Research and process development, and Administrative and general expenses) increased by $33.7 primarily due to higher pension and OPEB MTM adjustments of $40.5 compared to 2013, and increased costs of $3.2 primarily related to the expiration of transition service agreements with the purchaser of the Coatings business, net of related cost reduction initiatives. The cost increases were partly offset by $4.5 of lower operating expenses from the divestiture of the Industrial Materials distribution product line in July 2013, lower restructuring costs of $3.8, and a $1.0 favorable impact from changes in exchange rates.

Amortisation of acquisition intangibles was $14.4 and $14.6 for 2014 and 2013, respectively.

Asset impairment charges of $5.8 in 2013 included a charge of $3.0 for the write down of certain manufacturing assets acquired in our Nagpur, India facility. It also included the write-off of $2.8 of plant assets at our manufacturing facility in Beelitz, Germany, which was shut down under the restructuring initiatives within Industrial Materials to reduce costs associated with the acquired Umeco business.

Other (expense) income, net was a net expense of $6.4 for 2014 compared to $7.8 for 2013. Included in 2014 were net charges of $2.8 for environmental charges related to inactive sites and $0.8 for foreign exchange losses. Included in 2013 was a charge of $3.2 related to the closing and dissolution of our Process Materials Joint Venture in China that operated under the Industrial Materials business and had been acquired as part of the Umeco acquisition, a charge of $2.2 for environmental charges related to inactive sites, mainly in Canada, for revised remediation plans, and foreign exchange losses of $2.7.

Net loss on early extinguishment of debt was $22.7 and $39.4 for 2014 and 2013, respectively, including transaction costs. For 2014, the loss related to the repurchase of our remaining 6.0% notes due October 1, 2015 and a portion of our 8.95% notes due July 1, 2017, which we called for repurchase in the fourth quarter of 2014. In November 2014, we repurchased $17.8 principal amount of our 6.0% notes for a purchase price of $18.7 plus accrued interest of $0.1. In December 2014, we repurchased $124.0 principal amount of our 6.0% notes for a purchase price of $129.6 plus accrued interest of $1.3, and $82.0 principal amount of our 8.95% notes for a purchase price of $97.8 plus accrued interest of $3.1. The repurchases of the 6.0% and 8.95% notes in 2014 were completed under an offer to repurchase the notes that ended in December 2014. In 2013 we incurred a loss of $39.4 including transaction costs, on the redemption of $135.2 principal amount of our 4.6% notes due July 1, 2013, which we called for redemption in February 2013, for a purchase price of $136.8 plus accrued interest of $1.5; the repurchase of $107.8 principal amount of our 6.0% notes due October 1, 2015 for a purchase price of $121.1 plus accrued interest of $3.1; and the repurchase of $85.1 principal amount of our 8.95% notes due July 1, 2017 for a purchase price of $108.3 plus accrued interest of $1.8. The repurchases of the 6.0% and 8.95% notes in 2013 were completed under an offer to repurchase the notes that ended in March 2013.

Interest expense, net was $14.4 for 2014 compared with $18.2 for 2013. The $3.8 decrease was primarily due to lower interest expense of $2.3, mostly from the redemption of higher interest debt in the first quarter of 2013 and fourth quarter of 2014 with new debt issued at a lower rate, and higher capitalised interest of $2.5 related to the ongoing major capital projects in our growth product lines. These items were partially offset by lower interest income of $1.0.

The effective income tax rate for continuing operations for 2014 was a tax provision of 24.2%, or $46.1, compared to 29.6%, or $72.3, for 2013. For 2014, the rate was favorably impacted by a tax benefit of $5.5 attributable to the reversal of certain tax reserves due to the settlement of tax audits and the expiration of the statute of limitations for the U.S. and other international jurisdictions, and a tax benefit of $2.0 primarily relating to international operations, consisting of a favorable tax rate change with respect to deferred tax assets and liabilities, a net valuation allowance reversal and other tax adjustments.

The *Tax Increase Prevention Act of 2014* (the “2014 Tax Relief Act”), as signed into law on December 19, 2014, provided one year of tax relief by retroactively reinstating to January 1, 2014 a host of expired tax incentives for businesses. These business tax incentives retroactively reinstated and extended through 2014, include, but are not limited to, the research and development credit as well as the favorable look-through treatment of payments between related controlled foreign corporations.

Earnings from continuing operations for 2014 were $144.1 ($1.96 per diluted share), a decrease of $27.6 from $171.7 ($2.14 per diluted share) reported for the same period in 2013. Included in continuing operations for 2014 were after-tax charges of $51.8 ($0.71 per diluted share) for pension MTM adjustments, consisting of the net fourth quarter 2014 MTM adjustment and the portion deferred in inventory from the net fourth quarter 2013 MTM adjustment. Also included in 2014 were the following: a loss on early debt redemption of $14.9 after tax ($0.20 per diluted share); costs of $3.6 after tax ($0.05 per diluted share) in connection with a lockout of employees at one of our plants; environmental charges of $1.9 after tax ($0.03 per diluted share) related to inactive sites; and net restructuring charges of $0.9 after tax ($0.01 per diluted share) related to adjustments to our 2013 and 2012 initiatives. Included in continuing operations for 2013 was an after-tax benefit of $16.4 ($0.21 per diluted share) for pension MTM adjustments, consisting of the fourth quarter 2013 MTM adjustment, the portion deferred in inventory from the fourth quarter 2012 MTM, and the second quarter 2013 MTM adjustment triggered by the curtailment of pension plans related to the divestiture of the former Coatings business on April 3, 2013, and a $1.5 net income tax benefit ($0.02 per diluted share) related to a revision of our previously accrued estimated income tax liability on the unrepatriated earnings of certain foreign subsidiaries as a result of the sale of our Coatings business. The revision was primarily due to changes in the tax attributes of certain foreign subsidiaries. Also included in 2013 were the following after-tax charges: $24.5 ($0.31 per diluted share) related to the loss on the debt redemption; $5.6 ($0.07 per diluted share) related to restructuring activities, including cost reduction initiatives in our Industrial Materials segment to address market conditions and better position ourselves for profitable growth; $3.2 ($0.04 per diluted share) related to the dissolution of our Process Materials Joint Venture in China; $3.0 ($0.04 per diluted share) for the write down of certain manufacturing assets in Nagpur, India; $1.7 ($0.02 per diluted share) of environmental charges related to inactive sites, mainly in Canada, for revised remediation plans; and charges of $1.1 ($0.01 per diluted share) for costs to divest the Industrial Materials distribution product line.

Earnings from discontinued operations, net of tax, were $9.7 for 2014 compared to $2.2 for the comparable period in 2013. For 2014, earnings from discontinued operations, net of tax included benefits of approximately $3.6 related to the settlement of income tax and value added tax liabilities of an entity that had been divested by Umeco in 2011 for periods that were under audit prior to its divestiture. In connection with the sale of Coatings, in 2014 we recorded after-tax charges of $1.0 for adjustments to certain tax indemnities related to Coatings for taxable periods prior to its divestiture, after-tax charges of approximately $3.6 related to purchase price and working capital adjustments relating to the divestiture, and a tax benefit of $11.1 based on our best estimate of the purchase price allocation attributable to the Coatings business sold in various taxing jurisdictions. We also incurred a charge of $0.6 to true up tax expense related to the divestiture. For 2013, earnings from discontinued operations, net of tax consisted of earnings from operations of our former Coatings business of $31.6 prior to its sale, the loss on the sale of our former Coatings business of $16.9, and a charge of $12.5 to adjust the carrying value of the Industrial Materials distribution product line, based on the terms of the sale to Cathay Investments in July 2013.

Net earnings attributable to Cytec Industries Inc. for 2014 were $153.8, or $2.09 per diluted share, compared with net earnings in 2013 of $173.5, or $2.16 per diluted share.

Segment Results (Sales to external customers)

Year-to-year comparisons and analysis of changes in net sales by segment and geographic region are set forth below:

Aerospace Materials

	2014	2013	Total % Change	% Change Due to Price	Volume/ Mix	Currency
North America	$ 626.1	$609.4	3	2	1	—
Latin America	8.1	5.5	47	3	44	—
Asia/Pacific	72.3	66.9	8	4	4	—
Europe/Middle East/Africa	293.6	279.0	5	2	3	—
Total	**$1,000.1**	**$960.8**	**4**	**2**	**2**	**—**

Net sales increased 4% primarily due to a 2% increase in selling volumes and a 2% increase in selling prices. The higher selling volumes were primarily attributable to build rate increases for single aisle aircraft and Boeing's 787 program, which were partly offset by lower demand for the rotorcraft (mostly replacement blades) and certain defense sectors. Changes in exchange rates did not significantly impact net sales.

Earnings from operations were $178.2, or 18% of net sales, in 2014, compared with $177.6, or 18% of net sales, in 2013. The $0.6 increase in earnings was driven by higher selling prices of $21.5, improved marginal income due to higher selling volumes of $10.3, and favorable fixed cost absorption of $12.7 on increased production volumes. The increases were partially offset by higher raw material costs of $19.2, primarily related to the usage of external fiber during 2014 to meet increased sales demand as well as the result of a fire in one of our carbon fiber facilities in the first quarter of 2014. The raw material costs were also higher due to raw material inflation and for material usage and other unfavorable variances. Additionally, we incurred $20.9 of higher net period costs in 2014 due to inflationary factors, higher spending to meet increased volume demands, and expenses related to capital projects. Freight was also higher by $2.0. Changes in exchange rates unfavorably impacted earnings by $1.1. We also incurred $0.7 of higher operating expenses due to inflation and the expiration of transition service agreements related to the Coatings sale, which were partly offset by lower commercial and research spend.

Industrial Materials

	2014	2013	Total % Change	% Change Due to Price	Acquisition/ Volume/Mix	Currency
North America	$107.5	$ 95.4	13	1	12	—
Latin America	11.7	12.2	(4)	35	(49)	10
Asia/Pacific	15.5	11.9	30	(9)	30	9
Europe/Middle East/Africa	191.1	196.8	(3)	1	(5)	1
Total	**$325.8**	**$316.3**	**3**	**1**	**1**	**1**

Overall, net sales increased 3% in 2014. The increase in selling volumes of 1% consisted of an 8% decrease ($25.4), all in Europe, due to the July 2013 divestiture of the former distribution product line, which was more than offset by a 9% sales volume increase for continuing product lines. The increase in the continuing product lines was primarily in the structural composites product line, led by higher demand in the high performance automotive and aerospace tooling markets, partly offset by lower volumes in the motorsports market. Additionally, net sales increased by 1% from the favorable impact from changes in exchange rates and 1% from selling price increases.

Earnings from operations were $30.8, or 9% of net sales in 2014, compared with $19.0, or 6% of net sales in 2013. The $11.8 increase in earnings was driven by improved marginal income due to higher selling volumes of $14.6, higher selling prices of $3.8, and lower operating expenses of $1.7 due to savings from restructuring initiatives implemented in 2013. These increases in earnings were partly offset by increased period costs and freight of approximately $7.1 due to increased volumes and inflationary factors for continuing product lines and higher raw material costs of $0.2. The unfavorable impact of changes in exchange rates also lowered earnings by $1.0.

In Process Separation

				% Change Due to		
	2014	2013	Total % Change	Price	Volume/ Mix	Currency
North America	$120.9	$ 96.1	26	—	26	—
Latin America	126.0	117.6	7	—	7	—
Asia/Pacific	80.8	96.3	(16)	—	(14)	(2)
Europe/Middle East/Africa	82.8	72.7	14	1	13	—
Total	**$410.5**	**$382.7**	**7**	**1**	**7**	**(1)**

Net sales increased 7% in 2014, primarily due to higher sales volumes. The volume increase in 2014 was primarily from higher demand in our phosphines, mineral processing, and metal extraction product lines, partly offset by weaker demand in the alumina market. Selling price increases improved sales by 1%, while changes in foreign exchange rates resulted in a 1% reduction in net sales.

Earnings from operations were $95.6, or 23% of net sales, in 2014, compared with $86.5, or 23% of net sales, in 2013. The $9.1 increase in earnings was principally due to improved marginal income due to higher sales volumes of $20.2, a $4.3 favorable impact from changes in exchange rates, lower raw material costs of $3.3 mostly for MEP and phosphines, and $2.0 from higher selling prices. These increases were partially offset by higher manufacturing costs of $10.4 due to higher overall plant operating costs and freight from increased volumes, higher operating costs of $8.4 primarily due to the expiration of transition service agreements related to the Coatings sale in April 2013, inflationary factors, and higher commercial and technical services expenses, and $1.9 of net unfavorable fixed cost absorption due to inventory control efforts that began at the end of 2013.

Additive Technologies

				% Change Due to		
	2014	2013	Total % Change	Price	Volume/ Mix	Currency
North America	$115.0	$121.6	(5)	—	(5)	—
Latin America	24.8	23.9	4	(1)	5	—
Asia/Pacific	68.0	69.1	(2)	(3)	2	(1)
Europe/Middle East/Africa	63.5	60.6	5	(4)	8	1
Total	**$271.3**	**$275.2**	**(1)**	**(2)**	**1**	**—**

Overall, net sales decreased 1% in 2014, due to a 2% decrease in selling prices that was partly offset by higher volumes of 1%. There were higher sales volumes for specialty additive products across all regions except North America. This was offset by product rationalisation of low margin products of $1.6. Demand for polymer additives products in North America and Asia/Pacific decreased due to a reduction in demand across all markets, which was partially offset by increased sales in Europe. Changes in exchange rates did not significantly affect net sales.

Earnings from operations were $33.9, or 12% of net sales, for 2014, compared with $39.6, or 14% of net sales, in 2013. The $5.7 decrease in earnings was due primarily from selling price decreases of $4.2 due to pricing strategy and competitive pressures, higher period costs of $2.3 mostly related to inflationary costs and plant maintenance, $2.1 of higher operating expenses from inflationary factors and due to the expiration of transition service agreements related to the Coatings sale, $0.9 of higher raw material costs primarily for specialty additives, and an unfavorable impact of $0.6 from changes in exchange rates. These decreases were partly offset by increased marginal income of $2.4 due to favorable mix and higher selling volumes, favorable fixed cost absorption of $1.2, and lower freight and warehousing costs of $0.8.

Year Ended December 31, 2013, Compared With Year Ended December 31, 2012

Consolidated Results

Net sales for 2013 were $1,935.0, compared with $1,708.1 for 2012. Overall, net sales increased 13%, of which 10% was attributable to the acquisition of the Umeco businesses, which we acquired in July 2012, 1% was due to net volume increases in the existing businesses, and 2% related to selling price increases. Aerospace

Materials net sales increased by 10%, of which 4% was due to new sales from the acquisition of Umeco, higher volumes of 3%, and price increases of 3%. Net sales for Industrial Materials segment increased significantly, mostly due to new acquisition-related sales. Net sales for Additive Technologies increased 2% due to higher volumes, while net sales for In Process Separation were flat with the prior year. For a detailed discussion on sales, refer to “Segment Results” section below.

Manufacturing cost of sales was $1,283.1, or 66.3% of sales, for 2013 compared with $1,202.9, or 70.4% of sales, for 2012. The increase in manufacturing cost of sales of $80.2 compared to 2012 was due mostly to incremental costs of sales of $131.4 incurred in 2013 related to the Umeco business, which we acquired on July 20, 2012. The increase was also due to unfavorable fixed cost absorption of $12.1 due to efforts to control inventory levels, and $6.3 of higher expenses related to our ongoing capital projects. Increased sales volumes resulted in $4.4 of higher costs and higher freight of $4.2. Additionally, raw material costs were higher by $2.0 and we had a $1.8 unfavorable impact from changes in exchange rates. The increases were partly offset primarily by net favorable pension and OPEB MTM adjustments of $59.0 compared to 2012. Additionally, stranded costs were lower by $10.8 in 2013 following the sale of Coatings, net period costs decreased by $8.5, net of a fixed asset write off of $1.4 related to a certain technology development program that will no longer proceed, and restructuring charges were lower by $3.7 compared to 2012, due to the initiatives we took in 2012 related to mitigation of continuing costs following the separation of Coatings and plans to realign the supporting structure of our Industrial Materials and Aerospace Materials segments to take advantage of synergies from the Umeco acquisition.

Overall, operating expenses (which include Selling and technical services, Research and process development, and Administrative and general expenses) decreased by $25.2 primarily due to net favorable pension and OPEB MTM adjustments of $23.8 compared to 2012, $23.7 of lower stranded costs previously allocated to our former Coatings business, and lower restructuring charges of $13.4 due to initiatives we took in 2012 to mitigate continuing costs following the separation of Coatings and to realign the supporting structure of our Industrial Materials and Aerospace Materials segments to take advantage of synergies from the Umeco acquisition. We also incurred $8.4 of lower costs associated with the acquisition of Umeco in 2012, $2.5 of accelerated depreciation in 2012 related to the sale-leaseback of our Stamford research laboratory treated as a financing transaction, and had a favorable impact of changes in foreign exchange of $1.1. These decreases were partially offset by $31.6 of incremental expenses that we incurred in 2013 from the acquisition of Umeco, which are largely headcount related. Increases in operating expenses also included $10.4 for costs, including consulting fees, associated with the development and implementation of a single, global ERP system begun in 2013, higher costs of approximately $3.8 to support increased commercial activity and investment in technical services and research and development in our Aerospace Materials and In Process Separation businesses, higher costs of $1.2 related to the sale of the Industrial Materials distribution product line, and $0.7 for bad debt write offs.

Amortisation of acquisition intangibles was $14.6 for 2013 versus $9.0 for 2012. The increase was due to the amortisation of intangible assets acquired from the Umeco acquisition completed on July 20, 2012.

Net loss on sale of assets of $16.7 in 2012 consisted of the loss from the sale of our research facility in Stamford, CT. We sold the facility in September 2011, and leased back a portion of the facility. However, we were precluded from recognising the sale at the time of the original transaction due to our continuing environmental obligation at the site, and we recorded the transaction as a financing transaction at the time. Upon satisfactory completion of our obligation in the fourth quarter of 2012, we recognised the loss for the remaining excess carrying value.

Asset impairment charge was $5.8 in 2013, which included a charge of $3.0 for the write down of certain manufacturing assets acquired in our Nagpur, India facility. It also included the write-off of $2.8 of plant assets at our manufacturing facility in Beelitz, Germany, which was shut down under the restructuring initiatives within Industrial Materials to reduce costs associated with the acquired Umeco business.

Other (expense) income, net was an expense of $7.8 for 2013 versus income of $1.3 for 2012. Included in 2013 was a charge of $3.2 related to the closing and dissolution of our Process Materials Joint Venture in China that operated under the Industrial Materials business and had been acquired as part of the Umeco acquisition, a charge of $2.2 for environmental charges related to inactive sites, mainly in Canada, for revised remediation plans, and foreign exchange losses of $2.7. Included in 2012 was a benefit of $3.2 related to an MTM curtailment gain, and an expense of $1.1 for a foreign exchange loss on an acquired Umeco intercompany loan that was settled during the third quarter.

Net loss on early extinguishment of debt in 2013 consisted of a loss of $39.4 including transaction costs, incurred on the redemption of $135.2 principal amount of our 4.6% notes due July 1, 2013, which we called for redemption in February 2013, for a purchase price of $136.8 plus accrued interest of $1.5; the repurchase of $107.8 principal amount of our 6.0% notes due October 1, 2015 for a purchase price of $121.1 plus accrued interest of $3.1; and the repurchase of $85.1 principal amount of our 8.95% notes due July 1, 2017 for a purchase price of $108.3 plus accrued interest of $1.8. The repurchase of the 6.0% and 8.95% notes were completed under an offer to repurchase the notes that ended in March 2013.

Interest expense, net was $18.2 for 2013 compared with $30.1 for 2012. The $11.9 decrease was primarily due to higher capitalised interest of $10.3 in 2013 due to the restart of the carbon fiber expansion project in 2012, and lower interest expense of $4.2, mostly from the redemption of higher interest debt in the first quarter of 2013 with new debt issued at a lower rate, which was offset by lower interest income of $2.6.

The effective income tax rate for continuing operations for 2013 was a tax provision of 29.6%, or $72.3, compared to 26.6%, or $27.5, for 2012. For 2013, the rate was favorably impacted by a tax benefit of $5.1 primarily related to a change in tax rate with respect to the deferred tax assets and liabilities associated with an international jurisdiction and U.S. state taxes and a net benefit related to the resolution of an international tax audit. In addition, the rate was favorably impacted by a tax benefit of $2.7 attributable to the U.S. reinstatement of 2012 business tax incentives during the first quarter of 2013, and a tax benefit of $1.5 primarily related to a revision of our previously accrued estimated income tax liability on the unrepatriated earnings of certain foreign subsidiaries as a result of the sale of our Coatings business. These tax benefits were offset by a tax expense of $0.7 primarily related to the establishment of a deferred tax valuation allowance and other discrete deferred tax adjustments related to international entities.

The American Taxpayer Relief Act of 2012 (the “2012 Tax Relief Act”), as signed into law on January 2, 2013 extended a host of expired and expiring tax incentives for businesses. These business tax incentives retroactively reinstated and extended through 2013, included, but were not limited to, the research and development credit as well as the favorable look-through treatment of payments between related controlled foreign corporations. Although this legislation reinstated these favorable tax laws retroactive to January 1, 2012, accounting rules require that the tax impact of such changes be reflected in the period the law is enacted.

Earnings from continuing operations for 2013 was $171.7 ($2.14 per diluted share), an increase of $96.0 from $75.7 ($0.81 per diluted share) reported for the same period in 2012. Included in continuing operations for 2013 was an after-tax benefit of $16.4 ($0.21 per diluted share) for pension MTM adjustments, consisting of the net fourth quarter 2013 MTM adjustment, the portion deferred in inventory from the fourth quarter 2012 MTM, and the second quarter 2013 MTM adjustment triggered by the curtailment of pension plans related to the divestiture of the former Coatings business on April 3, 2013, and a $1.5 net income tax benefit ($0.02 per diluted share) related to a revision of our previously accrued estimated income tax liability on the unrepatriated earnings of certain foreign subsidiaries as a result of the sale of our Coatings business. The revision was primarily due to changes in the tax attributes of certain foreign subsidiaries. Also included in 2013 were the following after-tax charges: $24.5 ($0.31 per diluted share) related to the loss on the debt redemption, $5.6 ($0.07 per diluted share) related to restructuring activities, including cost reduction initiatives in our Industrial Materials segment to address the current market conditions and better position ourselves for profitable growth, $3.2 ($0.04 per diluted share) related to the dissolution of our Process Materials Joint Venture in China, $3.0 ($0.04 per diluted share) for the write down of certain manufacturing assets in Nagpur, India, $1.7 ($0.02 per diluted share) of environmental charges related to inactive sites, mainly in Canada, for revised remediation plans, and charges of $1.1 ($0.01 per diluted share) for costs to divest the Industrial Materials distribution product line. Included in continuing operations for 2012 were charges for net after-tax benefit plan MTM adjustments of $35.9 ($0.38 per diluted share), after-tax restructuring charges of $14.6 ($0.16 per diluted share) across corporate functions to mitigate continuing costs following the anticipated sale of Coatings and personnel reductions in the acquired Umeco business; an after-tax loss on the sale of assets at our Stamford facility of $10.5 ($0.11 per diluted share); after-tax charges of $8.2 ($0.09 per diluted share) related to costs incurred for the acquisition of Umeco; after-tax charges of $3.8 ($0.04 per diluted share) related to the step-up of Umeco inventory to fair value as of the acquisition date; accelerated depreciation of $1.5 after-tax ($0.02 per diluted share) for the sale-leaseback of our Stamford facility treated as a financing transaction prior to recognising the sale, and an after-tax foreign exchange loss of $0.7 ($0.01 per diluted share) on the settlement of an acquired intercompany loan from the Umeco transaction. Also included in 2012 was a tax benefit of $11.6 ($0.12 per diluted share) attributable to the reversal of certain tax reserves due to the completion of U.S. tax audits for the years ended 2004 through 2008, and the expiration of the statute of limitations in certain international tax jurisdictions; an income tax provision of $7.5 ($0.08 per diluted share) related to the establishment of a liability for un-repatriated earnings of foreign subsidiaries, which we can no longer consider permanently reinvested in those entities, due to the sale of Coatings; and $3.1 of income tax expense ($0.03 per diluted share) related to the 2012 repatriation of earnings of certain foreign subsidiaries associated with the sale process of our Coatings business. For 2013 and 2012, net earnings from continuing operations included pre-tax charges previously allocated to the operations of our discontinued Coatings business of $12.2 and $66.5, respectively.

Earnings from discontinued operations, net of tax, were $2.2 for 2013 compared to $101.3 for the comparable period in 2012. For 2013, earnings from discontinued operations, net of tax consisted of earnings from operations of our former Coatings business of $31.6 prior to its sale, the loss on the sale of our former Coatings business of $16.9, and a charge of $12.5 to adjust the carrying value of the Industrial Materials distribution product line, based on the terms of the sale to Cathay Investments in July 2013. The earnings from discontinued operations, net of tax for 2012 reflect the following after-tax amounts: the earnings from operations of our former Coatings business of $117.4, the realised gain of $8.6 on the sale of our PSA product line which was part of the former Coatings business, and a charge of $24.7 to adjust to the carrying value of the net assets held for sale at December 31, 2012 to their fair value less costs to sell. This charge was based on new information received about the carrying value as determined by our agreement to sell the remaining portion of our former Coatings business that we entered into in October 2012.

Net earnings attributable to Cytec Industries Inc. for 2013 were $173.5, or $2.16 per diluted share, compared with net earnings in 2012 of $174.9, or $1.87 per diluted share.

Segment Results (Sales to external customers)

Year-to-year comparisons and analysis of changes in net sales by segment and geographic region are set forth below:

Aerospace Materials

				% Change Due to		
	2013	2012	Total % Change	Price	Acquisition Volume/Mix	Currency
North America	$609.4	$545.3	12	2	10	—
Latin America	5.5	4.4	25	4	21	—
Asia/Pacific	66.9	58.6	14	4	10	—
Europe/Middle East/Africa	279.0	268.8	4	5	(1)	—
Total	**$960.8**	**$877.1**	**10**	**3**	**7**	**—**

Net sales increased 10% primarily due to a 7% increase in selling volumes, of which 4% were acquisition-related sales increase, and 3% were for existing business. The higher selling volumes for existing business in 2013 were primarily attributable to the continued ramp up of new large commercial transport programs, primarily Boeing's 787 program, and to a lesser extent, increased build rates for single aisle aircraft, and business jets. Partially offsetting the increases were reductions in selling volumes to military segments and certain large commercial transport programs due to customer inventory destocking efforts. In addition, sales were down in the rotorcraft sector. Selling prices increased 3% and changes in exchange rates did not significantly impact net sales.

Earnings from operations were $177.6, or 18% of net sales, in 2013, compared with $168.5, or 19% of net sales, in 2012. The $9.1 increase in earnings was driven by higher selling prices of $28.3, improved marginal income due to higher selling volumes of $13.8, and earnings of $3.7 related to the Umeco acquisition. The increases were partially offset by higher manufacturing period costs, including freight and warehousing, of $8.4, which included a fixed asset write off of $1.4 related to a certain technology development program that will no longer proceed and increased personnel spending to meet increased production demands, and $4.2 of stranded costs associated with the sale of the Coatings business in 2013, unfavorable fixed cost absorption of $7.5 related to inventory builds in 2012 as well as the planned 2013 temporary shutdown of our carbon fiber facility, $6.3 of expenses related to our ongoing capital projects, $5.6 of higher raw material costs and higher waste driven by increased production, higher operating expenses of $7.2, which included increased investment in research and development and $5.2 of stranded costs associated with the sale of the Coatings business in 2013, and the unfavorable impact of foreign exchange rate changes of $1.7.

Industrial Materials

	2013	2012	Total % Change	% Change Due to Price	Acquisition Volume/Mix	Currency
North America	$ 95.4	$ 63.3	51	2	49	—
Latin America	12.2	6.8	79	23[(1)]	56[(1)]	—
Asia/Pacific	11.9	6.5	83	3	80	—
Europe/Middle East/Africa	196.8	99.8	97	1	96	—
Total	**$316.3**	**$176.4**	**79**	**1**	**78**	**—**

Note:—

(1) [corrected from (23) and (56)].

Overall, net sales increased 79%, almost all of which was related to the Umeco business acquired in July 2012. Excluding the impact of acquisitions and divestitures, our selling volumes decreased by $7.1, or 4%, due to weak demand from the high performance automotive and motor sports markets and tooling applications. Increased selling prices resulted in higher sales of 1%. Sales in 2013 and 2012 included $25.4 and $20.8, respectively, related to the acquired Industrial Materials distribution product line, which we divested on July 12, 2013.

Earnings from operations were $19.0, or 6% of net sales in 2013, compared with $11.4, or 6% of net sales in 2012. The $7.6 increase in earnings was driven by earnings from operations of $10.0 from the Umeco industrial business that we acquired in July 2012, selling price increases of $1.7, lower raw material costs of $1.5, and favorable fixed cost absorption of $0.8. Period costs were down $0.5 from 2012, as savings from prior year restructuring initiatives of $1.7 were offset by the impact of stranded period costs of approximately $1.2. These increases were largely offset by lower marginal income of $5.2 due to lower sales volumes, and higher operating expenses of $1.4, as the impact of stranded costs of approximately $1.5 associated with the sale of the Coatings business in 2013, offset by savings from prior year restructuring activities. The unfavorable impact of changes in exchange rates also lowered earnings by $0.3.

In Process Separation

	2013	2012	Total % Change	% Change Due to Price	Volume/ Mix	Currency
North America	$ 96.1	$103.5	(7)	1	(8)	—
Latin America	117.6	113.0	4	(1)	5	—
Asia/Pacific	96.3	85.6	13	—	15	(2)
Europe/Middle East/Africa	72.7	82.1	(11)	1	(12)	—
Total	**$382.7**	**$384.2**	**—**	**—**	**—**	**—**

Net sales in 2013 were flat compared to 2012. Higher demand in 2013 for mining products related to copper and other base metals was offset primarily from lower phosphine gas sales of $5.1, which was related to a quality issue of approximately $3.0 and weaker demand, particularly in the electronics market, compared to 2012, as well as weaker demand in the alumina market.

Earnings from operations were $86.5, or 23% of net sales, in 2013, compared with $95.3, or 25% of net sales, in 2012. The $8.8 decrease in earnings was principally due to higher net commercial and other operating expenses of $3.3, which included $2.5 impact of stranded costs associated with the sale of the Coatings business early in 2013, higher period costs of $3.0, including freight and warehousing costs, which included a $2.0 impact of stranded costs, $1.3 of net unfavorable fixed cost absorption, lower marginal income of $0.9 due to an unfavorable product mix, $0.7 for bad debt write offs, $0.4 for higher raw material costs and $0.1 from decreased selling prices. This decrease in earnings was partially offset by a $0.9 favorable impact from changes in exchange rates.

Additive Technologies

	2013	2012	Total % Change	% Change Due to Price	Volume/ Mix	Currency
North America	$121.6	$118.7	2	1	1	—
Latin America	23.9	22.1	8	1	7	—
Asia/Pacific	69.1	67.6	2	(2)	6	(2)
Europe/Middle East/Africa	60.6	62	(2)	(1)	(4)	3
Total	**$275.2**	**$270.4**	**2**	**—**	**2**	**—**

Overall, net sales increased 2%, due primarily to increases in selling volumes. Selling volumes growth due to higher demand for polymer additive products in building and construction, automotive, and agricultural film markets were offset by lower sales for specialty additive products due to product rationalisation of low margin products. Selling prices and changes in exchange rates did not significantly affect net sales.

Earnings from operations were $39.6, or 14% of net sales, for 2013, compared with $40.8, or 15% of net sales, in 2012. The $1.2 decrease in earnings was due primarily from unfavorable fixed cost absorption of $4.1, increased commercial and administration expenses of $2.9, including the impact of stranded costs of approximately $1.8 associated with the sale of the Coatings business in 2013, an unfavorable impact of changes in exchange rates of $1.2, and sales price decreases of $0.6. This was partially offset by increased marginal income due to higher selling volumes of $4.9, lower costs for raw materials of $2.5, and lower freight and other manufacturing period costs of $0.2, net of the approximate $1.4 impact from stranded costs.

Restructuring Activities

In accordance with our accounting policy, restructuring costs are included in our corporate and unallocated operating results for segment reporting purposes consistent with management's view of its businesses.

Details of our 2013 restructuring initiatives are as follows:

In the third quarter of 2013, we launched cost reduction initiatives in our Industrial Materials segment to address market conditions and better position ourselves for profitable growth. The plan included headcount reductions of approximately 55 people, through modification of shift patterns within various operations, centralisation of logistics and planning activities, and closure of a small site in Beelitz, Germany. The plans resulted in a pre-tax restructuring charge of approximately $4.5 related mainly to severance costs and closure of the manufacturing facility. The initiative is expected to be completed by 2015.

In the second quarter of 2013, we launched initiatives in our Aerospace Materials segment to move all production operations from the Costa Mesa, Adelanto, and Huntington Beach, California sites into the Winona, Minnesota, Tulsa, Oklahoma, and Anaheim, California locations. Approximately 120 employees will be impacted by this move. The estimated total cost of this initiative is approximately $27.0, which includes capital and other costs of approximately $13.0 to move the products into the existing operations, and approximately $3.5 for non-cash accelerated depreciation expense. The remaining costs are for retention and severance plans, certain lease liabilities on impacted facilities, and clean-up costs. Product re-sites and re-qualifications are in process with final completion expected by the first quarter of 2015. These plans resulted in a restructuring charge of $1.6, primarily for severance, retention costs, and accelerated depreciation. The initiatives are expected to be completed in waves by the first quarter of 2015 and paid for by mid-2015.

We realised an estimated $0.7 and $3.4 of pre-tax cost savings in 2013 and 2014, respectively, and expect to realise an estimated $4.1 of incremental pre-tax savings in 2015.

During 2014, we recorded an additional charge of $1.4 to these initiatives. The remaining reserve relating to the 2013 restructuring initiatives at December 31, 2014 is $1.8.

Details of our 2012 restructuring initiatives are as follows:

In the third quarter of 2012, we approved plans to realign the supporting structure of our Aerospace Materials and Industrial Materials segments to take advantage of synergies from the acquisition of Umeco. These plans resulted in a restructuring charge of $6.6 related to the severance costs and other benefits of 28 positions. The initiatives were substantially completed in 2013 and are expected to be paid by the end of 2015.

In the second quarter of 2012, we launched initiatives in our corporate functions across sales, marketing, manufacturing, supply chain, research and development, and administrative functions to mitigate continuing costs following the anticipated sale of Coatings. These initiatives resulted in charges related to severance and employee benefits of $14.7 associated with the elimination of 171 positions. These initiatives are expected to be substantially completed and paid in early 2016, but may carry over into later periods.

We realised an estimated $3.8, $17.9, and $2.3 of incremental pre-tax cost savings in 2012, 2013 and 2014, respectively.

During 2013, we recorded an additional charge of $0.9 to these initiatives, and during 2014, we recorded a favorable adjustment of $0.4 to these initiatives. The remaining reserve relating to the 2012 restructuring initiatives at December 31, 2014 is $3.2.

See Note 4 of Notes to Consolidated Financial Statements for a further summary of the restructuring charges.

Liquidity and Financial Condition

At December 31, 2014, our cash balance was $133.9, compared with $151.8 at year-end 2013. As of December 31, 2014, approximately $54.8 of our cash was in the U.S. and $79.1 was held by our subsidiaries outside the U.S.

Net cash used in continuing operations

Net cash provided by operating activities of continuing operations for 2014 was $263.1 compared with $158.0 for 2013. Trade accounts receivable increased $37.6 due to higher sales levels, as days outstanding of 49 days as of the end of 2014 was up one day from year end 2013. Inventory increased $66.9, as inventory days on hand were at 86 days at the end of 2014, which is up 8 days since year end 2013. The increase is primarily in the Aerospace Materials segment. Accounts payable increased by $29.2, as accounts payable days outstanding at December 31, 2014 increased 3 days to 46 days compared to the end of 2013. Other liabilities decreased $10.4, mostly due to a decrease of $7.1 in noncurrent income taxes payable, which primarily resulted from the aforementioned favorable tax audit settlements. Income taxes payable increased by $1.3, accrued expenses decreased by $0.3, and other assets increased $0.8. Additionally, we made contributions of $6.2 and $7.4 to our pension and postretirement plans, respectively, during 2014.

Net cash used in investing activities of continuing operations was $220.8 in 2014 compared to $304.9 in 2013, all of which related to capital spending. Capital spending in 2014 was primarily attributable to continued investment for the strategic expansion of our growth businesses within the Aerospace Materials and In Process Separation segments, in addition to maintenance of business capital across the Company. In the first quarter of 2014, we completed the construction phase of our carbon fiber expansion project to support our growing demand for carbon fiber based composites. Aerospace qualified fiber production is expected in 2016. In the third quarter of 2014, we completed the construction phase of our new prepreg manufacturing expansion project. Commercial production is expected to occur in 2015. The construction for the expansion of our phosphine plant in Canada for our In Process Separation segment was completed late in the third quarter of 2014. The expansion of our metal extraction product line with new manufacturing capacity in Nagpur, India was completed in the fourth quarter of 2014. Our total capital spending for 2015 is expected to be approximately $180.0.

Net cash used in financing activities was $48.6 in 2014 compared with $764.5 in 2013. During 2014, we repurchased $50.0 of treasury stock and paid cash dividends of $26.9. These cash outflows were partly offset by $15.4 of proceeds from stock option exercises, $7.9 of excess tax benefits related to share-based payments in 2014, and net cash proceeds of $5.0 related to our short and long-term borrowings. The borrowings primarily consisted of net proceeds of $248.3 from the issuance of new 3.95% debt in November 2014, which were used in part to pay $148.3 to redeem $141.8 face value of our 6.0% notes due in October 2015, and $97.8 to repurchase $82.0 face value of our 8.95% notes due in July 2017. These repurchases were done under tender offers that commenced in November 2014.

Stock split

On July 17, 2014, the Board of Directors declared a 2-for-1 split on our common stock in the form of a stock dividend. The stock dividend was distributed on September 17, 2014 (the “September 2014 stock split”) to shareholders of record as of the close of business on September 2, 2014. Shareholders on the record date were entitled to receive one additional share for every share they owned on that date. As a result of the stock split, total shares of the Company's common stock outstanding increased from approximately 36.0 million to approximately 72.1 million at the date of the split.

Share repurchases

On October 16, 2014, the Board of Directors authorised a share buyback program in the amount of $200.0. During 2014, we repurchased 1,076,179 shares of common stock for $50.0 under our stock buyback program. As of December 31, 2014, there was $150.0 remaining under the buyback program.

Dividends

During 2014, quarterly cash dividends of $0.063, $0.063, $0.125, and $0.125 per share, as adjusted for the September 2014 stock split, were declared and paid totalling $26.9. On January 27, 2015, our Board of Directors declared a quarterly cash dividend of $0.125 per common share, payable on February 25, 2015 to stockholders of record as of February 10, 2015.

Net cash provided by discontinued operations

Net cash provided by operating activities of discontinued operations for 2014 was $0.3, compared to net cash used in operating activities of discontinued operations of $127.4 for 2013. For 2013, these cash flows consisted primarily of the net earnings from discontinued operations of the Coatings business, plus the impact of changes in working capital during the periods. Also included in 2013 are tax payments of approximately $64.0 related to the tax gain on the disposal transaction. Net increases to working capital reduced cash by approximately $86.6 during the period of 2013 that we owned the business.

Net cash provided by investing activities of discontinued operations was $1,017.0 in 2013. In April 2013, we sold our former Coatings business, and received cash proceeds of approximately $998.9 net of related transaction costs. In the third quarter of 2013, we sold the former distribution product line of the Industrial Materials segment for cash proceeds of $6.4, net of cash balances sold. Capital expenditures related to discontinued operations for the 2013 were approximately $3.2. Also, in the first quarter of 2013, we collected $15.0 related to an outstanding note receivable from the 2011 divestiture of Building Clock Chemicals.

Credit facility

There was $400.0 available for borrowing under the $400.0 unsecured Revolving Credit Facility at December 31, 2014. Under the terms and conditions of the Revolving Credit Facility agreement, the maximum amount we may borrow under the Revolving Credit Facility is $400.0 with a $25.0 swingline. On June 24, 2014, under the amended terms of our existing Revolving Credit Facility, we extended the term one year to June 28, 2019. Subject to the consent of the lenders, we have the ability under certain circumstances to extend the term through June 28, 2021 and to increase the maximum amount we may borrow under the Revolving Credit Facility up to $500.0. We are required to comply with certain customary financial covenants under the Revolving Credit Facility: (i) the ratio of consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortisation ("EBITDA"), and (ii) the ratio of consolidated EBITDA to consolidated interest expense. We are in compliance with these covenants and expect to be in compliance for the foreseeable future.

Funding of future cash requirements

We believe that we have the ability to fund our operating cash requirements, planned capital expenditures, planned cash dividends, as well as the ability to meet our debt service requirements for the foreseeable future from existing cash, from internal cash generation, and, when appropriate, through utilisation of our existing credit line. From time to time, based on such factors as local tax regulations, prevailing interest rates and our plans for capital investment or other investments, it may make economic sense to utilise our existing credit lines in order to meet our cash requirements, which may include debt-service related disbursements. We are required to meet financial ratios under our $400.0 Revolving Credit Facility, including a maximum permitted ratio of consolidated total debt (as defined) to consolidated EBITDA (as defined) and a minimum consolidated EBITDA (as defined) to consolidated interest expense ratio. Complying with these ratios could limit our ability to plan for or react to market conditions or meet extraordinary capital needs and could otherwise restrict our financing activities. Our ability to comply with the covenants will depend on our future operating performance. If we fail to comply with those covenants and terms, we will be in default. In this case, we would be required to obtain waivers from our lenders in order to maintain compliance. If we were unable to obtain any necessary waivers, the amounts outstanding under this Revolving Credit Facility could be accelerated, and become immediately due and payable, and we would not be able to borrow any additional funds under the agreement while such default continued. We are in compliance with these covenants and expect to be in compliance for the foreseeable future. We have no borrowings outstanding under the Revolving Credit Facility as of December 31, 2014. Our ability to fully utilise our revolving credit agreement can be limited by our actual calculated debt covenant ratio as compared to the maximum debt covenant ratio permitted under the Revolving Credit Facility. At December 31, 2014, $400.0 of the Revolving Credit Facility was available to us, and we expect that the full amount will continue to be available based on our current forecasts.

Use of cash

We have generated a significant amount of cash in recent years. Our top priorities for use of cash will continue to be investment in the typical maintenance of business capital spending projects, followed by expansion/cost reduction capital in our growth product lines and fast payback/margin improvement capital in our cash product lines. We will pursue bolt-on acquisitions for our growth product lines. In addition, we will continue to return excess cash to shareholders through dividends and share repurchases. Finally, if available at a reasonable price, we will buy back our public debt.

Inflation at this time is not considered significant although higher costs for energy and commodities could impact our future operating expenses and capital spending. The impact of increasing raw material costs is discussed earlier in Item 1, Business – “Customers and Suppliers.”

We estimate that pension and postretirement plan funding will be approximately $4.9 and $10.2, respectively, in 2015, compared to $6.2 and $7.4, respectively, in 2014.

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations under long-term agreements as of December 31, 2014:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-term debt	$ 749.7	$ 1.4	$ 85.8	$ 6.9	$655.6
Interest payments	236.8	31.2	58.8	48.3	98.5
Operating leases	42.9	10.1	14.6	4.9	13.3
Capital lease	11.9	3.0	6.4	2.5	—
Pension and postretirement plans obligations(1)	15.1	15.1	—	—	—
Purchase obligations	45.4	37.0	5.0	1.0	2.4
Environmental liabilities(1)	9.5	9.5	—	—	—
Other noncurrent liabilities(2)	—	—	—	—	—
Total	**$1,111.3**	**$107.3**	**$170.6**	**$63.6**	**$769.8**

Notes:—

(1) Expected cash flows for our pension and postretirement plans obligations and environmental liabilities for years beyond 2015 were excluded as specific payment dates could not be reasonably estimated. Amounts reflected to be paid in less than one year are based on our budget and actual amounts paid in 2014 and may vary significantly for pension. See Note 12, “Environmental, Contingencies and Commitments,” and Note 14, “Employee Benefit Plans,” of Notes to Consolidated Financial Statements for more information regarding these liabilities.

(2) Included in other noncurrent liabilities on our consolidated balance sheet at December 31, 2014, were $45.9 of contingent liabilities (principally asbestos related liabilities) and $15.2 of asset retirement obligations. As specific payment dates for these items are unknown, the related balances have not been reflected in the “Payments Due by Period” section of the table above

As of December 31, 2014, the amount of unrecognised tax benefits was $10.0. As specific payment dates cannot be reasonably estimated, the related balances have not been reflected under the “Payments Due by Period” section of the table above.

At December 31, 2014, we had net contractual commitments under currency forward contracts in U.S. dollar equivalent notional amounts of $246.3, that all settle in less than one year. Refer to Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," as well as Note 7 of Notes to Consolidated Financial Statements.

We had $15.0 of outstanding letters of credit, surety bonds and bank guarantees at December 31, 2014 that are issued on our behalf in the ordinary course of business to support certain of our performance obligations and commitments. The instruments are typically renewed on an annual basis.

We do not have any unconsolidated limited purpose entities or any undisclosed material transactions or commitments involving related persons or entities.

Quantitative and Qualitative Disclosures about Market Risk (extracted from item 7A of Cytec's 10-K)

The following discussion provides forward-looking quantitative and qualitative information about our potential exposures to market risk arising from changes in currency rates, commodity prices and interest rates. Actual results could differ materially from those projected in this forward-looking analysis. Currencies are in millions.

Market risk represents the potential loss arising from adverse changes in the value of financial instruments. The risk of loss is assessed based on the likelihood of adverse changes in fair values, cash flows, or future earnings.

In the ordinary course of business, we are exposed to various market risks, including fluctuations in currency rates, commodity prices, and interest rates. To manage the exposure related to these risks, we may engage in various derivative transactions in accordance with our established policies. We do not hold or issue financial instruments for trading or speculative purposes. Moreover, we enter into financial instrument transactions with either major financial institutions or highly rated counterparties and make reasonable attempts to diversify transactions among counterparties, thereby limiting exposure to credit-related and performance-related risks.

Currency Risk:

We periodically enter into currency forward contracts primarily to hedge currency fluctuations of transactions denominated in currencies other than the functional currency of the respective entity. At December 31, 2014, the principal transactions hedged involved accounts receivable and accounts payable. When hedging currency exposures, our practice is to hedge such exposures with forward contracts denominated in the same currency and with similar critical terms as the underlying exposure, and therefore, the instruments are effective at generating offsetting changes in the fair value, cash flows, or future earnings of the hedged item or transaction.

At December 31, 2014, the currency and net notional amounts of forward contracts outstanding translated into U.S. dollar equivalent amounts were as follows:

	Buy								
Sell	**U.S. Dollar**	**Euro**	**Mexican Peso**	**Chilean Peso**	**Pound Sterling**	**Norwegian Krone**	**Colombian Peso**	**Malaysian Ringgit**	**Japanese Yen**
U.S. Dollar	—	$91.5	$30.9	$15.7	$ 5.0	$ 4.9	$ 1.6	$ 1.5	$ 0.8
Chinese Yuan	$18.6	—	—	—	—	—	—	—	—
Pound Sterling	—	$60.8	—	—	—	—	—	—	—
Thai Baht	—	$ 5.8	—	—	—	—	—	—	—
Brazilian Real	$ 4.0	—	—	—	—	—	—	—	—
Canadian Dollar	$ 2.6	—	—	—	—	—	—	—	—
Korean Won	$ 1.3	—	—	—	—	—	—	—	—
Japanese Yen	—	$ 1.3	—	—	—	—	—	—	—

The net unfavorable fair value of currency contracts, based on exchange rates at December 31, 2014, was $6.1. The fair values of forward contracts are calculated each period. These forward contracts are not defined as hedging instruments and therefore, all changes in fair values are reported in Other (expense) income, net. Assuming that year-end exchange rates between the underlying currencies of all outstanding contracts and the various hedged currencies were to adversely change by a hypothetical 10%, the fair value of all outstanding contracts at year-end would decrease by approximately $29.4. However, since these contracts hedge specific transactions, any change in the fair value of the contracts would be offset by changes in the underlying value of the transaction being hedged.

Interest Rate Risk:

At December 31, 2014, our outstanding borrowings consisted of long-term fixed rate debt, which had a carrying value of $742.9, a face value of $749.7, and a fair value of $761.5. The fair value is based on a discounted cash flow analysis which incorporates the contractual terms of the notes and observable market-based inputs that include time value, interest rate curves, and credit spreads.

We had no variable rate debt outstanding as of December 31, 2014.

Significant Accounting Estimates/Critical Accounting Policies

Accounting principles generally accepted in the United States (U.S.) require management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts in the consolidated financial statements and the notes thereto. The areas discussed below involve the use of significant judgment in the preparation of our consolidated financial statements and changes in the estimates and assumptions used may impact future results of operations and financial condition.

Share-Based Compensation

U.S. generally accepted accounting principles ("GAAP") requires recognition of compensation cost in an amount equal to the fair value of share-based payments. Compensation cost for stock appreciation rights payable in cash ("cash-settled SARS") is recognised based on the fair value of the award at the end of each period through the date of settlement. Compensation cost for stock appreciation rights payable in shares ("stock-settled SARS"), stock options, and restricted stock units is recognised over the vesting period based on the estimated fair value on the date of the grant.

GAAP also requires that we estimate a forfeiture rate for all share-based awards. We monitor share option exercise and employee termination patterns to estimate forfeiture rates within the valuation model. The estimated fair values are based on assumptions, including estimated lives of the instruments, historical and implied volatility, dividend yield on our common stock, and risk-free interest rates. We also consider the probability that the options and stock-settled SARS will be exercised prior to the end of their contractual lives and the probability of termination or retirement of the holder. These assumptions are based on reasonable facts but are subject to change based on a variety of external factors. Changes in assumptions from period to period may materially affect the amount of share-based compensation cost we recognise in income.

Environmental and Other Contingent Liabilities

Accruals for environmental remediation and operating and maintenance costs directly related to remediation and other contingent liabilities are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accruals are recorded at management's best estimate of the ultimate expected liabilities, without any discount to reflect the time value of money. These accruals are reviewed periodically and adjusted, if necessary, as additional information becomes available.

The amount accrued for environmental remediation reflects our assumptions about remediation requirements at the contaminated site, the nature and cost of the remedy, the outcome of discussions with regulatory agencies and other potentially responsible parties at multi-party sites, and the number and financial viability of other potentially responsible parties.

Included in other contingent liabilities are workers' compensation, product liability, and toxic tort claims. The amount accrued for other contingent liabilities reflects our assumptions about the incidence, severity, indemnity costs and dismissal rates for existing and future claims.

Accruals for environmental remediation and other contingent liabilities can change substantially if our assumptions are not realised or due to actions by governmental agencies or private parties. We cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts. Moreover, environmental and other contingent liabilities are paid over an extended period, and the timing of such payments cannot be predicted with any certainty. Accruals for environmental and other contingent liabilities are recorded as other noncurrent liabilities with any amounts expected to be paid out in the next twelve months classified as accrued expenses.

Our asbestos related contingent liabilities and related insurance receivables are based on a study, which is prepared every three years by a third party. During the third quarter of 2012, we completed an actuarial study of our asbestos related contingent liabilities and related insurance receivables, which will be updated again in the third quarter of 2015. The study is based on, among other things, the incidence and nature of historical claims data through June 30, 2012, the incidence of malignancy claims, the severity of indemnity payments for malignancy and non-malignancy claims, dismissal rates by claim type, estimated future claim frequency, settlement values and reserves, and expected average insurance recovery rates by claim type. The study assumes liabilities through 2049. Overall, we expect to recover approximately 48% of our future indemnity costs. We have completed Coverage-In-Place-Agreements with most of our larger insurance carriers.

Although these estimates and assumptions are based on reasonable facts, they are subject to change based on the actual outcome and a variety of external factors. A sustained 1% change in the annual number of future asbestos claims filed against us will increase or decrease the liability and related receivable by $0.4 and $0.2, respectively. A sustained 1% change in the average value of asbestos claims paid will increase or decrease the liability and related receivable by $0.4 and $0.2, respectively.

Probable insurance recoveries for past and probable future indemnity costs are recorded at management's best estimate of the ultimate expected receipts without discounting to reflect the time value of money and are recorded as other assets. A number of factors impact the estimates of insurance reimbursements. These factors include the financial viability of the insurance companies, the method in which losses will be allocated to the various insurance policies, how legal and defense costs will be covered by the insurance policies, the interpretation of the effect on coverage of various policy terms and limits and their interrelationships, and historical recovery rates over the past ten years.

Defense and processing costs are expensed as incurred. Insurance recoveries for defense and processing costs are recognised when the recovery is probable and related costs are incurred and are recorded as other assets.

Retirement Plans

We sponsor defined benefit pension and other postretirement benefit plans. The postretirement plans provide medical and life insurance benefits to retirees who meet minimum age and service requirements. Our most significant pension plans are in the U.S., and constituted approximately 82% of our consolidated pension assets and 81% of projected benefit obligations as of December 31, 2014. The calculation of our pension expense and pension liability associated with our defined benefit pension plans requires the use of a number of assumptions. Changes in these assumptions can result in different pension expense and liability amounts, and actual experience can differ from the assumptions. We believe that the most critical assumptions are the discount rate, the expected rate of return on plan assets, and healthcare cost trend rates. Our U.S. salaried pension plan was frozen on December 31, 2007, and as of December 31, 2014, the majority of our bargaining employees have also agreed to freeze their benefits.

At the end of each year, we determine the discount rate to be used for pension liabilities. In estimating this rate, we look at the yields on high quality, long-term corporate bonds that receive one of the two highest ratings given by a recognised ratings agency. Future expected actuarially determined cash flows of our major U.S. plans are matched against a yield curve encompassing such bonds to arrive at a single discount rate by plan. We discounted our U.S. future pension and postretirement medical liabilities using a rate of 3.9% and 3.7%, respectively, at December 31, 2014.

The discount rate used to determine the value of liabilities has a significant effect on expense. A 1% increase to the discount rate for our U.S. pension plans would increase our 2015 expected annual expense by $3.2 and decrease our liability by $87.0. A 1% decrease to the discount rate for our U.S. pension plans would decrease our 2015 expected annual expense by $4.3 and increase our liability by $106.9. The change in liability amounts due to a 1% discount rate change would have been reflected as a 2014 fourth quarter mark-to-market ("MTM") adjustment.

A 1% increase to the discount rate for our U.S. postretirement medical plan would increase our 2015 expected annual expense by $1.0 and decrease our liability by $19.2. A 1% decrease to the discount rate for our U.S. postretirement medical plan would decrease our 2015 expected annual expense by $1.2 and increase our liability by $22.9. The change in liability amounts due to a 1% discount rate change would have been reflected as a 2014 fourth quarter MTM adjustment.

In order to reduce the volatility of our pension plan assets relative to pension liabilities, we have gradually implemented a liability-driven investment ("LDI") strategy for our U.S., U.K., and Canadian defined benefit pension plans. As part of the strategy, we have transitioned some of our equity allocation to longer-term fixed income assets with an emphasis on high quality corporate bonds. As the funded status of the plans improves, we expect to further decrease equity investments and increase fixed income investments. As a result of these changes, the expected rates of return have been adjusted downward, as appropriate, to reflect the new allocations. The expected rate of return on our U.S. plan assets, which was 5.75% for 2014, reflects the long-term average rate of return expected on funds invested or to be invested in the pension plans to provide for the benefits included in the pension liability. We establish the expected rate of return at the beginning of each fiscal year based upon information available to us at that time, including the historical returns of major asset classes, the expected investment mix of the plans' assets, and estimates of future long-term investment returns. A 1% change in the expected rate of return on plan assets of our U.S. pension plans would increase or decrease our 2015 expected pension expense by $7.3; the 2015 expected postretirement medical expense would increase or decrease by $0.2. The U.S. pension plans' investment mix at December 31, 2014 approximated 8% equities and 92% fixed income securities.

We account for our continuing pension and other postemployment benefit ("OPEB") plans using the MTM accounting method. Under this method, our pension and OPEB costs consist of two elements: 1) ongoing costs recognised quarterly, which are comprised of service and interest costs, expected returns on plan assets, and amortisation of prior service costs/credits; and 2) MTM gains and losses recognised annually, in the fourth quarter of each year, resulting from changes in actuarial assumptions and the differences between actual and expected returns on plan assets and discount rates. Any interim remeasurements triggered by a curtailment, settlement, or significant plan changes are recognised as an MTM adjustment in the quarter in which such remeasurement event occurs. The MTM charges (benefits) applied to earnings from continuing operations in 2014, 2013 and 2012 due to the actual experience versus assumptions of returns on plan assets and changes in discount rates and other actuarial assumptions for the defined benefit pension and other postretirement benefit plans were $51.8, $(16.4), and $35.9, respectively.

The assumed rate of future increases in the per capita cost of healthcare benefits (healthcare cost trend rate) is 7.5% in 2015, decreasing to ultimate trend of 5.0% in 2019. The healthcare cost trend rate has a significant effect on the reported amounts of accumulated postretirement benefit obligation ("APBO") and related expense. A 1% decrease to the assumed healthcare cost trend rate for our postretirement benefit plans would decrease our expense by $0.6 and decrease our postretirement benefit obligation by $16.6. A 1% increase to the assumed healthcare cost trend rate for our postretirement benefit plans would increase our expense by $0.6 and increase our postretirement benefit obligation by $19.3.

Impairment of Goodwill and Intangible Assets

We have defined our segments as our reporting units. Our four business segments are Aerospace Materials, Industrial Materials, In Process Separation, and Additive Technologies. Aerospace Materials and Industrial Materials serve principally aerospace and industrial advanced composites markets, respectively. In Process Separation and Additive Technologies serve large, global industrial markets. The segments above reflect how we run our Company, manage the assets, and view our customers.

We test goodwill for impairment on an annual basis. Goodwill of a reporting unit will be tested for impairment between annual tests if events occur or circumstances change that would likely reduce the fair value of the reporting unit below its carrying value. For our goodwill impairment test, we are permitted to use either a qualitative or quantitative approach. Under the qualitative approach for a goodwill impairment test, we first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (i.e. – greater than 50% probability) that the fair value of the reporting unit is less than its carrying amount. If, after assessing the totality of the facts and circumstances, we determine it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test, described in Note 1 of the Notes to the Consolidated Financial Statements, is unnecessary. If we determined otherwise, we would be required to perform the two-step goodwill impairment test.

For our 2014 goodwill impairment test, we performed our goodwill impairment test using a qualitative approach. For our qualitative assessment of the reporting unit, we considered all relevant facts and circumstances, including the excess fair value from the most recent fair value calculation; circumstances that could cause significant changes to the most recent carrying value calculation; the overall financial performance of the reporting unit compared to previous projections; the estimated financial performance projected in the near and long term, such as EBITDA and cash flows; industry and market conditions, including overall market-multiple metrics, competitive environment and demand for our products; overall macroeconomic conditions including our ability to access capital; and changes in management, key personnel or strategy for the reporting unit. More weight was placed on events or circumstances that most affect a reporting unit's fair value or carrying amount of its net assets. As a result of this qualitative assessment, we determined that it was more likely than not that the fair value of our reporting units exceeded their carrying values, and performing the two-step impairment test was not required. These evaluations involve amounts that are based on management's best estimates and judgments. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates. We are not aware of reasonably likely events or circumstances that would result in different amounts being estimated that would have a material impact on these assessments for impairment.

Intangible assets with determinable useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets or asset group to the future undiscounted net cash flows expected to be generated by the asset or asset group. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets and would be charged to earnings. Intangible assets with determinable useful lives are amortised over their respective estimated useful lives.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets or asset group to the future undiscounted net cash flows expected to be generated by the asset or asset group. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets and would be charged to earnings.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realised. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in earnings in the period that includes the enactment date.

We intend to primarily reinvest the unremitted earnings of our international subsidiaries. Accounting rules require establishing a tax liability on the unrepatriated earnings of foreign subsidiaries if it is management's intention to no longer permanently reinvest such earnings. As a result of the intended sale of Coatings, management's intentions changed with regard to a portion of the unrepatriated earnings of certain foreign subsidiaries. Therefore, included in income tax expense is $3.1 of tax expense incurred due to the repatriation of certain earnings during 2012 and a tax benefit of $1.5 recognised during 2013 primarily related to a revision of our previously accrued estimated income tax liability on the repatriation of other earnings, related to the sale of Coatings. With the exception of the unremitted earnings of those international subsidiaries that are related to the Coatings divestiture, we consider the undistributed earnings of our non-U.S. subsidiaries as of December 31, 2014, to be indefinitely reinvested outside the U.S. given the estimated future capital expansion and other funding needs attributable to these entities. Moreover, we have not, nor do we anticipate the need to, repatriate funds to the U.S. to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our U.S. debt service requirements. Accordingly, no provision has been made for U.S. income taxes or additional non-U.S. taxes on the undistributed earnings of our non-U.S. subsidiaries. In the event of repatriation to the U.S., such earnings would be subject to U.S. income taxes in most cases. Foreign tax credits would be available to substantially reduce the amount of U.S. tax otherwise payable in future years.

Our annual effective tax rate is based on expected income, statutory tax rates, and tax planning opportunities available in various jurisdictions in which we operate. Significant judgment is required in determining the annual effective tax rate and in evaluating our tax positions.

We establish accruals for tax contingencies when, notwithstanding the reasonable belief that our tax return positions are fully supported, we believe that certain filing positions are likely to be challenged and moreover, that such filing positions may not be fully sustained. We recognise a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. We continually evaluate our uncertain tax positions and will adjust such amounts in light of changing facts and circumstances including but not limited to emerging case law, tax legislation, rulings by relevant tax authorities, and the progress of ongoing tax audits. Settlement of a given tax contingency could impact the income tax provision in the period of resolution. Our accruals for gross uncertain tax positions are presented in the balance sheet within income taxes payable and other noncurrent liabilities.

Fair Value Measurements

We have certain assets and liabilities that are carried at fair value on a recurring basis in the financial statements, for which we determine the appropriate level in the fair value input hierarchy for each fair value measurement. The fair value hierarchy prioritises the inputs, which refer broadly to assumptions that market participants would use in pricing an asset or liability, into three levels. It gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, interest rates, exchange rates, and yield curves observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability.

Derivatives

All of our derivatives are valued based on Level 2 inputs. Our currency forwards are valued based on readily available published indices for currency exchange rates.

Pension

The fair values of our Level 1 pension assets are determined based on quoted market prices in active markets for identical assets. The fair values of our Level 2 pension assets are based on the net asset values of the funds, which are based on quoted market prices of the underlying investments. Our Level 3 assets include an insurance contract and a real estate fund. The fair value of the insurance contract held by one of our non-U.S. plans is based on the contractual terms of the arrangement with the insurance company. The fair value of the real estate fund is based on the net asset value of shares held at year end.

FINANCIAL STATEMENTS OF CYTEC INDUSTRIES, INC.

Index to Financial Statements

Financial Statements and Schedules of Cytec Industries Inc., as extracted from the Cytec annual report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission February 24, 2014

Financial Statements of Cytec Industries Inc, as extracted from the Cytec quarterly report on Form 10-Q for the period ended September 30, 2015 filed with the Securities and Exchange Commission on October 22, 2015

Financial Statements and Schedules of Cytec Industries Inc., as extracted from the Cytec annual report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission February 24, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Cytec Industries Inc.:

We have audited the accompanying consolidated balance sheets of Cytec Industries Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule "Schedule II-Valuation and Qualifying Accounts". These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP Short Hills, New Jersey February 23, 2015

ITEM 8.
FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CYTEC INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in millions, except per share amounts)

December 31,	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 133.9	$ 151.8
Trade accounts receivable, less allowance for doubtful accounts of $3.8 and $4.6 in 2014 and 2013, respectively	265.1	251.3
Other accounts receivable	74.6	74.4
Inventories	307.6	253.1
Deferred income taxes	27.4	32.1
Other current assets	26.2	25.1
Total current assets	834.8	787.8
Plants, equipment and facilities, at cost	1,680.8	1,567.1
Less: accumulated depreciation	(559.4)	(520.1)
Net plant investment	1,121.4	1,047.0
Acquisition intangibles, net of accumulated amortization of $70.8 and $58.0 in 2014 and 2013, respectively	141.6	161.1
Goodwill	508.8	521.3
Deferred income taxes	41.2	25.2
Other assets	119.4	138.1
Total assets	$2,767.2	$2,680.5
Liabilities		
Current liabilities		
Accounts payable	$ 172.4	$ 175.7
Current maturities of long-term debt	1.2	0.1
Accrued expenses	184.6	178.4
Income taxes payable	8.4	14.2
Deferred income taxes	0.3	0.1
Total current liabilities	366.9	368.5
Long-term debt	741.7	716.2
Pension and other postretirement benefit liabilities	245.9	195.2
Other noncurrent liabilities	170.3	187.1
Deferred income taxes	31.4	31.6
Stockholders' equity		
Preferred stock, 20,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $.01 par value per share, 150,000,000 shares authorized; issued 99,772,436 in 2014 and 99,451,504 in 2013	1.0	1.0
Additional paid-in capital	474.2	467.4
Retained earnings	1,699.6	1,572.8
Accumulated other comprehensive income	13.1	95.7
Treasury stock, at cost, 28,732,931 shares in 2014 and 28,442,748 shares in 2013	(976.9)	(955.0)
Total equity	1,211.0	1,181.9
Total liabilities and stockholders' equity	$2,767.2	$2,680.5

See accompanying Notes to Consolidated Financial Statements

CYTEC INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in millions, except per share amounts)

Years ended December 31,	2014	2013	2012
Net sales	$2,007.7	$1,935.0	$1,708.1
Manufacturing cost of sales	1,403.8	1,283.1	1,202.9
Selling and technical services	158.9	146.6	153.3
Research and process development	56.8	49.0	54.0
Administrative and general	140.1	126.5	140.0
Amortization of acquisition intangibles	14.4	14.6	9.0
Net loss on sale of assets	—	—	16.7
Asset impairment charge	—	5.8	—
Earnings from operations	233.7	309.4	132.2
Other (expense) income, net	(6.4)	(7.8)	1.3
Net loss on early extinguishment of debt	22.7	39.4	0.2
Interest expense, net	14.4	18.2	30.1
Earnings from continuing operations before income taxes	190.2	244.0	103.2
Income tax provision	46.1	72.3	27.5
Earnings from continuing operations	144.1	171.7	75.7
Earnings from operations of discontinued business, net of tax	—	31.6	117.4
Net gain (loss) on sale of discontinued operations, net of tax	9.7	(29.4)	(16.1)
Earnings from discontinued operations, net of tax	9.7	2.2	101.3
Net earnings	153.8	173.9	177.0
Less: Net earnings attributable to noncontrolling interests	—	(0.4)	(2.1)
Net earnings attributable to Cytec Industries Inc.	$ 153.8	$ 173.5	$ 174.9
Earnings per share attributable to Cytec Industries Inc.:			
Basic earnings per common share:			
Continuing operations	$ 2.00	$ 2.18	$ 0.82
Discontinued operations	0.13	0.02	1.08
	$ 2.13	$ 2.20	$ 1.90
Diluted earnings per common share:			
Continuing operations	$ 1.96	$ 2.14	$ 0.81
Discontinued operations	0.13	0.02	1.06
	$ 2.09	$ 2.16	$ 1.87
Dividends declared per common share	$ 0.375	$ 0.250	$ 0.250

See accompanying Notes to Consolidated Financial Statements

CYTEC INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in millions)

Years ended December 31,	2014	2013	2012
Net income including noncontrolling interest	$153.8	$173.9	$177.0
Other comprehensive income (loss), net of tax			
Pension liability adjustment	(2.3)	16.4	(23.0)
Translation adjustments	(80.3)	(76.6)	28.8
Total other comprehensive (loss) income, net of tax	(82.6)	(60.2)	5.8
Comprehensive income including noncontrolling interest	71.2	113.7	182.8
Less: Comprehensive income attributable to noncontrolling interest	—	(0.2)	(1.6)
Comprehensive income attributable to Cytec Industries Inc.	$ 71.2	$113.5	$181.2

See accompanying Notes to Consolidated Financial Statements

CYTEC INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)

Years ended December 31,	2014	2013	2012
Cash flows provided by (used in) operating activities			
Net earnings	$ 153.8	$ 173.9	$ 177.0
Earnings from discontinued operations	9.7	2.2	101.3
Earnings from continuing operations	144.1	171.7	75.7
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Depreciation	63.7	56.0	58.6
Amortization	17.9	19.2	14.1
Share-based compensation	11.6	11.4	11.3
Pension and postretirement benefit (income) expense	100.8	(47.2)	43.1
Contributions to pension and postretirement plans	(13.6)	(79.8)	(51.3)
Deferred income taxes	(8.7)	23.5	(39.6)
Non-cash loss on sale of assets	—	—	16.7
Non-cash loss on disposal of assets	2.5	3.7	2.0
Asset impairment charge	—	5.8	—
Loss on early extinguishment of debt	22.7	39.4	0.2
Unrealized loss (gain) on derivative instruments	7.4	0.3	(4.5)
Other	—	0.4	0.1
Changes in operating assets and liabilities (excluding effects of divestiture):			
Trade accounts receivable	(37.6)	13.6	(9.0)
Other receivables	0.2	(0.3)	12.4
Inventories	(66.9)	11.5	(8.4)
Other assets	(0.8)	(9.2)	1.0
Accounts payable	29.2	4.2	(1.7)
Accrued expenses	(0.3)	9.2	24.4
Income taxes payable	1.3	(58.9)	27.5
Other liabilities	(10.4)	(16.5)	(4.9)
Net cash provided by operating activities of continuing operations	263.1	158.0	167.7
Net cash provided by (used in) operating activities of discontinued operations	0.3	(127.4)	146.0
Net cash provided by operating activities	**263.4**	**30.6**	**313.7**
Cash flows (used in) provided by investing activities:			
Additions to plants, equipment and facilities	(220.8)	(304.9)	(145.3)
Acquisition of businesses, net of cash received	—	—	(449.3)
Net cash used in investing activities of continuing operations	(220.8)	(304.9)	(594.6)
Net cash provided by investing activities of discontinued operations	—	1,017.0	84.7
Net cash (used in) provided by investing activities	**(220.8)**	**712.1**	**(509.9)**
Cash flows provided by (used in) financing activities:			
Proceeds from long-term debt	251.4	634.1	318.1
Payments on long-term debt	(246.4)	(658.2)	(268.4)
Change in short-term borrowings	—	2.2	(0.5)
Cash dividends	(26.9)	(21.5)	(25.9)
Proceeds from the exercise of stock options	15.4	23.5	28.0
Purchase of treasury stock	(50.0)	(750.1)	(99.9)
Excess tax benefits from share-based payment arrangements	7.9	5.5	5.9
Other	—	—	(1.3)
Net cash used in financing activities	**(48.6)**	**(764.5)**	**(44.0)**
Effect of currency rate changes on cash and cash equivalents	(11.9)	(5.7)	3.7
Decrease in cash and cash equivalents	**(17.9)**	**(27.5)**	**(236.5)**
Cash and cash equivalents, beginning of period	151.8	179.3	415.8
Cash and cash equivalents, end of period	**$ 133.9**	**$ 151.8**	**$ 179.3**

See accompanying Notes to Consolidated Financial Statements

CYTEC INDUSTRIES INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in millions)

Years ended December 31, 2014, 2013 and 2012	Common Stock	Additional Paid-in Capital	Retained Earnings	Pension Liabilities	Cumulative Translation Adjustments	Treasury Stock	Noncont-rolling interest	Total
Balance at December 31, 2011	**$ 1.0**	**$460.7**	**$1,267.3**	**$ 15.2**	**$134.2**	**$(185.0)**	**$ 6.7**	**$1,700.1**
Net earnings	—	—	174.9	—	—	—	2.1	177.0
Other comprehensive (loss), net of tax	—	—	—	(23.0)	29.3	—	(0.5)	5.8
Dividends – noncontrolling interests	—	—	—	—	—	—	(3.0)	(3.0)
Dividends:								
Common stock outstanding	—	—	(22.9)	—	—	—	—	(22.9)
Deferred and unvested common stock	—	0.2	(0.1)	—	—	—	—	0.1
Share-based compensation	—	9.5	—	—	—	1.8	—	11.3
Exercise of stock options	—	(11.8)	—	—	—	39.8	—	28.0
Purchase of treasury stock	—	—	—	—	—	(99.9)	—	(99.9)
Equity award modification reclass to liability	—	0.6	—	—	—	—	—	0.6
Excess tax benefit on stock options	—	5.9	—	—	—	—	—	5.9
Balance at December 31, 2012	**$ 1.0**	**$465.1**	**$1,419.2**	**$ (7.8)**	**$163.5**	**$(243.3)**	**$ 5.3**	**$1,803.0**
Net earnings	—	—	173.5	—	—	—	0.4	173.9
Other comprehensive income, net of tax	—	—	—	16.4	(76.4)	—	(0.2)	(60.2)
Dividends – noncontrolling interests	—	—	—	—	—	—	(1.8)	(1.8)
Dividends:								
Common stock outstanding	—	—	(19.7)	—	—	—	—	(19.7)
Deferred and unvested common stock	—	0.2	(0.2)	—	—	—	—	—
Share-based compensation	—	9.1	—	—	—	2.3	—	11.4
Exercise of stock options	—	(12.5)	—	—	—	36.1	—	23.6
Purchase of treasury stock	—	—	—	—	—	(750.1)	—	(750.1)
Divestiture of noncontrolling interest	—	—	—	—	—	—	(3.7)	(3.7)
Excess tax benefit on stock options	—	5.5	—	—	—	—	—	5.5
Balance at December 31, 2013	**$ 1.0**	**$467.4**	**$1,572.8**	**$ 8.6**	**$ 87.1**	**$(955.0)**	**$—**	**$1,181.9**
Net earnings	—	—	153.8	—	—	—	—	153.8
Other comprehensive (loss), net of tax	—	—	—	(2.3)	(80.3)	—	—	(82.6)
Dividends:								
Common stock outstanding	—	—	(26.9)	—	—	—	—	(26.9)
Deferred and unvested common stock	—	0.1	(0.1)	—	—	—	—	—
Share-based compensation	—	10.7	—	—	—	0.9	—	11.6
Exercise of stock options	—	(11.9)	—	—	—	27.2	—	15.3
Purchase of treasury stock	—	—	—	—	—	(50.0)	—	(50.0)
Excess tax benefit on stock options	—	7.9	—	—	—	—	—	7.9
Balance at December 31, 2014	**$ 1.0**	**$474.2**	**$1,699.6**	**$ 6.3**	**$ 6.8**	**$(976.9)**	**$—**	**$1,211.0**

See accompanying Notes to Consolidated Financial Statements

CYTEC INDUSTRIES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Currencies in millions, except per share amounts, unless otherwise indicated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Business and Consolidation Policy: We are a global specialty materials and chemicals company focused on developing, manufacturing and selling value-added products. Our products serve a diverse range of end markets including aerospace and industrial materials, mining and plastics. We use our technology and application development expertise to create chemical and material solutions that are formulated to perform specific and important functions for our customers. We operate on a global basis with 48% of our 2014 revenues in North America, 31% in Europe, Middle East, and Africa, 12% in Asia-Pacific, and 9% in Latin America. We have manufacturing and research facilities located in 11 countries. The consolidated financial statements include the accounts of Cytec Industries Inc. and our subsidiaries on a consolidated basis. The footnotes relate to continuing operations except where noted otherwise. Intercompany transactions and balances have been eliminated. The equity method of accounting is used for investments in associated companies that we do not control, but for which we have the ability to exercise significant influence on operating and financial policy.

B. Inventories: Inventories are stated at the lower of cost or market. We determine cost using the first-in, first-out method.

C. Currency Translation: Operations in our international subsidiaries are recorded in local currencies, which are also the functional currencies for financial reporting purposes. The results of operations for our international subsidiaries are translated from local currencies into U.S. dollars ("USD") using the average currency rate during each period which approximates the results that would be obtained using actual currency rates on the dates of individual transactions. Assets and liabilities are translated using currency rates at the end of the period with translation adjustments recorded in accumulated translation adjustments and recognized as a component of accumulated other comprehensive income ("OCI"). Gains and losses on foreign currency transactions, which represent the translation of transactions denominated in currencies other than the functional currency of the impacted legal entity, are recorded as incurred in Other (expense) income, net.

D. Depreciation: Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. When these assets are retired or disposed of, the net book value of assets are removed from the consolidated balance sheet and the net gain or loss is included in the determination of earnings from operations.

Expenditures for maintenance and repairs are charged to current operating expenses. Acquisitions, additions, and betterments, either to provide necessary capacity, improve the efficiency of production units, modernize or replace older facilities, or to install equipment for protection of the environment, are capitalized. We capitalize interest costs incurred during the period of construction of plants and equipment.

E. Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets and would be charged to income. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the costs to sell.

F. Goodwill and Intangible Assets: We have defined our reportable segments as our reporting units for our goodwill accounting. We test goodwill for impairment on an annual basis as of October 1st and more often if events occur or circumstances change that would likely reduce the fair value of a reporting unit to an amount below its carrying value. When necessary, we record charges for goodwill impairments for the amount by which the implied fair value of goodwill is less than its carrying value.

We test our goodwill using either a qualitative or quantitative approach. Under the qualitative approach for a goodwill impairment test, we first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (i.e. – greater than 50% probability) that the fair value of the reporting unit is less than its carrying amount. If, after assessing the totality of the facts and circumstances, we determine it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then performing the two-step impairment test, described below, is unnecessary. If we determined otherwise, we would be required to perform the two-step goodwill impairment test. For our qualitative assessment of the reporting unit, we consider all relevant facts and circumstances, including the excess fair value from the most recent fair value calculation; circumstances that could cause significant changes to the most recent carrying value calculation; the overall financial performance of the reporting unit compared to previous projections; the estimated financial performance projected in the near and long term, such as Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") and cash flows; industry and market conditions, including overall market-multiple metrics, competitive environment and demand for our products; overall macroeconomic conditions including our ability to access capital; and changes in management, key personnel or strategy for the reporting unit. More weight is placed on events or circumstances that most affect a reporting unit's fair value or carrying amount of its net assets.

If we decide to or are required to perform the two-step goodwill impairment test, we begin by comparing the reporting unit's fair value to its carrying value. We initially use a market multiple approach (1A) to estimate a range of fair values by reporting unit, and then use a discounted cash flow approach (1B) if the market multiple approach indicates that a potential impairment might exist to refine and reaffirm the results of the first test. Due to the cyclical nature of our reporting units, market multiple values are determined utilizing a three-year average of EBITDA. The three-year period is comprised of the prior year, current year, and one year of projected amounts. If the reporting unit's estimated fair value at the low end of the range is close to, in our judgment, or below the reporting unit's carrying value, we refine the calculation using discounted cash flows to calculate a point estimate of the reporting unit's fair value, as opposed to a range. If the discounted cash flow approach yields a fair value estimate less than the reporting unit's carrying value, we would proceed to step two of the impairment test, which is used to measure the amount of the impairment loss. In the second step, the implied fair value of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill in a manner similar to a purchase price allocation. The resulting implied fair value of the goodwill that results from the application of this second step would then be compared to the carrying amount of the goodwill and an impairment charge would be recorded for the difference.

Intangible assets are amortized on a straight-line basis over their respective estimated useful lives. Intangible assets with determinable useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets and would be charged to income.

G. Cash and Cash Equivalents: Securities with maturities of three months or less when purchased are considered to be cash equivalents.

H. Financial Instruments: Certain financial instruments are recorded at cost, which approximates fair value such as cash and cash equivalents, receivables, certain other assets, accounts payable, and certain other liabilities. Fair values are determined through a combination of management estimates and information obtained from third parties using the latest available market data. Long-term debt is carried at amortized cost.

I. Derivative Instruments and Hedging Activities: We use derivative instruments in accordance with our established policies to manage exposure to fluctuations in currency rates, interest rates, and, at times, certain commodity costs. We do not hold or issue derivative financial instruments for trading or speculative purposes. We enter into financial instrument transactions with either major financial institutions or highly rated counterparties and make reasonable attempts to diversify transactions among counterparties, thereby limiting exposure to credit-related and performance-related risks.

Foreign Currency Risk: We use currency forward contracts and have used cross currency swaps to manage our exposure to fluctuations in currency rates on third party and intercompany transactions denominated in currencies other than the functional currency of the legal entity. We hedge such exposures with currency forward contracts denominated in the same currency and with similar terms as the underlying exposure, and therefore, the instruments are effective at generating offsetting changes in the fair value or cash flows of the hedged item or transaction. All derivative contracts used to manage foreign currency risk are measured at fair value and reported as assets or liabilities on the balance sheet. Following the termination of our cross currency swaps in July 2012, we have not elected to apply hedge accounting. Changes in fair value are recorded in Other (expense) income, net.

J. Environmental and Other Contingent Liabilities: Accruals for environmental remediation, maintenance, and operating costs directly related to remediation, and other contingent liabilities are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Accruals for environmental liabilities and other contingent liabilities are recorded as Other noncurrent liabilities with amounts expected to be paid out in the next twelve months classified as Accrued expenses at undiscounted amounts.

Insurance/Self-Insurance: It is our practice to conduct an analysis of our self-insured and insured contingent liabilities annually and whenever circumstances change significantly. Included in these liabilities are workers' compensation, product liability, and toxic tort claims.

Probable insurance recoveries for past and future indemnity costs are recorded in other receivables, to the extent collection is reasonably assured within the next twelve months, and longer term receivables are included in other assets at our best estimate of the ultimate expected receipts at undiscounted amounts. Defense and processing costs are expensed as incurred. Probable insurance recoveries for defense and processing costs are recognized only as actual costs are incurred.

Asset Retirement Obligations: We recognize the fair value of the liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. The liability is accreted at the end of each period through charges to operating expense. If the obligation is settled for other than the carrying amount of the liability, we recognize a gain or loss on settlement.

K. Income Taxes: Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. If repatriation of the undistributed income of our international subsidiaries and associated companies is anticipated then income taxes are provided for such earnings. The undistributed earnings of all other foreign subsidiaries will be indefinitely reinvested in their operations.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the tax authorities. We recognize interest and penalties related to unrecognized tax benefits in income tax expense in the consolidated statements of income.

L. Postretirement Benefits: Costs of postretirement benefits are recognized as employees render the services necessary to earn the related benefits. We recognize an asset or liability for the overfunded or underfunded status of postretirement plans that we sponsor. We measure plan assets and benefit obligations as of the date of the employer's statement of financial position.

We utilize the mark-to-market ("MTM") method of accounting, under which our pension and other postemployment benefit ("OPEB") costs consist of two elements: 1) ongoing costs recognized quarterly, which are comprised of service and interest costs, expected returns on plan assets, and amortization of prior service costs/credits; and 2) MTM gains and losses recognized annually, in the fourth quarter of each year, resulting from changes in actuarial assumptions and the differences between actual and expected returns on plan assets and discount rates. Any interim remeasurements triggered by a curtailment, settlement, or significant plan changes are recognized as an MTM adjustment in the quarter in which such remeasurement event occurs. For additional information, see Note 14, "Employee Benefit Plans."

M. Revenue Recognition: We recognize revenue when persuasive evidence of an arrangement exists, the selling price is fixed or determinable, collection is reasonably assured, and title and risk of loss has passed to our customers. Customer rebates are estimated and recognized as a reduction of sales as such rebates are being earned.

N. Share-Based Compensation: We recognize our share-based compensation cost in an amount equal to the fair value of share-based payments and estimate a forfeiture rate for all share-based awards. We monitor share option exercise and employee termination patterns to estimate forfeiture rates within the valuation model.

O. Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions. These estimates or assumptions affect the reported amounts and disclosures. For example, estimates are used when accounting for allowance for doubtful accounts, inventory valuations, useful lives of tangible and intangible assets, recoverability of goodwill, accrued expenses, environmental and other contingent liabilities, pension and other postretirement benefits, income tax valuation allowances and assumptions utilized in determining share-based compensation. Actual results could differ from these estimates. Accounting estimates require the use of judgment regarding uncertain future events and their related effects and, accordingly, may change as additional information is obtained.

P. New and Recently Adopted Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," which will supersede current revenue recognition guidance in Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition." The new standard is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions previously not addressed comprehensively, and clarify guidance for multiple-element arrangements. This new standard is effective for the first quarter of 2017 using one of two prescribed transition methods. We have not yet selected a transition method and continue to evaluate the impact this guidance will have on our future consolidated results of operations, financial condition, and related disclosures.

In February 2013, the FASB issued ASU No. 2013-02. This ASU required us to present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income–but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. It also required us to cross-reference to other disclosures currently required under U.S. GAAP for other reclassification items (that are not required under U.S. GAAP to be reclassified directly to net income in their entirety in the same reporting period). On January 1, 2013, we adopted the provisions of ASU No. 2013-02, which are reflected in these financial statements.

Q. Reclassifications: Certain amounts, including changes in our equity structure, reported for prior years in the Consolidated Financial Statements and Notes to Consolidated Financial Statements have been reclassified to conform to the current year's presentation.

Except for the number of authorized shares and par value, all references to shares and per share data for all periods presented herein reflect the impact of the 2-for-1 stock split in the form of a stock dividend, which was effective in September 2014 (the "September 2014 stock split"). See Note 17 for additional information related to this stock split.

In the consolidated statement of cash flows for the year ended December 31, 2013, we have corrected certain immaterial prior period misclassifications, which related to changes in accounts payable related to certain capital projects. These corrections resulted in a $4.9 increase to net cash provided by operating activities of continuing operations, and a $4.9 increase to net cash used in investing activities of continuing operations. The corrections did not impact our consolidated statement of income for the year ended December 31, 2013 or consolidated balance sheet as of December 31, 2013.

2. ACQUISITIONS

Acquisition of Umeco plc

On July 20, 2012, we completed the acquisition of all of the outstanding shares of Umeco plc ("Umeco"), an international provider of composite and process materials, in an all-cash transaction at a cost of approximately $423.8. The acquisition is intended to strengthen our position as a leading manufacturer of composite materials, while offering significant opportunities for growth and value creation, particularly in industrial composites and process materials. The acquired Umeco business is partly reported in the Aerospace Materials segment, but mostly reported in the Industrial Materials segment. Net sales from Umeco related to Industrial Materials and Aerospace Materials in 2012 were $124.7 and $25.3, respectively.

The acquisition was accounted for under the acquisition method of accounting in accordance with the FASB's ASC Topic 805, "Business Combinations." As such, the Umeco assets acquired and liabilities assumed were recorded at their acquisition-date fair values. Acquisition-related transaction costs were not included as a component of consideration transferred, but were accounted for as an expense in the period in which the costs were incurred. Any excess of the acquisition consideration over the fair value of assets acquired and liabilities assumed was allocated to goodwill.

The following table summarizes the final assigned fair values of the assets acquired and liabilities assumed at the acquisition date.

Cash	$ 3.0
Trade receivables	65.2
Inventories	58.2
Other current assets	25.5
Plants, equipment and facilities	67.9
Amortizable intangible assets	175.2
Goodwill	186.7
Deferred tax assets	1.2
Other non-current assets	5.3
Deferred tax liabilities	(52.1)
Other current and non-current liabilities	(112.3)
Total acquisition consideration allocation	$ 423.8

Goodwill recorded in connection with this acquisition was approximately $186.7, which represented the significant opportunities for growth and value creation by expanding our presence in the industrial composites sector, as well as the expected synergies from combining the acquired business with our existing business. Goodwill was assigned in part to the Aerospace Materials and Industrial Materials segments. The estimated amount of goodwill deductible for tax purposes over a 5 year period is $7.1. The estimated goodwill non-deductible for tax purposes is approximately $179.6.

The following information provides details about the estimated step-up in fair value and/or the estimated fair value at the acquisition date for some key balance sheet items.

Inventories

As of the effective date of the acquisition, inventory acquired is required to be measured at fair value. Raw materials and work in process are valued at book value, which is assumed to be a reasonable proxy for fair value. The fair values for finished goods inventory were determined based on estimated selling prices less the sum of (a) costs of selling and (b) a reasonable profit allowance for the selling effort. The estimated net step-up in fair value for finished goods was $5.6.

Deferred taxes

In connection with the acquisition of Umeco, we acquired the stock of Umeco and therefore inherited the historical tax basis of its assets and liabilities, as well as its other tax attributes. As a result, we established deferred tax assets and liabilities with respect to the step-up to fair value of assets and liabilities for book purposes. We also inherited various tax uncertainties and valuation allowances, which were adjusted to reflect our judgments and estimates regarding the ultimate resolution of the items and consideration of the combined company activities.

Property and equipment

As of the effective date of the acquisition, property and equipment are required to be measured at fair value. It is assumed that all property and equipment will be used in a manner that represents the highest and best use of those assets. The fair value of land assets was primarily determined through use of the market approach, while the fair value of land improvements and personal property (machinery and equipment and fixed assets – other) was primarily determined through use of the cost approach and corroborated with an income approach when appropriate. Our fair value adjustment to property and equipment has been made by obtaining an understanding of the nature, amount, and type of Umeco property and equipment as of July 20, 2012. The estimated step-up in fair value for property and equipment was $4.9.

Intangible assets include the following:

	Estimated Fair Value	Remaining Useful Lives (Years)
Customer relationships	$141.9	16
Technology – Structural Materials: Aerospace & Defense	$ 14.3	21
Technology – Structural Materials: Other industries	$ 9.2	6
Trademarks and trade names	$ 9.8	8

It is assumed that all intangible assets will be used in a manner that represents the highest and best use of those assets. The fair value of intangible assets was determined primarily using income approaches. This included the multi-period excess earnings valuation method for customer relationships and the relief-from-royalty valuation method for trademarks and trade names, and technology assets. Some of the more significant assumptions used in the development of intangible asset values, as applicable, include the amount and timing of projected future cash flows (including net sales, cost of sales, marketing, administrative and development expenses and working capital); the discount rate selected to measure the risks inherent in the future cash flows; the assessment of the asset's life cycle and the competitive trends impacting the asset; and royalty rates.

The fair value of the assets acquired included trade receivables of $65.2, virtually all of which has been collected.

For the year ended December 31, 2012, we recognized expenses for acquisition related costs of approximately $8.4. These costs are included in Administrative and general in the consolidated statement of income for the period ended December 31, 2012. From the acquisition date through December 31, 2012, we recorded net sales of $150.0 for the Umeco businesses, and corresponding net operating earnings of $1.0, which includes the expensing of the aforementioned net step-up in fair value for purchased finished goods of $5.6.

The assets and liabilities arising from contingencies recognized as of the acquisition date are not significant to the consolidated financial statements.

Pro forma financial information (unaudited)

The results of operations of Umeco have been included in the consolidated statements of operations since the acquisition date of July 20, 2012.

The following table reflects the unaudited pro forma consolidated results of operations as if the acquisition had taken place on January 1, 2012, as adjusted by our September 2014 stock split:

Year ended December 31,	2012
Net revenue	$1,896.2
Earnings from continuing operations	$ 93.7
Diluted earnings per share from continuing operations	$ 1.00

These amounts have been calculated after applying Cytec's accounting policies and adjusting the results of Umeco to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant, and equipment, and intangible assets had been applied from January 1, 2011 with the consequential tax effects. We did not apply MTM accounting to the Umeco pension plans prior to the acquisition for these pro forma results.

For the year ended December 31, 2012, material non-recurring pro forma adjustments include the removal of costs related to the acquisition of Umeco of $20.2 including $11.8 of transaction related costs included in legacy Umeco's consolidated statement of operations for the year ended December 31, 2012.

The unaudited pro forma information does not include any adjustments for any restructuring activities, operating efficiencies or cost savings.

Acquisition of manufacturing assets of Star Orechem International Private Limited

On March 30, 2012, we acquired the manufacturing assets of Star Orechem International Private Limited ("SOIL"), in Nagpur, Central India, in a cash transaction. We completed capabilities and upgrading project of the acquired plant to meet appropriate safety and operating standards, and began production of our mining chemical products in the fourth quarter of 2014. The results of operations of the acquired business have been included in our In Process Separation segment since April 1, 2012. The acquisition was funded from our cash on hand and has been accounted for as an acquisition of a business.

The following table summarizes the final assigned fair values of the assets acquired and liabilities assumed as of March 30, 2012:

Inventories	$ 1.1
Other current assets	0.4
Plants, equipment and facility	6.5
Identifiable intangibles	1.2
Goodwill	20.8
Other, net	0.2
Total purchase price	$30.2

The goodwill recorded in connection with this acquisition is largely attributable to the capacity and potential for future strategic growth. All $20.8 of the goodwill recognized is expected to be deductible for income tax purposes.

The amount allocated to intangibles represents the fair value of non-compete agreements, which were determined based on an independent appraisal. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 fair value measurement.

There were no material revenues or earnings related to SOIL included in our consolidated statement of income for the year ended December 31, 2012.

3. DISCONTINUED OPERATIONS AND OTHER DIVESTITURES

The following table displays summarized activity in our consolidated statements of operations for discontinued operations during the years ended December 31, 2014, 2013 and 2012.

	2014				2013			2012	
	Coatings	Distribution Product Line	Pre-Acquisition Umeco	Total	Coatings	Distribution Product Line	Total	Coatings	Total
Net sales	$ —	$—	$—	$ —	$368.0	$ —	$368.0	$1,487.4	$1,487.4
Earnings from operations of discontinued businesses before income taxes(1)(3)	$ —	$—	$—	$ —	$ 48.1	$ —	$ 48.1	$ 190.9	$ 190.9
Income tax expense on operations(2)(3)	—	—	—	—	(16.5)	—	(16.5)	(73.5)	(73.5)
(Loss) gain on sale of discontinued operations	(6.1)	0.2	3.6	(2.3)	17.9	(12.5)	5.4	21.3	21.3
Income tax benefit (expense) on (loss) gain on sale	12.0	—	—	12.0	(34.8)	—	(34.8)	(12.7)	(12.7)
Adjustment to fair value, less cost to sell	—	—	—	—	—	—	—	(27.5)	(27.5)
Income tax benefit on adjustment	—	—	—	—	—	—	—	2.8	2.8
Earnings from discontinued operations, net of tax	$ 5.9	$ 0.2	$ 3.6	$ 9.7	$ 14.7	$(12.5)	$ 2.2	$ 101.3	$ 101.3

(1) Included in earnings of discontinued operations before income tax expenses for the year ended December 31, 2012 were expenses of $23.4 related to the Coatings sale process. For the year ending December 31, 2012, includes net restructuring charges of $1.6 and environmental charges of $1.7.

(2) Income tax expense on discontinued operations for the year ended December 31, 2012 includes a $7.6 of tax expense on estimated unrepatriated earnings of international subsidiaries from the anticipated sale of Coatings.
(3) The assets and liabilities of the Coatings business were reclassified to held-for-sale effective June 30, 2012. Accordingly, depreciation and amortization were no longer recorded on these assets beginning July 1, 2012.

Discontinued operations

Coating Resins

On April 3, 2013, we completed the divestiture of our remaining Coating Resins ("Coatings") business to Advent International ("Advent"), a global private equity firm, for a total value of $1,133.0, including assumed liabilities of $118.0, resulting in a cumulative after-tax loss on the sale of $16.9 in 2013. These cumulative after-tax losses are included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statement of income for 2013. The final price paid and loss on sale remains subject to final working capital and other customary adjustments. After-tax earnings from operations of the discontinued business for the years ended December 31, 2013 and 2012 were $31.6 and $117.4, respectively.

In connection with the sale of Coatings to Advent, we agreed to retain certain liabilities, including liabilities for U.S. pension and other postretirement benefits and certain tax liabilities related to taxable periods (or portions thereof) ending on or before April 3, 2013. In 2014, we recorded after-tax charges of $1.0 related to certain of these tax liabilities and other tax related adjustments with respect to the divestiture. Additionally, in 2014, we recorded a tax benefit of $11.1 based on our best estimate of the purchase price allocation attributable to the Coatings business sold in various taxing jurisdictions, offset by after-tax charges of approximately $3.6 for purchase price and working capital adjustments and charges of $0.6 to true up the tax expense related to the divestiture.

Previously, on July 31, 2012, we completed the sale of the pressure sensitive adhesives ("PSA") product line of the former Coatings business to Henkel AG & Co. for approximately $105.0, including working capital of approximately $15.0. In 2012, we received cash consideration of $112.8 from the sale and recorded an after-tax gain on the sale of $8.6, which is included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statements of income. In 2012, we also recorded cumulative after-tax charges of $24.7 to adjust our carrying value of the Coatings disposal group to its fair value less cost to sell, based on the terms of the definitive agreement with Advent at that time. The charge is included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statement of income for 2012.

The results of operations of the former Coatings business have been reported as discontinued operations, and are therefore excluded from both continuing operations and segment results for all periods presented. All previously reported financial information has been revised to conform to the current presentation.

Other divestitures

Industrial Materials distribution product line

On July 12, 2013, we sold the Industrial Materials distribution product line, which we acquired as part of the Umeco acquisition, to Cathay Investments for $8.6, subject to final working capital and other customary adjustments. In 2013, we recorded an after-tax charge of $12.5 to adjust our carrying value of the disposal group to its fair value less cost to sell, based on the terms of the agreement. The charge is included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statements of income. In 2014, we recorded an after-tax benefit of $0.2 related to final purchase price and settlement of final working capital adjustments. These amounts are included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statements of income.

The results of operations of the former Industrial Materials distribution product line prior to its divestiture remain in continuing operations for all periods presented, as the results of operations for the business and assets and liabilities sold were not material to disclose as discontinued operations or assets held for sale.

Former Umeco entities divested prior to our acquisition

As part of our acquisition accounting for Umeco in 2012, we established reserves related to income tax and value added tax liabilities of an entity that had been divested by Umeco in 2011, for periods that were under audit prior to it its divestiture. We continued to accrue interest through the end of 2013. In 2014, we agreed to a settlement for audit periods through March 31, 2009, which resulted in a benefit of approximately $3.6. The benefit is included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statement of income for the year ended December 31, 2014.

Stamford research and development facility

On September 30, 2011, we sold our Stamford, Connecticut research and development facility for $11.0 cash. The transaction included the leaseback of certain portions of the facility for a 7-year period, with an option to extend the lease for an additional 3 years. As part of the agreement, we were responsible for the remediation of certain environmental matters at the site and therefore, as a result of the environmental remediation obligation, we were precluded from recognizing the sale until the remediation was completed. On the date of the transaction, the carrying value of the facility exceeded the proceeds received by $21.5. However, since the facility supports the operations of multiple asset groupings that had sufficient undiscounted cash flows to support the in-use value of the facility, no impairment charge was recorded at that time. Therefore, in the fourth quarter of 2011, we adjusted the estimated remaining useful life of the facility to the 7-year initial lease period and began accelerating the depreciation over that period. In the fourth quarter of 2012, we completed remediation and recognized the sale. As a result, we recorded a pre-tax loss of $16.7 in 2012 for the remaining excess carrying value, which is included in Net loss on sale of assets in the consolidated statements of income.

4. RESTRUCTURING OF OPERATIONS

In accordance with our accounting policy, restructuring costs are included in our corporate and unallocated operating results for segment reporting purposes, which is consistent with management's view of its businesses. Aggregate pre-tax restructuring charges (credits) included in the consolidated statements of income were recorded by line item as follows:

	2014	2013	2012
Manufacturing cost of sales	$ 0.5	$(0.2)	$ 3.5
Selling and technical services	0.6	0.2	3.1
Research and process development	—	—	0.5
Administrative and general	(0.1)	4.1	14.1
Asset impairment charge	—	2.8	—
Total	$ 1.0	$ 6.9	$21.2

Details of our 2013 restructuring initiatives are as follows:

In the third quarter of 2013, we launched cost reduction initiatives in our Industrial Materials segment to address market conditions and better position ourselves for profitable growth. The plan included headcount reductions of approximately 55 people, through modification of shift patterns within various operations, centralization of logistics and planning activities, and closure of a small site in Beelitz, Germany. The plan resulted in a pre-tax restructuring charge of approximately $4.5 related mainly to severance costs and the closure of the manufacturing facility. The initiative is expected to be completed by 2015.

In the second quarter of 2013, we launched initiatives in our Aerospace Materials segment to move all production operations from the Costa Mesa, Adelanto, and Huntington Beach, California sites into the Winona, Minnesota, Tulsa, Oklahoma, and Anaheim, California locations. Approximately 120 employees will be impacted by this move. These plans resulted in a restructuring charge of $1.6, primarily for severance, retention costs, and accelerated depreciation. The initiatives are expected to be completed in waves by the first quarter of 2015 and paid for by mid-2015.

During 2014, we recorded an additional charge of $1.4 to these initiatives. The remaining reserve relating to the 2013 restructuring initiatives at December 31, 2014 is $1.8.

Details of our 2012 restructuring initiatives are as follows:

In the third quarter of 2012, we approved plans to realign the supporting structure of our Aerospace Materials and Industrial Materials segments to take advantage of synergies from the acquisition of Umeco. These plans resulted in a restructuring charge of $6.6 related to the severance of 28 positions. The initiatives were substantially completed in 2013 and are expected to be paid by the end of 2015.

In the second quarter of 2012, we launched initiatives in our corporate functions across sales, marketing, manufacturing, supply chain, research and development, and administrative functions to mitigate continuing costs following the anticipated sale of Coatings. These initiatives resulted in charges related to severance and employee benefits of $14.7 associated with the elimination of 171 positions. These initiatives are expected to be substantially completed and paid in early 2016, but may carry over into later periods.

During 2013, we recorded an additional charge of $0.9 to these initiatives and during 2014, we recorded a favorable adjustment of $0.4 to these initiatives. The remaining reserve relating to the 2012 restructuring initiatives at December 31, 2014 is $3.2.

Restructuring Initiatives:	2009	2010	2012	2013	Total
Balance at December 31, 2011	$ 0.2	$ 0.3	$ —	$—	$ 0.5
2012 charges (credits)	0.1	(0.2)	21.3	—	21.2
Non-cash items	—	—	(0.1)	—	(0.1)
Cash payments	(0.2)	(0.1)	(8.3)	—	(8.6)
Currency translation adjustments	—	—	0.3	—	0.3
Balance at December 31, 2012	$ 0.1	$—	$13.2	$—	$ 13.3
2013 charges (credits)	(0.1)	—	0.9	6.1	6.9
Non-cash items(1) (2)	—	—	—	(3.2)	(3.2)
Cash payments	—	—	(9.2)	(1.2)	(10.4)
Currency translation adjustments	—	—	(0.1)	0.1	—
Balance at December 31, 2013	$—	$—	$ 4.8	$ 1.8	$ 6.6
2014 charges (credits)	—	—	(0.4)	1.4	1.0
Non-cash items(2)	—	—	—	(0.5)	(0.5)
Cash payments	—	—	(1.2)	(0.9)	(2.1)
Currency translation adjustments	—	—	—	—	—
Balance at December 31, 2014	$—	$—	$ 3.2	$ 1.8	$ 5.0

(1) Includes a $2.8 charge for the write-off of plant assets at our manufacturing facility in Beelitz, Germany.
(2) Includes accelerated depreciation of plant assets at our California sites.

5. SHARE-BASED COMPENSATION

Shares and per share data below have been adjusted for all periods to reflect the effects of our September 2014 stock split. See Note 17 for additional information related to this stock split.

The fair value of each option or stock-settled share appreciation right ("SARS") award is estimated on the date of grant using a binomial-lattice option valuation model. Stock-settled SARS are economically valued the same as stock options. The binomial-lattice model takes into account variables such as volatility, dividend yield, and risk-free interest rate. In addition, the binomial-lattice model considers the contractual term of the option, the probability that the option will be exercised prior to the end of its contractual life, and the probability of termination or retirement of the option holder in computing the value of the option.

The weighted average assumptions for the years ended December 31, 2014, 2013 and 2012, including the weighted-average fair value per option retroactively as adjusted by our September 2014 stock split, are noted in the following table:

	2014	2013	2012
Expected life (years)	6.3	6.2	6.2
Expected volatility	34.6%	36.2%	41.9%
Expected dividend yield	0.63%	0.78%	1.01%
Risk-free interest rate	3.00%	1.86%	2.11%
Weighted-average fair value per option	$16.46	$13.28	$9.95

The expected life of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. Expected volatilities are based on the combination of implied market volatility and our historical volatility. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. As share-based compensation recognized in the consolidated statement of income is based on awards ultimately expected to vest, we incorporate the probability of pre-vesting forfeiture in determining the number of expected vested options. The forfeiture rate is based on the historical forfeiture experience and prospective actuarial analysis.

Stock Award and Incentive Plan:

The 1993 Stock Award and Incentive Plan, as amended on January 31, 2012, (the “1993 Plan” or “Amended Plan”) provides for grants of a variety of awards, such as stock options (including incentive stock options and nonqualified stock options), nonvested stock (including performance stock), SARS (including those settled with common shares), and deferred stock awards and dividend equivalents.

At December 31, 2014, there were approximately 8,000,000 shares reserved for issuance under the 1993 Plan, inclusive of 3,400,000 shares reserved for issuance for all outstanding share-based compensation grants.

Stock options and stock-settled SARS

We have utilized the stock option component of the 1993 Plan to provide for the granting of nonqualified stock options and stock-settled SARS with an exercise price at 100% of the market price on the date of the grant. Options and stock-settled SARS are generally exercisable in installments of one-third per year commencing one year after the date of grant and annually thereafter, with contract lives of generally ten years from the date of grant.

A summary of stock options and stock-settled SARS activity for the year ended December 31, 2014 has been retroactively adjusted to reflect the effects of our September 2014 stock split and is presented below:

Options and Stock-Settled SARS Activity:	Number of Units	Weighted Average Exercise Price Per Unit	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2014	3,898,092	$24.96		
Granted	566,850	44.39		
Exercised	(1,418,398)	24.31		
Forfeited	(136,068)	34.15		
Outstanding at December 31, 2014	2,910,476	$28.62	6.2	$51.2
Exercisable at December 31, 2014	1,825,798	$22.97	4.9	$42.4

During the year ended December 31, 2014, we granted 566,850 stock options. The weighted-average grant-date fair value of stock options and the stock-settled SARS granted during the years ended December 31, 2014, 2013 and 2012, was $16.46, $13.28, and $9.95 per share, respectively. Total pre-tax compensation cost related to stock option and stock-settled SARS was $7.9, $7.7, and $7.6 during the years ended December 31, 2014, 2013 and 2012, respectively. The total intrinsic value of stock options and stock-settled SARS exercised during the years ended December 31, 2014, 2013 and 2012 was $33.4, $27.5, and $26.3 respectively. Treasury shares and newly issued shares have been utilized for stock option and stock-settled SARS exercises.

As of December 31, 2014, there was approximately $5.9 of total unrecognized compensation cost related to stock options and stock-settled SARS. That cost is expected to be recognized over a weighted-average period of 1.3 years as the majority of our awards vest over 3 years.

Total tax benefits realized from share-based awards was $12.1, $9.7, and $8.0 for the years ended December 31, 2014, 2013 and 2012, respectively. Cash received from stock options exercised was $15.4, $23.5, and $28.0 for the years ended December 31, 2014, 2013 and 2012, respectively.

Cash-settled SARS

Our 1993 Plan also provides for the granting of cash-settled SARS, which were granted during 2004 and 2005. Cash-settled SARS are liability-classified awards. Cash used to settle cash-settled SARS was $0.8, $1.4, and $0.8 for the years ended December 31, 2014, 2013 and 2012, respectively. Cash-settled SARS are exercisable in installments of one-third per year commencing one year after the date of grant and annually thereafter, with contractual lives of ten years from the date of grant. The total amount of before-tax (income)/ expense recognized for cash-settled SARS was $(0.1), $0.9, and $1.2 for the years ended December 31, 2014, 2013 and 2012, respectively. The liability related to our cash-settled SARS was $0.2 and $1.2 at December 31, 2014 and 2013, respectively.

Nonvested stock, nonvested stock units, and performance stock

As provided under the 1993 Plan, we have also issued nonvested stock, nonvested stock units, and performance stock. Nonvested stock and stock units are subject to certain restrictions on ownership and transferability that lapse upon vesting. Performance stock payouts are based on the attainment of certain financial performance objectives and may vary depending on the degree to which the performance objectives are met. We did not grant any performance stock in 2014, 2013 and 2012.

A summary of nonvested stock and nonvested stock units for the year ended December 31, 2014 has been retroactively adjusted to reflect the effects of our September 2014 stock split and is presented below:

Nonvested Stock and Nonvested Stock Units:	Number of Units	Weighted Average Grant Date Fair Value Per Unit
Nonvested at January 1, 2014	316,766	$28.82
Granted	95,486	44.97
Vested	(102,348)	26.12
Forfeited	(17,032)	33.69
Nonvested at December 31, 2014	292,872	$34.75

During 2014, we granted 73,480 nonvested stock units to employees and 22,006 shares of nonvested stock primarily to nine directors, which generally vest on the third anniversary of the date of grant. The weighted average fair value of the nonvested stock and nonvested stock units on the date of grant was $44.97 per share, which was equal to the closing market price of our stock on the date of the grant. The total amount of share-based compensation expense recognized for nonvested stock and nonvested stock units was $3.5, $3.5, and $3.4 for the years ended December 31, 2014, 2013 and 2012, respectively. As of December 31, 2014, there was $3.2 of total unrecognized compensation cost related to nonvested stock and nonvested stock units. That cost is expected to be recognized over a weighted-average period of 1.8 years.

Compensation cost related to all share based compensation arrangements capitalized in inventory as of December 31, 2014 and 2013 was approximately $0.5 in both years.

For awards granted prior to January 1, 2012, in the event of a “change in control” (as defined in the Amended Plan), unless specifically provided to the contrary in an award agreement or grant letter establishing an award, (i) any award carrying a right to exercise that was not previously exercisable and vested will become fully exercisable and vested, (ii) the restrictions, deferral limitations, payment conditions and forfeiture applicable to any other award, including non-employee directors’ awards, granted under the amended Plan will lapse, and such awards will be deemed fully vested, and (iii) any performance conditions imposed with respect to awards (other than annual cash incentives) shall be deemed to be fully achieved. For awards granted on or after January 1, 2012, if after a “change in control” (as defined in the Amended Plan) the recipient’s employment or independent contractor relationship is terminated by the Company within two (2) years after the change of control without cause, or by such recipient for “good reason” (as defined in the Amended Plan) unless specifically provided to the contrary in an award agreement or grant letter establishing an award, (i) any award carrying a right to exercise that was not previously exercisable and vested will become fully exercisable and vested, (ii) the restrictions, deferral limitations, payment conditions and forfeiture applicable to any other award granted under the Amended Plan will lapse, and such awards will be deemed fully vested, and (iii) any performance conditions imposed with respect to awards (other than annual cash incentives) shall be deemed to be fully achieved.

As of December 31, 2014 and 2013, our Additional paid-in capital pool (“APIC Pool”) which represents excess tax benefits available to absorb potential future tax deficiencies was $89.6 and $81.7, respectively.

In the second quarter of 2012, in an effort to retain key employees of the Coatings business who could be impacted by the potential sale of Coatings, we agreed that if any such individual’s employment with Cytec is terminated as a result of a sale of Coatings, we would pay such employee an amount equal to the intrinsic value of any unvested stock options and restricted stock units based on the closing price of Cytec stock on the date of the sale. As of June 30, 2012, when we determined we had met all the criteria for discontinued operations, we determined that certain unvested stock options and restricted stock units that had been accounted for as equity awards should be reclassified to be accounted for as liability awards.

Accordingly, we recorded a liability of $2.9 for these awards at June 30, 2012 by reclassifying $1.7 of previously recognized expense out of Additional paid-in capital and recognized $1.2 of additional expense. In the second half of 2012, an additional $3.7 of expense was recognized related to these awards. During the fourth quarter of 2012, new facts and circumstances regarding the timing of the close of the Coatings sale indicated that a portion of the awards previously reclassified to liability awards would vest prior to closing and were reclassified back to equity awards. Accordingly, we reclassified $2.3 from the liability to Additional paid-in capital. The expense recorded for these liability awards was recognized in Earnings from operations of discontinued business, net of tax on the consolidated statements of income.

6. EARNINGS PER SHARE (EPS)

Basic earnings per common share excludes dilution and is computed by dividing net earnings available to common stockholders by the weighted-average number of common shares outstanding (which includes shares outstanding, less performance and nonvested shares for which vesting criteria have not been met) plus deferred stock awards, weighted for the period outstanding. Diluted earnings per common share is computed by dividing net earnings available to common stockholders by the sum of the weighted-average number of common shares outstanding for the period adjusted (i.e., increased) for all additional common shares that would have been outstanding if potentially dilutive common shares had been issued and any proceeds of the issuance had been used to repurchase common stock at the average market price during the period. Under this method, an increase in the fair market value of the Company's stock can result in a greater dilutive effect from potentially dilutive common shares. The proceeds are assumed to be the sum of the amount to be paid to the Company upon exercise of options, the amount of compensation cost attributed to future services and not yet recognized, and the amount of income taxes that would be credited to or deducted from capital upon exercise.

All share and per share data for the periods presented below reflect the effects of our September 2014 stock split. See Note 17 for additional information related to this stock split.

The following table sets forth the computation of basic and diluted earnings per common share for the years ended December 31, 2014, 2013 and 2012 (in thousands, except net earnings in millions and per share amounts):

Years ended December 31,	2014	2013	2012
Numerator:			
Earnings from continuing operations	$ 144.1	$ 171.7	$ 75.7
Earnings from discontinued operations, net of tax	9.7	1.8	99.2
Net earnings attributable to Cytec Industries Inc.	$ 153.8	$ 173.5	$ 174.9
Denominator:			
Weighted average shares outstanding	72,155	78,839	92,067
Effect of dilutive shares:			
Options and stock-settled SARS	1,015	1,308	1,247
Nonvested shares and units	205	221	259
Diluted average shares outstanding	73,375	80,368	93,573
Basic earnings per common share:			
Earnings from continuing operations	$ 2.00	$ 2.18	$ 0.82
Earnings from discontinued operations	0.13	0.02	1.08
Net earnings per common share attributable to Cytec Industries Inc.	$ 2.13	$ 2.20	$ 1.90
Diluted earnings per common share:			
Earnings from continuing operations	$ 1.96	$ 2.14	$ 0.81
Earnings from discontinued operations	0.13	0.02	1.06
Net earnings per common share attributable to Cytec Industries Inc.	$ 2.09	$ 2.16	$ 1.87

The following table sets forth the anti-dilutive shares/units excluded from the above calculations because their inclusion would have had an anti-dilutive effect on earnings per share (in thousands):

Years ended December 31,	2014	2013	2012
Options	358	230	499
Stock-settled SARS	—	—	—
Nonvested shares and units	—	—	—
Total	358	230	499

7. DERIVATIVE FINANCIAL INSTRUMENTS AND CERTAIN HEDGING ACTIVITIES

Foreign Currency Derivative and Hedging Activities

Currency forward contracts

We periodically enter into currency forward contracts primarily to hedge currency fluctuations of transactions denominated in currencies other than the functional currency of the respective entity. At December 31, 2014, the principal transactions hedged involved accounts receivable and accounts payable. When hedging currency exposures, our practice is to economically hedge such exposures with forward contracts denominated in the same currency and with similar critical terms as the underlying exposure, and therefore, the instruments are effective at generating offsetting changes in the fair value, cash flows, or future earnings of the hedged item or transaction. The fair values of forward contracts are calculated each period. These forward contracts are not defined as hedging instruments and therefore, all changes in fair values are reported in Other (expense) income, net.

At December 31, 2014, net contractual amounts of forward contracts outstanding translated into USD totaled $246.3. Of this total, $178.4 was attributed to the exposure in forward selling/purchase of USD, and $67.9 was attributable to the exposure in forward selling/purchase of Euros, translated into USD equivalent amounts. The net (unfavorable) favorable fair values of currency contracts, based on forward exchange rates at December 31, 2014 and 2013 were $(6.1) and $1.4, respectively.

At December 31, 2014 and 2013, the currency and net notional amounts of forward contracts outstanding translated into USD equivalent amounts were as follows:

December 31, 2014	Buy								
Sell	U.S. Dollar	Euro	Mexican Peso	Chilean Peso	Pound Sterling	Norwegian Krone	Colombian Peso	Malaysian Ringgit	Japanese Yen
U.S. Dollar	—	$91.5	$30.9	$15.7	$ 5.0	$ 4.9	$ 1.6	$ 1.5	$ 0.8
Chinese Yuan	$18.6	—	—	—	—	—	—	—	—
Pound Sterling	—	$60.8	—	—	—	—	—	—	—
Thai Baht	—	$ 5.8	—	—	—	—	—	—	—
Brazilian Real	$ 4.0	—	—	—	—	—	—	—	—
Canadian Dollar	$ 2.6	—	—	—	—	—	—	—	—
Korean Won	$ 1.3	—	—	—	—	—	—	—	—
Japanese Yen	—	$ 1.3	—	—	—	—	—	—	—

December 31, 2013	Buy									
Sell	U.S. Dollar	Euro	Chilean Peso	Mexican Peso	Pound Sterling	Norwegian Krone	Malaysian Ringgit	Thai Baht	Japanese Yen	Colombian Peso
U.S. Dollar	—	$100.8	$18.2	$17.0	$ 4.0	$ 2.8	$ 2.7	$ 1.5	$ 1.4	$ 1.4
Pound Sterling	—	$ 68.1	—	—	—	—	—	—	—	—
Chinese Yuan	$17.1	—	—	—	—	—	—	—	—	—
Canadian Dollar	$ 9.0	—	—	—	—	—	—	—	—	—
Brazilian Real	$ 6.6	—	—	—	—	—	—	—	—	—
Australian Dollar	$ 4.0	—	—	—	—	—	—	—	—	—
Thai Baht	—	$ 6.4	—	—	—	—	—	—	—	—
Japanese Yen	—	$ 1.6	—	—	—	—	—	—	—	—

Cross currency swaps

We have used cross currency swaps to hedge the changes in the cash flows of certain Euro denominated intercompany loans receivable held by U.S. entities and, until the sale of our Coatings business, to hedge a portion of our net investment in Cytec Surface Specialties SA/NV (formerly, our largest Euro functional currency subsidiary).

In July 2012, we terminated all of our outstanding cross currency swaps to take advantage of the declining value of the Euro and to prepare for the anticipated divestiture of Coatings. The final payment of approximately $1.8 to settle the swaps was based on the fair value of the swaps at the time of termination.

Prior to the termination of the swaps, the fair value of our swaps was calculated each period with changes in fair value reported in foreign currency translation adjustments within accumulated other comprehensive income (loss), net of tax. Such amounts reclassified to translation adjustments remained in other comprehensive income (loss) until the divestiture of Coatings, which included our investment in Cytec Surface Specialties SA/NV, on April 3, 2013. Until then, we monitored the counterparty credit risk and the continued probability of the hedged cash flows as to amount and timing. See Note 15, "Comprehensive Income," for further details on the amounts reclassified out of other comprehensive income as related to the divestiture of Coatings.

Credit Risk

At December 31, 2014, we did not have derivative instruments that contained credit-related-risk contingent features or provisions that would trigger immediate settlement or require us to post collateral to our counterparties. Also as of December 31, 2014, we did not have any significant concentration of credit risk arising from our derivative instruments.

The following table summarizes the impact of derivative instruments on our consolidated balance sheets:

	Asset Derivatives				Liability Derivatives			
	December 31, 2014		December 31, 2013		December 31, 2014		December 31, 2013	
Derivatives not designated as hedging instruments:	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forwards	Other current assets	$0.6	Other current assets	$2.3	Accrued expenses	$6.7	Accrued expenses	$0.9

The following table summarizes the amount and location of gains or (losses) recognized in income for our derivatives not designated as hedges for the years ended December 31, 2014 and 2013:

	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative	
		Year ended December 31,	
Derivatives not designated as hedging instruments:		2014	2013
Foreign currency forwards	Other (expense) income, net	$(25.2)	$9.3

Fair Value Measurements

We have certain assets and liabilities that are carried at fair value on a recurring basis in the financial statements, for which we determine the appropriate level in the fair value hierarchy for each fair value measurement. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels. It gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, interest rates, exchange rates, and yield curves observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability.

All of our derivatives are valued based on Level 2 inputs. Our currency forwards are valued based on readily available published indices for currency exchange rates.

A summary of the fair value measurements for each major category of derivatives at December 31, 2014 is outlined in the table below:

Description	Significant Other Observable Inputs (Level 2)
Currency forwards	$(6.1)

As of December 31, 2014, we did not have any non-financial assets and liabilities that are carried at fair value on a recurring basis in the consolidated financial statements for which a fair value measurement was required for the year ended December 31, 2014.

8. INVENTORIES

Inventories consisted of the following:

December 31,	2014	2013
Finished goods	$204.1	$159.7
Work in progress	10.8	10.0
Raw materials and supplies	92.7	83.4
Total inventories	$307.6	$253.1

9. PLANTS, EQUIPMENT AND FACILITIES

December 31,	2014	2013
Land and land improvements	$ 34.1	$ 30.1
Buildings	236.3	192.4
Machinery and equipment	1,041.4	880.7
Construction in progress	369.0	463.9
Plants, equipment and facilities, at cost	$1,680.8	$1,567.1

Following are the depreciable lives for our assets:

Category	Straight-line Depreciation
Buildings	10-38 years
Machinery and equipment	5-30 years

10. GOODWILL AND OTHER ACQUISITION INTANGIBLES

Following are the changes in goodwill by segment.

	Aerospace Materials	Industrial Materials	In Process Separation	Additive Technologies	Total
Balance at December 31, 2012	$237.1	$186.8	$73.6	$27.8	$525.3
Foreign currency translation adjustments	1.1	1.1	(4.7)	—	(2.5)
Umeco acquisition adjustments	0.3	2.0	—	—	2.3
Sale of the Industrial Materials distribution product line	—	(3.8)	—	—	(3.8)
Balance at December 31, 2013	$238.5	$186.1	$68.9	$27.8	$521.3
Foreign currency translation adjustments	(4.8)	(3.9)	(3.8)	—	(12.5)
Balance at December 31, 2014	$233.7	$182.2	$65.1	$27.8	$508.8

In conjunction with our segment realignment in 2013, we completed a goodwill impairment test in the first quarter of 2013 and concluded that there was no impairment. An additional goodwill impairment test was triggered at the end of the second quarter of 2013 because of the reduction in the outlook for Industrial Materials' 2013 financial results, resulting from a deterioration in market conditions in Europe and the after-tax charge of $12.5 related to the sale of the distribution product line, which was part of the Industrial Materials segment. See Note 3 for a further discussion of the sale of the Industrial Materials distribution product line. We again concluded there was no impairment.

In the fourth quarters of 2014, 2013 and 2012, we completed our required annual impairment test and concluded that there was no impairment.

Other acquisition intangibles consisted of the following major classes:

December 31,	Weighted Average Useful Life (years) 2014	Gross Carrying Value 2014	Gross Carrying Value 2013	Accumulated Amortization 2014	Accumulated Amortization 2013	Net Carrying Value 2014	Net Carrying Value 2013
Technology-based	14.4	$ 47.3	$ 48.6	$(26.6)	$(23.8)	$ 20.7	$ 24.8
Marketing-related	10.2	13.8	14.3	(7.6)	(6.5)	6.2	7.8
Customer-related	15.8	151.3	156.2	(36.6)	(27.7)	114.7	128.5
Total		$212.4	$219.1	$(70.8)	$(58.0)	$141.6	$161.1

Amortization of acquisition intangibles for the years ended December 31, 2014, 2013 and 2012 was $14.4, $14.6, and $9.0, respectively. Assuming no change in the gross carrying amount of acquisition intangibles and that the 2014 average exchange rates remain constant, the estimated future amortization expense for the next five years is as follows:

	2015	2016	2017	2018	2019
Intangibles amortization expense	$14.6	$14.3	$12.2	$10.1	$10.1

11. DEBT

Long-term debt, including the current portion, consisted of the following:

	December 31, 2014 Face	December 31, 2014 Carrying Value	December 31, 2013 Face	December 31, 2013 Carrying Value
Five-year revolving credit line due June 2019	$ —	$ —	$ —	$ —
6.0% notes due October 1, 2015	—	—	141.8	141.7
8.95% notes due July 1, 2017	82.3	82.2	164.3	164.1
3.5% notes due April 1, 2023	400.0	397.7	400.0	397.4
3.95% notes due May 1, 2025	250.0	249.9	—	—
Other	17.4	13.1	18.4	13.1
Total debt	$749.7	$742.9	$724.5	$716.3
Less: current portion	(1.4)	(1.2)	(0.1)	(0.1)
Long-term debt	$748.3	$741.7	$724.4	$716.2

All of the outstanding notes are unsecured and may be repaid in whole or in part, at our option at any time subject to a prepayment adjustment.

Debt issuance and repurchases

On November 12, 2014, we issued $250.0 aggregate principal amount of 3.95% senior unsecured notes due May 1, 2025 ("3.95% notes"), which resulted in $248.3 in net proceeds after original issue discount and underwriting fees. In addition, on November 5, 2014, we commenced offers to purchase our 6.0% notes due October 1, 2015 ("6.0% notes") and a portion of our 8.95% notes due July 1, 2017 ("8.95% notes"). In November 2014, we applied the net proceeds from the issuance of the 3.95% notes to repurchase $17.8 principal amount of our 6.0% notes for a purchase price of $18.7 plus accrued interest of $0.1. In December 2014, we applied the balance of the net proceeds as follows: (1) to repurchase $124.0 principal amount of our 6.0% notes for a purchase price of $129.6 plus accrued interest of $1.3; and (2) to repurchase $82.0 principal amount of our 8.95% notes for a purchase price of $97.8 plus accrued interest of $3.1. The repurchase of the 6.0% and 8.95% notes resulted in a loss of $22.7 in 2014, including transaction costs.

On March 12, 2013, we issued $400.0 aggregate principal amount of 3.5% senior unsecured notes due April 1, 2023 ("3.5% notes"), which resulted in $394.6 in net proceeds after original issue discount and underwriting fees. In addition, on February 26, 2013, we called for the redemption of our 4.6% notes due July 1, 2013 ("4.6% notes"), and commenced offers to purchase our 6.0% notes and our 8.95% notes. In March 2013, we applied the net proceeds from the issuance of the 3.5% notes as follows: (1) to redeem all $135.2 principal amount of our 4.6% notes for a purchase price of $136.8 plus accrued interest of $1.5; (2) to repurchase $107.8 principal amount of our 6.0% notes for a purchase price of $121.1 plus accrued interest of $3.1; and (3) to repurchase $85.1 principal amount of our 8.95% notes for a purchase price of $108.3 plus accrued interest of $1.8. The redemption of the 4.6% notes and repurchase of the 6.0% and 8.95% notes resulted in a loss of $39.4 in 2013, including transaction costs.

During 2012, we repurchased portions of our 6.0% notes due October 1, 2015 with a total carrying value of $0.4 for a total purchase price of $0.5 including accrued interest, resulting in a loss of less than $0.1. During 2012, we also repurchased portions of our 8.95% notes due July 1, 2017 with a total carrying value of $0.6 for a total purchase price of $0.8 including accrued interest, resulting in a loss of $0.2.

The net losses from our 2014, 2013 and 2012 debt repurchases are included in Net loss on early extinguishment of debt in the accompanying consolidated statements of income.

Revolving credit facility

On June 24, 2014, under the terms of our existing Five Year Credit Agreement (the "Revolving Credit Facility"), we extended the term one year to June 28, 2019.

On June 28, 2013, we amended and restated the Revolving Credit Facility. The material terms and conditions remain substantially similar to the prior agreement except as set forth below. As the result of the amendment and restatement, the maximum amount we may borrow under the Revolving Credit Facility continues to be $400.0 with a $25.0 swingline, and the term was extended to June 28, 2018. Subject to the consent of the lenders, we have the ability under certain circumstances to extend the term through June 28, 2021 and to increase the maximum amount we may borrow under the Revolving Credit Facility up to $500.0.

In the second quarter of 2012, we had a net draw down of $170.0 from our Revolving Credit Facility for the purposes of funding the Umeco transaction. In April 2013, upon receiving proceeds from the close of the sale of Coatings, we repaid the outstanding portion of the Revolving Credit Facility. There was no outstanding balance on the facility as of December 31, 2014. At December 31, 2014, $400.0 was available for borrowing under the Revolving Credit Facility. We are required to comply with certain customary financial covenants under the facility: (i) the ratio of consolidated total debt to consolidated EBITDA, and (ii) the ratio of consolidated EBITDA to consolidated interest expense. We are in compliance with these covenants and expect to be in compliance for the foreseeable future.

Fair value

At December 31, 2014 and 2013, the fair value of our long-term debt, including the current portion, was $761.5 and $731.2, respectively. The fair value is based on a discounted cash flow analysis, which incorporates the contractual terms of the notes, and observable market-based inputs that include time value, interest rate curves, and credit spreads.

Non-U.S. credit facilities

At December 31, 2014 and 2013, we had approximately $6.2 and $7.3, respectively, of non-U.S. credit facilities, which are renewable annually. There were outstanding borrowings of $0.1 and $0.5 under these facilities at December 31, 2014 and 2013, respectively.

Interest

The weighted average interest rate on all of our debt was 4.35% for 2014 and 5.3% for 2013. There were no short-term borrowings outstanding as of December 31, 2014 and 2013.

Cash payments during the years ended December 31, 2014, 2013 and 2012, included interest of $41.9, $44.6, and $43.5, respectively. Included in Interest expense, net, in the accompanying consolidated statements of income for the years ended December 31, 2014, 2013 and 2012, was interest income of $0.4, $1.4, and $3.8, respectively. Capitalized interest for the years ended December 31, 2014 and 2013 was $24.3 and $21.6, respectively.

Maturities

Maturities of long-term debt for the next five years and thereafter are as follows:

	2015	2016	2017	2018	2019	Thereafter	Total
Long-term debt	$0.1	$—	$82.3	$—	$—	$667.3	$749.7

12. ENVIRONMENTAL, CONTINGENCIES AND COMMITMENTS

Environmental and Related Matters

We are subject to substantial costs arising out of environmental laws and regulations, which include obligations to remove or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites or to pay compensation to others for doing so.

Our most significant environmental liabilities relate to remediation and regulatory closure obligations at manufacturing sites now or formerly owned by us. We are also involved in legal proceedings directed at the cleanup of various other sites, including a number of federal or state Superfund sites. Because the laws pertaining to Superfund sites generally impose retroactive, strict, joint and several liability, a governmental plaintiff could seek to recover all remediation costs at any such site from any of the potentially responsible parties ("PRPs") for such site, including us, despite the involvement of other PRPs. In some cases, we are one of several hundred identified PRPs, while in others we are the only one or one of only a few. Generally, where there are a number of financially solvent PRPs, liability has been apportioned, or we believe, based on our experience with such matters, that liability will be apportioned based on the type and amount of waste disposed by each PRP at such disposal site and the number of financially solvent PRPs. In many cases, the nature of future environmental expenditures cannot be quantified with accuracy. In addition, from time to time in the ordinary course of our business, we are informed of, and receive inquiries with respect to, additional sites that may be environmentally impaired and for which we may be responsible.

As of December 31, 2014 and 2013, the aggregate environmental related accruals were $59.5 and $63.1, respectively, of which $9.5 and $11.9 was included in accrued expenses, with the remainder of $50.0 and $51.2 included in other noncurrent liabilities, respectively. Environmental remediation spending for the years ended December 31, 2014, 2013 and 2012, was $7.0, $8.7, and $3.9, respectively.

Our process is to review our environmental remediation accruals quarterly and based on new information, we may from time to time adjust our environmental related accruals. Overall, our adjustments resulted in a net increase of $4.2 in our environmental accruals for the year ended December 31, 2014, of which $2.4 related to an inactive U.S. site to revise its projected remediation costs based on a revised Closure Plan approved by the Florida Department of Environmental Protection and $1.8 related primarily to several U.S. and European sites.

Our environmental related accruals can change substantially due to such factors as additional information on the nature or extent of contamination, methods of remediation required, changes in the apportionment of costs among responsible parties, and other actions by governmental agencies or private parties, or if we are named in a new matter and determine that an accrual needs to be provided, or if we determine that we are not liable and no longer require an accrual.

Piles Creek

We were notified by the National Oceanic and Atmospheric Administration ("NOAA"), a federal natural resource trustee, that, after an environmental assessment, we are one of six parties potentially responsible for damages to natural resources in Piles Creek, a tidal influenced tributary partially running through an industrial area in Linden, New Jersey. A portion of Piles Creek runs adjacent to our previously closed landfill in Linden, New Jersey. NOAA further advised that it seeks compensation from the six PRPs in the form of restoring other tidal wetlands. Thus far, no legal action has been taken by NOAA and we are investigating our contribution, if any, to this matter. Accordingly, no loss contingency has been recorded.

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized in the period in which the liability is incurred and becomes determinable with an offsetting increase in the carrying amount of the related long-lived asset. The recognition of an asset retirement obligation at fair value requires that management make numerous estimates, assumptions and judgments regarding such factors as the estimated probabilities, amounts and timing of settlements, the credit-adjusted risk-free rate to be used, inflation rates, market risk-premium, and changes in environmental, regulatory, and legal environments. In periods subsequent to initial measurement of the liability, we must recognize period-to-period changes in the liability resulting from the passage of time and revisions such as the timing or the amount of the original estimate of undiscounted cash flows. Over time, the liability is accreted to its future value, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we either settle the obligation for its recorded amount or incur a gain or loss.

A summary of the changes in the asset retirement obligation for the years ended December 31, 2014 and 2013 is presented below:

Asset retirement obligation at December 31, 2012	$15.9
Liabilities incurred	2.5
Liabilities settled	(0.5)
Accretion expense	1.0
Revision in estimated cash flows	(1.7)
Currency exchange	0.1
Asset retirement obligation at December 31, 2013	$17.3
Liabilities incurred	—
Liabilities settled	(0.5)
Accretion expense	0.9
Revision in estimated cash flows	(2.2)
Currency exchange	(0.3)
Asset retirement obligation at December 31, 2014	$15.2

Our long-lived assets subject to asset retirement obligations are primarily related to asbestos abatement and Resource Conservation and Recovery Act ("RCRA") closures at certain manufacturing and research facilities. As of December 31, 2014, 22 of our sites have been identified with regulatory closure obligations. Assets subject to asset retirement obligations are primarily manufacturing and research facilities, related equipment, and storage tanks. We are also obligated to return certain land to its original condition upon vacating.

There are no sites with a regulatory closure obligation for which a liability has not been estimated and recorded.

At December 31, 2014, there were no assets legally restricted for purposes of settling asset retirement obligations. The asset retirement obligation liability has been recorded as Other noncurrent liabilities in the accompanying consolidated balance sheets.

Other Contingencies

We are the subject of numerous lawsuits and claims incidental to the conduct of our or certain of our predecessors' businesses, including lawsuits and claims relating to product liability and personal injury, including asbestos, environmental, contractual, employment and intellectual property matters.

As of December 31, 2014 and 2013, the aggregate self-insured and insured contingent liability was $45.9 and $46.9, respectively, and the related insurance recovery receivable for the liability as well as claims for past payments was $19.7 and $20.0, respectively. The asbestos liability included in the above amounts at December 31, 2014 and 2013 was $36.5 and $37.9, respectively, and the insurance receivable related to the liability as well as past payments was $19.3 and $19.6, respectively. A net deferred tax benefit has been recognized for those claims for which full insurance recovery is not expected.

Asbestos

We, like many other industrial companies, have been named as one of hundreds of defendants in a number of lawsuits filed in the U.S. by persons alleging bodily injury from asbestos. The claimants allege exposure to asbestos at facilities that we own or formerly owned or from products that we formerly manufactured for specialized applications. Most of these cases involve numerous defendants, sometimes as many as several hundred. Historically, most of the closed asbestos claims against us have been dismissed without any indemnity payment by us; however, we can make no assurances that this pattern will continue.

The following table presents information about asbestos claims activity:

Years ended December 31,	2014	2013
Number of claimants at beginning of period	8,100	8,000
Number of claimants associated with claims closed during period	(3,000)	(100)
Number of claimants associated with claims opened during period	100	200
Number of claimants at end of period	5,200	8,100

Numbers in the foregoing table are rounded to the nearest hundred and are based on information as received by us, which may lag actual court filing dates by several months or more. Claims are recorded as closed when a claimant is dismissed or severed from a case. Claims are opened whenever a new claim is brought, including from a claimant previously dismissed or severed from another case. In 2014, by virtue of a new Texas law, which amended the Texas Civil Code, the Texas courts commenced dismissing dormant asbestos cases without prejudice to re-filing by plaintiffs. In the fourth quarter of 2014, the Texas courts dismissed almost 3,000 claimants with claims against us. We expect additional dismissals in 2015.

Our asbestos related contingent liabilities and related insurance receivables are based on an actuarial study performed by a third party, which is updated every three years. During the third quarter of 2012, we completed an actuarial study of our asbestos related contingent liabilities and related insurance receivables, which will be updated again in the third quarter of 2015. The study is based on, among other things, the incidence and nature of historical claims data through June 30, 2012, the incidence of malignancy claims, the severity of indemnity payments for malignancy and non-malignancy claims, dismissal rates by claim type, estimated future claim frequency, settlement values and reserves, and expected average insurance recovery rates by claim type. The study assumes liabilities through 2049. Overall, we expect to recover approximately 48% of our future indemnity costs. We have completed Coverage-In-Place-Agreements with most of our larger insurance carriers.

The ultimate liability and related insurance recovery for all pending and anticipated future claims cannot be determined with certainty due to the difficulty of forecasting the numerous variables that can affect the amount of the liability and insurance recovery. These variables include but are not limited to: (i) significant changes in the number of future claims; (ii) significant changes in the average cost of resolving claims; (iii) changes in the nature of claims received; (iv) changes in the laws applicable to these claims; and (v) financial viability of co-defendants and insurers.

Lead Pigment

Over the past 20 years, we have been named as defendants in more than fifty cases in the U.S. in which plaintiffs assert claims for personal injury, property damage, and other claims for relief relating to one or more kinds of lead pigment that were used as an ingredient decades ago in architectural paint. Eight lead ingestion personal injury cases remain outstanding. The different suits were brought by government entities and/or individual plaintiffs, on behalf of themselves and others. The suits variously sought compensatory and punitive damages and/or injunctive relief, including funds for the cost of monitoring, detecting and removing lead based paint from buildings and for medical monitoring; for personal injuries allegedly caused by ingestion of lead based paint; and plaintiffs' attorneys' fees. We settled one of these cases in 2005 for an immaterial amount in order to avoid litigation costs. In all of the others, we prevailed in court or were dismissed as a defendant.

We currently are one of several defendants in eight personal injury lead ingestion cases, consisting of 172 plaintiffs venued in federal and state courts in Milwaukee, Wisconsin. One of the eight cases, which is venued in Federal District Court in Milwaukee, consists of 164 claimants, each alleging personal injury as a result of the ingestion of white lead carbonate in paint. The remaining seven cases consist of less than 10 total plaintiffs. We believe that the eight personal injury cases against us are without merit.

In July 2005, in a case in which we were one of several defendants, the Supreme Court of Wisconsin held that Wisconsin's risk contribution doctrine applies to bodily injury cases against manufacturers of white lead pigment. Under this doctrine, manufacturers of white lead pigment may be liable for injuries caused by white lead pigment based on their past market shares, unless they can prove they are not responsible for the white lead pigment which caused the injury in question. Seven of the eight personal injury cases, including the personal injury case consisting of 164 plaintiffs, were filed before January 2011, when the Wisconsin legislature passed legislation that will make it substantially more difficult to bring lead suits in the future, including a 25 year statute of repose. In June 2013, the Governor of Wisconsin signed into law the biennial budget, which contained within it a provision that retroactively applies the 2011 law to all claims of lead poisoning whether filed or accrued.

The defendants, including the Company, moved to dismiss the personal injury lead cases pending in Wisconsin state court pursuant to the new law. By decision dated March 2014 in the Wisconsin state court case styled *Clark et al. v. American Cyanamid Company et al*., the court denied the defendants' motion holding unconstitutional the retroactive application of the new law. The defendants, including the Company, petitioned for leave to appeal the trial court's decision. The petition for leave was granted by the Wisconsin Appellate Division.

Also, in 2010, the United States District Court for the Eastern District of Wisconsin held that the risk contribution theory imposed by the Wisconsin Supreme Court for lead pigment violates the due process clause set forth in the 14th Amendment to the United States Constitution. The Court's decision was appealed to the United States Circuit Court of Appeals for the Seventh Circuit. The Seventh Circuit Court of Appeals also requested that the parties brief the constitutionality of the new retroactivity provision in the biennial budget. In the third quarter of 2014, the United States Court of Appeals for the Seventh Circuit reversed the trial court's dismissal and held that the risk contribution theory imposed by the Wisconsin Supreme Court for lead pigment is permissible under the United States Constitution. The Court also held that the retroactivity provision of Wis. State 845.046 is unconstitutional as it effects a vested right. Some defendants, including the Company, have petitioned the United States Supreme Court for review of the Seventh Circuit's decision. As a result of the Seventh Circuit's decision, the lead ingestion cases venued in the United States District Court of Wisconsin will proceed.

Finally, in July 2009, the Wisconsin Supreme Court, in the case styled *Ruben Godoy et al v. E.I. DuPont de Nemours et al.*, upheld a lower court's decision dismissing the plaintiff's strict liability and negligent defect causes of action for white lead carbonate. The decision in these cases, the new statutory law in Wisconsin, and our non-existent or diminutive market share, reinforces our belief that we have no liability in any of the eight Wisconsin cases, and accordingly, we have not recorded a loss contingency.

Other

Periodically, we enter into settlement discussions for lawsuits or claims for which we have meritorious defenses and for which an unfavorable outcome against us is not probable. In such instances, no loss contingency is recorded since a loss is not probable and it is our policy to expense defense costs as incurred. Typically, we consider these types of settlements in fairly limited circumstances usually related to the avoidance of future defense costs and/or the elimination of any risk of an unfavorable outcome. Such settlements, if any, are recorded when it is probable a liability has been incurred, typically upon entering into a settlement agreement.

While it is not feasible to predict the outcome of all pending environmental matters, lawsuits and claims, it is reasonably possible that there will be a necessity for future provisions for costs for environmental matters and for other contingent liabilities that we believe, will not have a material adverse effect on our consolidated financial position, but could be material to our consolidated results of operations or cash flows in any one accounting period. We cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts. Moreover, many of these liabilities are paid over an extended period, and the timing of such payments cannot be predicted with any certainty.

From time to time, we are also included in legal proceedings as a plaintiff involving tax, contract, patent protection, environmental and other legal matters. Gain contingencies related to these matters, if any, are recorded when they are realized.

Accounting for Uncertainty in Income Taxes

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon effective settlement. See Note 13 for additional information.

Commitments

Rental commitments

Rental expense under property and equipment leases was $9.6 in 2014, $8.3 in 2013, and $10.9 in 2012. Estimated future minimum rental expenses under property and equipment leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2014 are:

Year	Operating Leases	Capital Lease	Total Leases
2015	$10.1	$ 3.0	$13.1
2016	8.2	3.1	11.3
2017	6.4	3.3	9.7
2018	2.9	2.5	5.4
2019	2.0	—	2.0
Thereafter	13.3	—	13.3
Total minimum lease payments	$42.9	$11.9	$54.8

Capital lease

In conjunction with the recognition of the loss on sale of the Stamford facility in the fourth quarter of 2012 discussed in Note 3, we recorded the lease as a capital lease asset and obligation as of December 31, 2012 in the amount of $7.6, excluding executory costs.

Customer-related and purchase commitments

We frequently enter into long-term contracts with customers with terms that vary depending on specific industry practices. The business of Cytec Industries and its consolidated subsidiaries as a whole is not substantially dependent on any single contract or any series of related contracts. Set forth below are more specific terms about our significant sales contracts.

The Aerospace Materials segment is party to a number of long-term supply and pricing agreements that cover various time periods. Included are several contracts with terms of 5 years or more, which obligate us to sell and, subject to certain exceptions, obligate the respective customers to purchase their requirements of various specialty materials for products related to certain aircraft programs. Such agreements are common practice in the aerospace and aircraft manufacturing industries.

We frequently enter into long-term agreements in order to lock in prices and availability of raw materials, equipment, supplies, and services required to operate our businesses. At December 31, 2014, obligations under such agreements totaled $45.4, of which $37.0 are expected to be paid in 2015.

Other commitments

We had $15.0 of outstanding letters of credit, surety bonds, and bank guarantees at December 31, 2014 that are issued on our behalf in the ordinary course of business to support certain of our performance obligations and commitments. The instruments are typically renewed on an annual basis.

13. INCOME TAXES

The income tax provision is based on earnings from continuing operations before income taxes:

Years ended December 31,	2014	2013	2012
U.S.	$ 71.4	$169.1	$ 26.1
Non-U.S.	118.8	74.9	77.1
Total	$190.2	$244.0	$103.2

The components of the income tax provision are as follows:

Years ended December 31,	2014	2013	2012
Current:			
U.S. Federal	$22.7	$26.6	$ 32.4
Non-U.S.	29.3	21.7	32.8
Other, principally state	2.8	0.5	1.9
Total current	$54.8	$48.8	$ 67.1
Deferred:			
U.S. Federal	$ (7.7)	$25.1	$(24.1)
Non-U.S.	0.7	(3.5)	(14.2)
Other, principally state	(1.7)	1.9	(1.3)
Total deferred	$ (8.7)	$23.5	$(39.6)
Total income tax provision	$46.1	$72.3	$ 27.5

A reconciliation of our effective tax rate to the U.S. federal income tax rate is as follows:

Years ended December 31,	2014	2013	2012
Federal income tax rate	35.0%	35.0%	35.0%
Research and development credit	(1.0)%	(0.8)%	— %
Income subject to other than the federal income tax rate	(5.6)%	(1.1)%	(10.5)%
Tax expense on unrepatriated earnings of international subsidiaries	— %	(2.0)%	7.3%
Change in tax rates	(0.2)%	(1.5)%	0.5%
State taxes, net of federal benefits	0.5%	1.8%	1.1%
Valuation allowance	— %	0.6%	0.2%
Tax law change	— %	(1.1)%	— %
Favorable resolution of prior year audits	(2.9)%	— %	(8.6)%
Domestic manufacturing deduction	(1.5)%	(1.3)%	(3.9)%
Nondeductible transaction costs	— %	— %	2.6%
Other charges, net	(0.1)%	— %	2.9%
Effective tax rate	24.2%	29.6%	26.6%

U.S. and non-U.S. earnings of consolidated companies, before income taxes, include all earnings derived from operations in the respective U.S. and non-U.S. geographic areas; whereas provisions (benefits) for income taxes include all income taxes payable to (receivable from) U.S. Federal, non-U.S. and other governments as applicable, regardless of the sites in which the taxable income (loss) is generated.

We operate on a global basis with manufacturing and research facilities in 11 countries coupled with our affiliates in other jurisdictions serving in various other capacities in support of the global organization. The income before income tax attributable to non-U.S. jurisdictions where the income tax rate was lower than the U.S. statutory rate for the years ended December 31, 2014 and 2013 was $117.0 and $73.8 respectively. Such jurisdictions and their corresponding statutory rates for the year ended December 31, 2014 primarily consisted of Canada (25.1%), UK (21.5%), Mexico (30.0%), Germany (28.0%), Chile (21.0%), Australia (30.0%), Belgium (33.9%), and The Netherlands (25.0%). Differences between the statutory and effective tax rates for the above jurisdictions were not material, except for Belgium where the effective tax rate was approximately 16.0% due to the application of the notional interest deduction as provided under current tax law.

Income taxes paid in 2014, 2013 and 2012 were $57.0, $172.9, and $71.0, respectively, and included non-U.S. taxes of $26.4, $37.5, and $37.9 in 2014, 2013 and 2012, respectively.

The temporary differences that give rise to a significant portion of deferred tax assets and liabilities are as follows:

December 31,	2014	2013
Deferred tax assets:		
Allowance for bad debts	$ 0.3	$ 0.3
Self-insurance accruals	16.1	16.6
Operating accruals	7.4	9.7
Environmental accruals	20.9	22.2
Pension and postretirement benefit liabilities	90.3	57.9
Employee benefit accruals	29.9	28.8
Tax credit carry forwards	48.6	60.1
Net operating losses	21.1	20.2
Inventory	—	8.5
Capital loss carryforward	95.0	104.9
Other	6.8	1.7
Gross deferred tax assets	$ 336.4	$ 330.9
Valuation allowance	(114.6)	(125.9)
Total net deferred tax assets	$ 221.8	$ 205.0
Deferred tax liabilities:		
Inventory	(2.6)	—
Plants, equipment and facilities	(65.9)	(59.3)
Insurance receivables	(7.1)	(7.4)
Intangibles	(108.5)	(111.8)
Other	(0.8)	(0.9)
Gross deferred tax liabilities	$(184.9)	$(179.4)
Net deferred tax assets	$ 36.9	$ 25.6

Accounting rules require establishing a tax liability on the unrepatriated earnings of foreign subsidiaries if it is management`s intention to no longer permanently reinvest such earnings. As a result of the sale of Coatings, management`s intentions changed with regard to a portion of the unrepatriated earnings of certain foreign subsidiaries. Therefore, included in income tax expense is $3.1 of tax expense incurred due to the repatriation of certain earnings during 2012 and a tax benefit of $1.5 recognized during 2013 primarily related to a revision of our previously accrued estimated income tax liability on the repatriation of other earnings, related to the sale of Coatings. With the exception of the unremitted earnings of those international subsidiaries that are related to the Coatings divestiture, we consider the undistributed earnings of our non-U.S. subsidiaries as of December 31, 2014, to be indefinitely reinvested outside the U.S. given the estimated future capital expansion and other funding needs attributable to these entities. Moreover, we have not, nor do we anticipate the need to, repatriate funds to the U.S. to satisfy domestic liquidity needs arising in the ordinary course of business, including liquidity needs associated with our U.S. debt service requirements. Accordingly, no provision has been made for U.S. income taxes or additional non-U.S. taxes on the undistributed earnings of our non-U.S. subsidiaries totaling $715.7 as of December 31, 2014. In the event of repatriation to the U.S., such earnings would be subject to U.S. income taxes in most cases. Foreign tax credits would be available to substantially reduce the amount of U.S. tax otherwise payable in future years.

We have U.S. foreign tax credit carryforwards of $41.2 available as of December 31, 2014 to offset future U.S. tax liabilities. Such U.S. foreign tax credits will expire at various dates starting in 2015, if not utilized. We have $11.2 of state tax credits of which $8.5 will be carried forward indefinitely with the balance to expire at various dates starting in 2015, to the extent not utilized. We have U.S. capital loss carryforwards of $261.9 available as of December 31, 2014 to offset future U.S. capital gains. These capital loss carryforwards will expire in 2018, to the extent not utilized.

At December 31, 2014, we have state net operating losses totaling $122.9, which are available to offset future taxable income in the respective states. The total state carryforwards expire at various dates starting in 2015 through 2029. In addition, we have foreign net operating losses for continuing operations totaling $41.7, primarily related to our operations in Europe and India. These net operating losses are available to offset future taxable income in the respective foreign countries. Of the total foreign carryforwards, approximately $6.0 expires at various dates starting in 2017, while $35.7 can be utilized over an indefinite period.

Our long-term earnings trend makes it more likely than not that we will generate sufficient taxable income on a consolidated basis to realize our net deferred- tax assets with the exception of capital loss carryforwards, certain state net operating losses and state tax credits, and various foreign deferred tax assets. Accordingly, we have recorded a valuation allowance of $114.6 and $125.9 as of December 31, 2014 and 2013, respectively.

For 2014, the $11.3 valuation allowance activity primarily consisted of a decrease to the valuation allowance for U.S. capital losses related to a revised purchase price allocation of $10.2 on the Coatings sale, a $0.3 decrease to the valuation allowance for foreign net operating losses, and a decrease to the valuation allowance for state tax credits and other state deferred tax assets of $0.8. As of December 31, 2014, $109.5 of the valuation allowance is attributable to U.S. tax attributes and $5.1 primarily relates to foreign net operating losses and other foreign deferred tax assets. For 2013, the $104.9 valuation allowance activity primarily consisted of an increase to the valuation allowance for U.S. capital losses related to the Coatings sale of $104.9, a $2.5 increase to the valuation allowance for foreign net operating losses, and a decrease to the valuation allowance for state tax credits and other state deferred tax assets of $2.5. As of December 31, 2013, $120.4 of the valuation allowance is attributable to U.S. federal and state tax attributes and $5.5 primarily relates to foreign net operating losses and other foreign deferred tax assets.

The *Tax Increase Prevention Act of 2014* (the “2014 Tax Relief Act”), as signed into law on December 19, 2014 provided one year of tax relief by retroactively reinstating to January 1, 2014 a host of expired tax incentives for businesses. These business tax incentives retroactively reinstated and extended through 2014, include, but are not limited to, the research and development credit as well as the favorable look-through treatment of payments between related controlled foreign corporations.

The *American Taxpayer Relief Act of 2012* (the “2012 Tax Relief Act”), as signed into law on January 2, 2013 extended a host of expired and expiring tax incentives for businesses. These business tax incentives retroactively reinstated and extended through 2013, include, but are not limited to, the research and development credit as well as the favorable look-through treatment of payments between related controlled foreign corporations. Although this legislation reinstated these favorable tax laws retroactive to January 1, 2012, accounting rules require that the tax impact of such changes be reflected in the period the law is enacted.

We are subject to income tax in many U.S. and international jurisdictions, and a certain degree of estimation is required in recording the assets and liabilities with respect to income taxes. All of our tax positions are subject to audit by the local taxing authorities in each tax jurisdiction. These tax audits can involve complex issues, interpretations and judgments and the resolution of matters may span multiple years, particularly if subject to negotiation or litigation.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the tax authorities.

The amount of gross unrecognized tax benefits at December 31, 2014 is $10.0 (excluding interest), of which $9.6 would impact our effective tax rate, if recognized. As of December 31, 2013, the amount of gross unrecognized tax benefits for continuing operations is $16.7 (excluding interest), of which $15.4 would impact our effective tax rate, if recognized.

We recognize interest and penalties related to unrecognized tax benefits in income tax expense in the consolidated statements of income. We had recorded a liability for the payment of interest and penalties (gross), of approximately $1.7 as of January 1, 2014, decreasing by current year net activity of $0.5, thus resulting in a liability for the payment of interest and penalties of $1.2 as of December 31, 2014.

Set forth below is the tabular roll-forward of our 2014 and 2013 unrecognized tax benefits from uncertain tax positions:

	2014	2013
Balance as of beginning of the year:	$16.7	$19.7
Increase due to Umeco Acquisition	—	0.8
Increase due to tax positions related to current periods	0.8	2.9
Increase due to tax positions related to prior periods	0.5	0.9
Decrease due to tax positions related to prior periods	(5.4)	(3.0)
Decrease due to lapse of Statute of Limitations	(2.2)	(0.4)
Settlements	(0.1)	(3.9)
Foreign exchange	(0.3)	(0.3)
Balance as of the end of the year:	$10.0	$16.7

Audit outcomes and the timing of audit settlements are subject to significant uncertainty. Any settlements or statute of limitations expirations could likely result in a decrease in our uncertain tax positions. Audit outcomes and the timing of audit settlements are subject to significant uncertainty. Any settlements or statute of limitations expirations could likely result in a decrease in our uncertain tax positions. We believe that it is reasonably possible that approximately $1.6 of our current unrecognized tax benefits may be recognized within the next twelve months due to the lapse of the statute of limitations in certain international jurisdictions.

The Internal Revenue Service (the "IRS") has completed and closed its audits of our income tax returns through 2008. During the second quarter of 2013, the IRS commenced the audit of Cytec's tax returns for the years 2009, 2010 and 2011, which is still ongoing as of December 31, 2014. During the first quarter of 2014, the IRS completed the federal income tax audit of Umeco for the tax years ended March 31, 2010, 2011 and 2012. The total net liability for the three years was approximately $0.1, and was paid in March 2014. Consequently, in the first quarter of 2014 we recorded a benefit in the consolidated statement of income for the reversal of ASC Subtopic 740-10 (FIN 48) accruals in the amount of $3.9. In the fourth quarter of 2014, the IRS initiated a limited scope income tax audit of Umeco for the tax year ended March 31, 2009, which is still ongoing as of December 31, 2014. We believe adequate provisions for all outstanding issues have been made for all open years.

State income tax returns are generally subject to examination for a period of 3-5 years after filing of the respective return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. Years still open to examination by tax authorities in major jurisdictions include: Arizona (2010 onward), California (2004 onward), Connecticut (2011 onward), Georgia (2011 onward), Louisiana (2012 onward), Maryland (2011 onward), Michigan (2010 onward), New Jersey (2011 onward), North Carolina (2011 onward), Ohio (2011 onward), South Carolina (2011 onward), Texas (2010 onward), and West Virginia (2011 onward). We have various state income tax returns in the process of examination.

International jurisdictions have statutes of limitations generally ranging from 3-5 years after filing of the respective return. Years still open to examination by tax authorities in major jurisdictions for continuing and discontinued operations include: Austria (2012 onward), Belgium (2011 onward), Germany (2008 onward), Netherlands (2008 onward), Canada (2003 onward), UK (2010 onward), Italy (2011 onward), China (2009 onward), and Norway (2010 onward). We are currently under examination in several of these jurisdictions.

14. EMPLOYEE BENEFIT PLANS

We have defined benefit and defined contribution pension plans that cover employees in a number of countries. We also sponsor postretirement and postemployment benefit plans in certain countries. The postretirement plans provide medical and life insurance benefits to retirees who meet minimum age and service requirements, and in the case of non-bargaining employees, who commenced employment prior to April 1, 2007. The medical plans are contributory and non-contributory with certain participants' contributions adjusted annually; the life insurance plans are non-contributory. The accounting for the postretirement plans anticipates future cost-sharing and changes to the plans. The postretirement plans include a cap on our share of costs for recent and future retirees. The postemployment plans provide salary continuation, disability-related benefits, severance pay, and continuation of health costs during the period after employment but before retirement.

We utilize the MTM method of accounting, under which our pension and OPEB costs consist of two elements: 1) ongoing costs recognized quarterly, which are comprised of service and interest costs, expected returns on plan assets, and amortization of prior service costs/credits; and 2) MTM gains and losses recognized annually, in the fourth quarter of each year, resulting from changes in actuarial assumptions and the differences between actual and expected returns on plan assets and discount rates. Any interim remeasurements triggered by a curtailment, settlement, or significant plan changes are recognized as an MTM adjustment in the quarter in which such remeasurement event occurs.

We used a measurement date of December 31, 2014, 2013 and 2012 for all our pension and postretirement benefit plans.

	Pension Plans			Postretirement Plans		
	2014	2013	2012	2014	2013	2012
Net periodic costs:						
Service cost	$ 3.8	$ 5.2	$ 6.0	$ 0.7	$ 1.2	$ 1.1
Interest cost	43.1	39.7	41.5	8.1	7.0	8.4
Expected return on plan assets	(51.1)	(54.5)	(51.6)	(1.4)	(1.6)	(1.7)
Amortization of prior service costs (credits)	0.2	0.2	0.4	(3.1)	(3.4)	(4.4)
Curtailment/settlement	(1.5)	(2.9)	(3.8)	—	(6.0)	—
Mark-to-market adjustment	63.0	(25.0)	60.9	39.0	(14.9)	(12.9)
Net periodic expense (credit)	$ 57.5	$ (37.3)	$ 53.4	$43.3	$(17.7)	$ (9.5)
Weighted-average assumptions used to determine net periodic costs, during the year:						
Discount rate	4.8%	4.0%	4.7%	4.5%	3.5%	4.3%
Expected return on plan assets	5.7%	6.0%	6.6%	6.0%	6.25%	6.75%
Rate of compensation increase	2.5%-5.0%	2.5%-5.0%	2.5%-4.5%			
Weighted-average assumptions used to determine benefit obligations, end of the year:						
Discount rate	3.9%	4.8%	4.0%	3.7%	4.5%	3.5%
Rate of compensation increase	2.5%-5.0%	2.5%-5.0%	2.5%-4.5%			

The expected rate of return on U.S. plan assets was determined by examining the annualized rates of return over various five and ten year periods for the major U.S. stock and bond indexes and the estimated long-term asset mix of the plan assets of 10%-20% stocks and 80%-90% long-term bonds, including cash equivalents (“fixed income securities”). Since the long-term average annualized return is approximately 7.0%-9.0% for stocks and 4.0%-6.0% for fixed income securities, the expected long-term weighted average return was estimated to be 5.75% and 6.0% for the U.S. pension plans in 2014 and 2013, respectively. This return was based on an assumed allocation of U.S. pension assets of 20% stocks and 80% in fixed income securities for 2014 and 30% stocks and 70% fixed income securities for 2013. Expected long-term investment returns for U.S. investments were 9.0% for stocks and 4.95% for fixed income securities in 2014 and 9.0% for stocks and 4.7% for fixed income securities in 2013. For U.S. and non-U.S. postretirement plans, assets are only held in the U.S. The expected rate of return on postretirement assets was 6.0% in 2014 and 6.25% in 2013, based on an assumed asset allocation of 40% stocks and 60% fixed income securities in 2014 and 40% stocks and 60% fixed income securities in 2013.

The investment strategy for our worldwide benefit plan assets is to maintain broadly-diversified portfolios of stocks, bonds, and money market instruments that, along with periodic plan contributions, provide the necessary liquidity for ongoing benefit obligations.

The expected return on non-U.S. plan assets is also based on the historical rates of return of the various asset classes in each country and the corresponding asset mix. For our two largest non-U.S. pension plans, the assumed weighted average rate of return was 4.65% in 2014. The 2014 return was based on assumed weighted average rates of return of 5.5% for stocks and 4.0% for fixed income securities and an assumed weighted average asset allocation of 43% stocks and 57% fixed income securities.

	Pension Plans			Postretirement Plans		
	2014	2013	2012	2014	2013	2012
Change in benefit obligation:						
Benefit obligation at January 1,	$ 947.4	$1,016.6	$ 864.6	$182.6	$200.8	$219.9
Service cost	3.8	5.2	6.0	0.7	1.2	1.1
Interest cost	43.1	39.7	41.5	8.1	7.0	8.4
Amendments	(0.1)	0.4	—	1.7	1.3	1.5
Translation difference	(11.8)	1.0	5.2	(0.7)	(0.6)	0.2
Actuarial losses (gains)	149.3	(75.2)	104.4	40.0	(13.4)	(12.0)
Participant contributions	0.2	0.3	0.2	3.5	3.6	3.5
Benefits paid	(43.1)	(42.0)	(41.0)	(14.9)	(17.3)	(20.2)
Acquisitions/divestitures	—	2.7	42.9	—	—	—
Curtailments/settlements(1)	(120.4)	(1.3)	(7.2)	—	—	(1.6)
Benefit obligation at December 31,	$ 968.4	$ 947.4	$1,016.6	$221.0	$182.6	$200.8
Accumulated benefit obligation at December 31,	$ 960.6	$ 933.2	$1,005.1	—	—	—
Change in plan assets:						
Fair value of plan assets at January 1,	$ 941.3	$ 905.0	$ 765.7	$ 25.8	$ 28.4	$ 28.8
Actual return on plan assets	137.4	4.4	95.4	2.3	3.1	2.8
Company contributions	6.2	71.8	37.8	7.4	8.0	13.5
Participant contributions	0.2	0.3	0.2	3.5	3.6	3.5
Translation difference	(11.3)	1.0	5.1	—	—	—
Acquisitions/divestitures	—	0.8	42.7	—	—	—
Curtailments/settlements(1)	(118.3)	—	(0.9)	—	—	—
Benefits paid	(43.1)	(42.0)	(41.0)	(14.9)	(17.3)	(20.2)
Fair value of plan assets at December 31,	$ 912.4	$ 941.3	$ 905.0	$ 24.1	$ 25.8	$ 28.4

(1) Represents various curtailments and settlements. During 2014, we had a one-time settlement of $118.3 due to the Bulk Lump Sum offering for terminated vested and divested employees who received a lump sum payout during December 2014. Also in 2014, we recognized a curtailment gain of $1.5 related to certain bargaining employees transitioning to a defined contribution plan; the impact of this curtailment was a reduction to the obligation of$2.1 and recognition of previously deferred prior service cost of $0.5. The net curtailment gain of $1.5 is included in Manufacturing cost of sales in the consolidated statements of income.

In the second quarter of 2013, we had a curtailment gain of $7.7 related to the sale of Coatings, which is included in Net gain (loss) on sale of discontinued operations, net of tax in the consolidated statements of income. In the fourth quarter of 2013, we recognized a curtailment gain of $1.2 related to certain bargaining employees transitioning to a defined contribution plan.

During 2012, we had a curtailment loss of $0.7 associated primarily with the pending sale of Coatings, which is included in Earnings from operations of discontinued business, net of tax in the consolidated statements of income.

The postretirement plan benefit obligation includes Medicare Part D subsidies received that reduce company contributions. The amounts received for 2014, 2013 and 2012 were $0.0, $0.0, and $0.7, respectively.

	Pension Plans 2014	Pension Plans 2013	Pension Plans 2012	Postretirement Plans 2014	Postretirement Plans 2013	Postretirement Plans 2012
Funded status, end of year:						
Fair value of plan assets	$ 912.4	$ 941.3	$ 905.0	$ 24.1	$ 25.8	$ 28.4
Benefit obligations	(968.4)	(947.4)	(1,016.6)	(221.0)	(182.6)	(200.8)
Funded status	$ (56.0)	$ (6.1)	$ (111.6)	$(196.9)	$(156.8)	$(172.4)
Amounts recognized in the consolidated balance sheets consist of:						
Noncurrent assets	$ 5.4	$ 43.8	$ 3.6	$ —	$ —	$ —
Current liabilities	(2.4)	(1.9)	(2.1)	(10.0)	(9.6)	(10.0)
Noncurrent liabilities	(59.0)	(48.0)	(113.1)	(186.9)	(147.2)	(162.4)
Total amounts recognized	$ (56.0)	$ (6.1)	$ (111.6)	$(196.9)	$(156.8)	$(172.4)
Amounts recognized in accumulated other comprehensive income consist of:						
Prior service costs/(credits)	$ 0.9	$ 1.7	$ 1.6	$ (15.3)	$ (20.1)	$ (29.3)
Changes in accumulated other comprehensive income (AOCI) consist of:						
AOCI, beginning of year	$ 1.7	$ 1.6	$ 2.6	$ (20.1)	$ (29.3)	$ (35.2)
Current year prior service (credits)/costs	(0.1)	0.4	0.1	1.7	1.3	1.5
Curtailments/settlements	(0.5)	(0.1)	(0.7)	—	4.5	—
Amortization:						
Amortization of prior service (credits)/costs	(0.2)	(0.2)	(0.4)	3.1	3.4	4.4
AOCI, end of year	$ 0.9	$ 1.7	$ 1.6	$ (15.3)	$ (20.1)	$ (29.3)
Estimated amortization to be recognized in AOCI in 2015 consist of:						
Prior service costs/(credits)	$ 0.1			$ (2.9)		

The assumed rate of future increases in the per capita cost of healthcare benefits (healthcare cost trend rate) is initially 7.5% in 2015, decreasing to an ultimate trend rate of 5.0% in 2019. The healthcare cost trend rate has a significant effect on the reported amounts of accumulated postretirement benefit obligation ("APBO") and related expense.

A 1.0% change in assumed healthcare cost trend rates would have the following effect:

	2014 1% Increase	2014 1% Decrease	2013 1% Increase	2013 1% Decrease
Approximate effect on the total of service and interest cost components of other postretirement benefit costs	$ 0.6	$ (0.6)	$ 0.5	$ (0.5)
Approximate effect on accumulated postretirement benefit obligation	$19.3	$(16.6)	$14.1	$(12.6)

The following information is presented for those plans with an accumulated benefit obligation in excess of plan assets:

December 31,	U.S. Plans 2014	U.S. Plans 2013	Non-U.S. Plans 2014	Non-U.S. Plans 2013	Total 2014	Total 2013
Projected benefit obligation	$(780.4)	$—	$(162.7)	$(122.9)	$(943.1)	$(122.9)
Accumulated benefit obligation	$(777.4)	$—	$(158.4)	$(119.3)	$(935.8)	$(119.3)
Fair value of plan assets	$ 747.6	$—	$ 134.7	$ 101.7	$ 882.3	$ 101.7

The asset allocation for our U.S. and non-U.S. pension plans and postretirement plans at the end of 2014 and 2013, and the target allocation for 2015, by asset category, are as follows:

	U.S. Pension Plans		
	Target Allocation	Percentage of Plan Assets at Year End	
Asset category	2015	2014	2013
Equity securities	10%	8%	20%
Fixed income	90%	92%	80%
Total	100%	100%	100%

	Non-U.S. Pension Plans		
	Target Allocation	Percentage of Plan Assets at Year End	
Asset category	2015	2014	2013
Equity securities	40%	41%	49%
Fixed income	50%	47%	39%
Cash and other	10%	12%	12%
Total	100%	100%	100%

	Postretirement Plans		
	Target Allocation	Percentage of Plan Assets at Year End	
Asset category	2015	2014	2013
Equity securities	40%	53%	42%
Fixed income	60%	47%	58%
Total	100%	100%	100%

The total fair value of U.S. pension and postretirement plan assets was $771.7 and $809.8 at December 31, 2014 and 2013, respectively. We had previously invested certain U.S. pension assets directly in our common stock, which were sold during 2013. We use a combination of active and passive stock and bond managers to invest all assets of the pension and postretirement plans. The managers are selected based on an analysis of, among other things, their historical investment results, frequency of management turnover, cost structure, and assets under management. Assets are periodically reallocated among the investment managers to maintain the appropriate asset mix and are occasionally transferred to new or existing managers in the event that a manager is terminated.

Our overall investment strategy is to achieve a mix of approximately 95% of investments for long-term growth and 5% for near-term benefit payments with a wide diversification of asset types, fund strategies, and fund managers. The target allocations for U.S. pension plan assets are 10% equity securities and 90% corporate bonds and U.S. Treasury securities. The target allocations for postretirement plan assets are 40% equity securities and 60% corporate bonds and U.S. Treasury securities. Equity securities primarily include investments in large-cap, mid-cap and small-cap companies primarily located in the United States. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries. In order to reduce the volatility of our pension plan assets relative to pension liabilities, over the past two and a half years we have gradually implemented a liability-driven investment strategy for our U.S., U.K. and Canadian defined benefit pension plans. As part of the strategy, we have transitioned some of our equity allocation to longer-term fixed income assets.

The target allocations for non-U.S. plan assets are 30-50% equity securities, 40-60% corporate bonds and government securities, and 0-15% all other types of investments. Equity securities primarily include a broadly diversified portfolio of common stocks of publicly traded companies that are primarily non-U.S. Fixed income securities include corporate bonds, mortgage-backed securities, and government bonds. Other types of investments include cash, insurance assets, and real estate.

The fair values of our Level 1 pension assets are determined based on quoted market prices in active markets for identical assets. The fair values of our Level 2 pension assets are based on the net asset values of the funds, which are based on quoted market prices of the underlying investments. Our Level 3 assets primarily include an insurance contract and a real estate fund. The fair values of the insurance contract held by one of our non-U.S. plans are based on the contractual terms of the arrangement with the insurance company. The fair value of the real estate fund is based on the net asset value of shares held at year end.

The fair values of the pension assets at December 31, 2014 and 2013, by asset category, are as follows:

	Fair Value Measurements at December 31, 2014			
Asset category	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and cash equivalents	$ 13.1	$ 10.7	$ 2.4	$ —
Equity securities:				
U.S. equity funds[1]	73.2	63.2	10.0	—
International equity funds[2]	54.2	2.4	51.8	—
Fixed income funds[3]	756.2	275.1	481.1	—
Real estate fund	1.4	—	—	1.4
Insurance assets	13.8	—	—	13.8
Other Assets	0.5	—	—	0.5
Total	$912.4	$351.4	$545.3	$15.7

	Fair Value Measurements at December 31, 2013			
Asset category	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and cash equivalents	$ 86.0	$ 86.0	$ —	$ —
Equity securities:				
U.S. equity funds[1]	168.6	157.9	10.7	—
International equity funds[2]	63.6	2.6	61.0	—
Fixed income funds[3]	610.4	247.4	363.0	—
Real estate fund	1.3	—	—	1.3
Insurance assets	11.4	—	—	11.4
Total	$941.3	$493.9	$434.7	$12.7

(1) Funds which invest in a diversified portfolio of publicly traded U.S. common stocks of large-cap, medium-cap, and small-cap companies. There are no restrictions on these investments.
(2) Funds which invest in a diversified portfolio of publicly traded common stock of non-U.S. companies, primarily in Europe. There are no restrictions on these investments.
(3) Funds which invest in a diversified portfolio of publicly traded government bonds and corporate bonds, approximately 37% and 63%, respectively, as of December 31, 2014, and approximately 36% and 64%, respectively, as of December 31, 2013. There are no restrictions on these investments.

Fair value measurements of plan assets at December 31, 2014, using significant unobservable inputs (Level 3), are as follows:

	Total	**Insurance Assets**	**Real Estate Fund**	**Other Assets**
Balance at December 31, 2013	$12.7	$11.4	$ 1.3	$—
Actual return on assets:				
Assets held at end of year	—	—	—	—
Assets sold during the year	2.5	2.4	0.1	—
Purchases, sales and settlements	0.5	—	—	0.5
Transfers in/(out)	—	—	—	—
Balance at December 31, 2014	$15.7	$13.8	$ 1.4	$ 0.5

The fair values of the postretirement plan assets at December 31, 2014 and 2013, by asset category, are as follows:

	Fair Value Measurements at December 31, 2014			
Asset category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 1.0	$ 1.0	$—	$—
Equity funds(1)	12.7	12.7	—	—
Fixed income funds(2)	10.4	10.4	—	—
Total	$24.1	$24.1	$—	$—

	Fair Value Measurements at December 31, 2013			
Asset category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 1.9	$ 1.9	$—	$—
Equity funds(1)	10.8	10.8	—	—
Fixed income funds(2)	13.1	13.1	—	—
Total	$25.8	$25.8	$—	$—

(1) Investments in publicly traded funds: 100% invested in an S&P 500 index fund as of December 31, 2014 and 2013.

(2) A publicly traded mutual fund that invests in a diversified portfolio of investment grade fixed income securities, with government, corporate and mortgage securities. The fund has a dollar-weighted maturity between 3 and 10 years.

The following table reflects expected 2015 cash flows for the pension and postretirement benefit plans:

Expected employer contributions	Pension Plans	Postretirement Plans
U.S. Plans	$1.8	$10.0
Non-U.S. Plans	$3.1	$ 0.2

The following table reflects total benefits expected to be paid from the U.S. plans and the non-U.S. plans and/or our assets:

	U.S. Plans		Non-U.S. Plans	
Expected benefit payments	Pension Plans	Postretirement Plans	Pension Plans	Postretirement Plans
2015	$ 40.6	$14.5	$ 5.5	$0.2
2016	41.6	14.8	5.3	0.2
2017	42.5	14.9	5.6	0.2
2018	43.5	14.9	5.9	0.3
2019	44.4	14.7	6.5	0.3
2020-2024	230.1	69.1	37.4	1.7

We also sponsor various defined contribution retirement plans in a number of countries, consisting primarily of savings, profit growth, and profit sharing plans. Contributions to the savings plans are based on matching a percentage of employees' contributions. Contributions to the profit growth and profit sharing plans are generally based on our financial performance.

Amounts expensed related to these plans are as follows:

Years ended December 31,	2014	2013	2012
U.S.			
Savings Plan	$20.0	$18.9	$19.6
Non-U.S.			
Others	$ 4.2	$ 3.7	$ 2.9

In addition to defined benefit pension and postretirement plans and defined contribution retirement plans, we also sponsor immaterial postemployment plans in a number of countries. Those plans, in certain circumstances, provide salary continuation, disability related benefits, severance pay and continuation of health care coverage during the period after employment but before retirement.

Certain of our benefit plans provide for enhanced benefits in the event of a "change of control" as defined in the plans.

Bulk lump sum offer

In September 2014, we commenced a voluntary bulk lump sum ("BLS") offer program. We offered approximately 3,000 eligible terminated vested and divested employees under the pension plan a voluntary single lump sum payment option in lieu of a future pension benefit. The payouts to the BLS eligible former employees were funded by assets of the pension plan, and most were paid prior to December 31, 2014. The BLS program is part of our pension de-risking strategy and is expected to reduce volatility prospectively and lessen the administrative burden.

15. COMPREHENSIVE INCOME

The following table presents changes in accumulated other comprehensive income ("AOCI") by component for the years ended December 31, 2014 and 2013:

	2014			2013		
	Accumulated Pension Liabilities	Cumulative Translation Adjustments	Total	Accumulated Pension Liabilities	Cumulative Translation Adjustments	Total
Balance, beginning of period	$ 8.6	$ 87.1	$ 95.7	$ (7.8)	$163.5	$155.7
Other comprehensive income before reclassifications	(0.9)	(80.3)	(81.2)	(1.0)	(19.7)	(20.7)
Amounts reclassified from AOCI	(1.4)	—	(1.4)	17.4	(56.7)	(39.3)
Net current period OCI	$(2.3)	$(80.3)	$(82.6)	$16.4	$ (76.4)	$ (60.0)
Balance, end of period	$ 6.3	$ 6.8	$ 13.1	$ 8.6	$ 87.1	$ 95.7

The following table presents a summary of reclassification adjustments out of AOCI for the years ended December 31, 2014 and 2013:

Details of AOCI components	2014	2013	Affected line item in the statement where net income is presented
Pension related adjustments:			
Amortization of prior service costs (credits)	$(2.9)	$ (3.2)[(1)]	
Curtailment impact on prior service costs (credits)	0.5	0.1[(2)]	
	$(2.4)	$ (3.1)	Total before tax
	1.0	1.2	Tax expense
	$(1.4)	$ (1.9)	Net of tax
Amortization related to discontinued plans	—	0.5	Earnings from operations of discontinued business, net of tax
Impact from sale of Coatings	—	18.8	Net gain (loss) on sale of discontinued operations, net of tax
Total pension related	$(1.4)	$ 17.4	
Cumulative translation adjustments:			
Impact from sale of Coatings	$—	$(56.7)	Net gain (loss) on sale of discontinued operations, net of tax

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension cost, and allocated to various line items on the consolidated statements of income, primarily Manufacturing cost of sales. See Note 14, "Employee Benefit Plans," for additional information on net periodic pension cost.

(2) Reclassifications related to curtailments were included in Manufacturing cost of sales in 2014 and in Other (expense) income, net in 2013.

16. ACCRUED EXPENSES

Accrued expenses include the following:

December 31,	2014	2013
Employee benefits	$ 46.0	$ 38.1
Pension and other postretirement employee benefits	12.4	11.5
Salaries and wages	16.6	16.5
Taxes other than income taxes	9.6	7.4
Environmental	9.5	11.9
Interest, excluding interest on uncertain tax positions	8.4	13.0
Restructuring costs	3.6	5.2
Customer rebates	5.4	4.6
Insurance related accruals	3.5	3.7
Tax indemnification liability	24.4	16.3
Capital investments	7.5	10.7
Indemnity liability	—	5.7
Texas lockout costs	2.4	—
All other	35.3	33.8
Total	$184.6	$178.4

17. COMMON STOCK AND PREFERRED STOCK

Stock split

On July 17, 2014, the Board of Directors declared a 2-for-1 split on our common stock in the form of a stock dividend. The stock dividend was distributed on September 17, 2014 to shareholders of record as of the close of business on September 2, 2014. Shareholders on the record date were entitled to receive one additional share for every share they owned on that date. As a result of the stock split, total shares of the Company's common stock outstanding increased from approximately 36.0 million to approximately 72.1 million at the time of the split.

We are authorized to issue 150,000,000 shares of common stock with a par value of $0.01 per share, of which 71,039,505 shares were outstanding at December 31, 2014. A summary of changes in common stock issued and treasury stock is presented below, as adjusted for the September 2014 stock split.

	Common Stock	Treasury Stock
Balance at December 31, 2011	99,172,396	8,154,720
Purchase of treasury stock	—	2,910,222
Issuance pursuant to stock option and stock-SARS plan	65,326	(1,685,492)
Awards of restricted stock	—	(21,366)
Issuance of deferred shares	—	(12,684)
Balance at December 31, 2012	99,237,722	9,345,400
Purchase of treasury stock	—	20,349,510
Issuance pursuant to stock option and stock-SARS plan	213,782	(1,196,652)
Awards of restricted stock	—	(20,790)
Issuance of deferred shares	—	(34,720)
Balance at December 31, 2013	99,451,504	28,442,748
Purchase of treasury stock	—	1,076,179
Issuance pursuant to stock option and stock-SARS plan	320,932	(753,967)
Awards of restricted stock	—	(17,096)
Issuance of deferred shares	—	(14,933)
Balance at December 31, 2014	99,772,436	28,732,931

Treasury stock, when reissued, is relieved at the moving average cost of the shares in treasury.

Dividends

During 2014, quarterly cash dividends of $0.063, $0.063, $0.125, and $0.125 per share, as adjusted for the September 2014 stock split, were declared and paid totaling $26.9. During 2013 and 2012, four quarterly cash dividends of $0.063 per share, as adjusted for the September 2014 stock split, were declared and paid totaling $19.7 and $22.9, respectively.

On January 27, 2015, our Board of Directors declared a quarterly cash dividend of $0.125 per common share, payable on February 25, 2015 to stockholders of record as of February 10, 2015.

Share Repurchases

During 2014, we repurchased 1,076,179 shares of common stock for $50.0 under our stock buyback program. In 2013, we repurchased 20,349,510 shares of common stock for $750.1 under our stock buyback program. In 2012, we repurchased 2,910,222 shares of our common stock at a total cost of $99.9. On October 16, 2014, the Board of Directors authorized a share buyback program in the amount of $200.0. As of December 31, 2014, there was $150.0 remaining under the buyback program.

18. OPERATIONS BY SEGMENT AND GEOGRAPHIC AREAS AND IDENTIFIABLE ASSETS

We have four reportable business segments: Aerospace Materials, Industrial Materials, In Process Separation, and Additive Technologies. The Aerospace Materials segment principally includes advanced composites, carbon fiber, and structural film adhesives. The Industrial Materials segment includes structural composite materials (high performance automotive, motorsports, recreation, tooling and other structural materials markets) and process materials (aerospace, wind energy, and other process materials markets). The In Process Separation segment includes mining chemicals and phosphines. The Additive Technologies segment includes polymer additives, specialty additives, and formulated resins.

The accounting policies of the reportable segments are the same as those described in Note 1. All intersegment sales prices are cost based. We evaluate the performance of our operating segments primarily based on earnings from operations of the respective segment. As described in Note 4, restructuring costs and impairment charges related to unprofitable sites are not charged to our operating segments consistent with management’s view of its businesses.

As discussed in Note 3, the former Coatings business is reported as discontinued operations for all periods presented.

Following is selected information in relation to our continuing operations for the periods indicated as revised for all periods presented in accordance with our business segment structure:

	Aerospace Materials	Industrial Materials	In Process Separation	Additive Technologies	Total Segments
2014					
Net sales to external customers	$1,000.1	$325.8	$410.5	$271.3	$2,007.7
Intersegment net sales	1.3	—	—	—	1.3
Total net sales	$1,001.4	$325.8	$410.5	$271.3	$2,009.0
Earnings from operations	$ 178.2	$ 30.8	$ 95.6	$ 33.9	$ 338.5
Percentage of sales	17.8%	9.5%	23.3%	12.5%	16.8%
Total assets	$1,220.2	$461.3	$470.1	$207.9	$2,359.5
Capital expenditures	$ 67.1	$ 8.3	$ 64.1	$ 6.6	$ 146.1
Depreciation and amortization	$ 30.0	$ 17.5	$ 18.3	$ 11.0	$ 76.8
2013					
Net sales to external customers	$ 960.8	$316.3	$382.7	$275.2	$1,935.0
Intersegment net sales	1.5	—	—	0.3	1.8
Total net sales	$ 962.3	$316.3	$382.7	$275.5	$1,936.8
Earnings from operations	$ 177.6	$ 19.0	$ 86.5	$ 39.6	$ 322.7
Percentage of sales	18.5%	6.0%	22.6%	14.4%	16.7%
Total assets	$1,136.7	$483.5	$445.0	$211.1	$2,276.3
Capital expenditures	$ 144.8	$ 4.9	$109.8	$ 12.4	$ 271.9
Depreciation and amortization	$ 26.0	$ 17.6	$ 15.3	$ 11.8	$ 70.7
2012					
Net sales to external customers	$ 877.1	$176.4	$384.2	$270.4	$1,708.1
Intersegment net sales	—	—	—	0.8	0.8
Total net sales	$ 877.1	$176.4	$384.2	$271.2	$1,708.9
Earnings from operations	$ 168.5	$ 11.4	$ 95.3	$ 40.8	$ 316.0
Percentage of sales	19.2%	6.5%	24.8%	15.0%	18.5%
Total assets	$1,014.6	$520.4	$369.1	$206.8	$2,110.9
Capital expenditures	$ 68.5	$ 5.1	$ 60.4	$ 11.1	$ 145.1
Depreciation and amortization	$ 26.3	$ 8.4	$ 16.9	$ 13.6	$ 65.2

The following table provides a reconciliation of selected segment information to corresponding amounts contained in our consolidated financial statements:

	2014	2013	2012
Net sales:			
Net sales from segments	$2,009.0	$1,936.8	$1,708.9
Elimination of intersegment revenue	(1.3)	(1.8)	(0.8)
Total consolidated net sales	$2,007.7	$1,935.0	$1,708.1
Earnings from operations:			
Earnings from segments	$ 338.5	$ 322.7	$ 316.0
Corporate and unallocated(1)	(104.8)	(13.3)	(183.8)
Total consolidated earnings from operations	$ 233.7	$ 309.4	$ 132.2
Total assets:			
Assets from segments	$2,359.5	$2,276.3	$2,110.9
Other assets(2)	407.7	404.2	1,813.3
Total consolidated assets	$2,767.2	$2,680.5	$3,924.2

(1) For 2014, corporate and unallocated included the following pre-tax charges: net MTM adjustments of $80.2 for our pension and postretirement benefit plans (including the impact of inventory capitalization); costs of $5.7 in connection with a lockout of employees at one of our plants; and net restructuring charges of $1.0 related to adjustments to our 2013 and 2012 initiatives.

For 2013, corporate and unallocated included the following pre-tax charges: restructuring charges of $6.9 for 2013 initiatives within Industrial Materials and Aerospace Materials to reduce costs associated with the acquired Umeco business; charges of $3.0 for the write down of certain manufacturing assets in our Nagpur, India facility; charges of $1.2 for costs to divest the Industrial Materials distribution product line; and benefits of $27.4 for net MTM adjustments of our pension and postretirement benefit plans (including the impact of inventory capitalization).

For 2012, it included the following net pre-tax charges: $55.5 for net MTM adjustments of our pension and postretirement benefit plans (including the impact of inventory capitalization); restructuring charges of $21.2 for personnel reductions in the Umeco business and across corporate functions to mitigate continuing costs following the anticipated sale of Coatings; charges of $16.7 for recognition in 2012 for the loss on the sale of the Stamford facility sale that occurred in 2011; charges of $8.4 related to costs incurred for the acquisition of Umeco; and accelerated depreciation of $2.5 for the sale-leaseback of our Stamford facility treated as a financing transaction.

Corporate and unallocated also included costs previously allocated to the operations of our discontinued Coatings business of $12.2 for 2013 and $66.5 for 2012.

(2) At December 31, 2014, 2013 and 2012, this included cash and cash equivalents of $133.9, $151.8, and $179.3, respectively. At December 31, 2012, includes assets held for sale of $1,471.5.

Operations by Geographic Areas: Net sales to unaffiliated customers presented below are based upon the sales destination, which is consistent with how we manage our businesses. U.S. exports included in net sales are based upon the sales destination and represent direct sales of U.S.-based entities to unaffiliated customers outside of the United States. Identifiable assets are those assets used in our operations in each geographic area. Unallocated assets are primarily cash and cash equivalents, miscellaneous receivables, construction in progress, deferred taxes, and the fair values of derivatives.

	2014	2013	2012
Net Sales:			
United States	$ 912.8	$ 865.2	$ 782.1
Other Americas	227.2	216.6	195.0
Asia / Pacific	236.7	244.2	218.3
Europe, Middle East and Africa	631.0	609.0	512.7
Total consolidated net sales	$2,007.7	$1,935.0	$1,708.1
U.S. exports included in net sales above:			
Other Americas	$ 104.9	$ 106.9	$ 83.0
Asia / Pacific	46.0	42.7	33.7
Europe, Middle East and Africa	103.1	99.2	103.9
Total U.S. exports included in consolidated net sales	$ 254.0	$ 248.8	$ 220.6
Identifiable assets:			
United States	$1,112.9	$1,050.2	$1,054.7
Other Americas	277.0	123.7	121.9
Asia / Pacific	146.5	131.3	119.2
Europe, Middle East and Africa	448.8	472.8	418.1
Total identifiable assets	1,985.2	1,778.0	1,713.9
Equity in net assets of and advances to associated companies	—	1.3	1.7
Unallocated assets(1)	782.0	901.2	2,208.6
Total assets	$2,767.2	$2,680.5	$3,924.2

(1) At December 31, 2014, 2013 and 2012, this includes cash and cash equivalents of $133.9, $151.8, and $179.3, respectively. At December 31, 2012, includes assets held for sale of $1,471.5.

Significant customer: Approximately 21%, 20%, and 19% of our 2014, 2013 and 2012 net sales, respectively, were to Boeing and its subcontractors, of which 20%, 20%, and 18% related to our Aerospace Materials segment, and 1%, 0%, and 1% related to our Industrial Materials segment.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2014, 2013 and 2012
(Dollars in millions)

Description	Balance at 12/31/2013	Additions or (deductions) charged or (credited) to expenses	Other additions or (deductions)	Balance at 12/31/2014
Reserves deducted from related assets:				
Doubtful accounts receivable – continuing operations	$ 4.6	$ 0.7	$(1.5)(1)	$ 3.8
Deferred tax asset valuation allowance	$125.9	$(11.3)(2)	$—	$114.6
Environmental accruals	$ 63.1	$ 4.2	$(7.8)(3)	$ 59.5

(1) Principally bad debt write-offs and recoveries.
(2) Decrease primarily due to adjustment of $10.2 to capital loss on sale of Coatings business.
(3) Environmental remediation spending of $7.0, and an unfavorable exchange impact of $0.8.

Description	Balance at 12/31/2012	Additions or (deductions) charged or (credited) to expenses	Other additions or (deductions)	Balance at 12/31/2013
Reserves deducted from related assets:				
Doubtful accounts receivable – continuing operations	$ 4.7	$ 1.5	$(1.6)(1)	$ 4.6
Deferred tax asset valuation allowance	$21.0	$104.7(2)	$ 0.2	$125.9
Environmental accruals	$68.1	$ 4.3	$(9.3)(3)	$ 63.1

(1) Principally bad debt write-offs and recoveries.
(2) Increase due to capital loss on sale of Coatings business.
(3) Environmental remediation spending of $8.7, and unfavorable exchange impact of $0.6.

Description	Balance at 12/31/2011	Additions or (deductions) charged or (credited) to expenses	Other additions or (deductions)	Balance at 12/31/2012
Reserves deducted from related assets:				
Doubtful accounts receivable – continuing operations	$ 1.3	$ 4.6	$(1.2)(1)	$ 4.7
Deferred tax asset valuation allowance	$21.2	$(1.2)	$ 1.0(2)	$21.0
Environmental accruals	$69.4	$ 1.6	$(2.9)(3)	$68.1

(1) Principally bad debt write-offs and recoveries.
(2) Valuation allowances inherited as part of Umeco acquisition.
(3) Environmental remediation spending of $3.9, favorable exchange impact of $0.4, and acquired Umeco accruals of $0.7.

Financial Statements of Cytec Industries Inc, as extracted from the Cytec quarterly report on Form 10-Q for the period ended September 30, 2015 filed with the Securities and Exchange Commission on October 22, 2015

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

CYTEC INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(Dollars in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net sales	$497.3	$506.8	$1,520.5	$1,523.0
Manufacturing cost of sales	326.8	342.0	1,040.4	1,018.2
Selling and technical services	35.4	35.3	106.9	109.6
Research and process development	12.8	12.0	37.3	37.2
Administrative and general	34.7	31.0	95.2	93.3
Amortization of acquisition intangibles	3.4	3.6	10.3	10.9
Earnings from operations	84.2	82.9	230.4	253.8
Other expense, net	1.5	1.6	3.0	2.2
Interest expense, net	4.0	3.1	11.6	9.3
Earnings from continuing operations before income taxes	78.7	78.2	215.8	242.3
Income tax provision	19.2	24.4	57.6	70.2
Earnings from continuing operations	59.5	53.8	158.2	172.1
Net (loss) gain on sale of discontinued operations, net of tax	—	(0.2)	(1.5)	11.0
(Loss) earnings from discontinued operations, net of tax	—	(0.2)	(1.5)	11.0
Net earnings	$ 59.5	$ 53.6	$ 156.7	$ 183.1
Comprehensive income	$ 30.7	$ 2.1	$ 89.5	$ 134.1
Earnings (loss) per share:				
Basic earnings (loss) per common share:				
Continuing operations	$ 0.83	$ 0.74	$ 2.20	$ 2.38
Discontinued operations	—	—	(0.02)	0.15
	$ 0.83	$ 0.74	$ 2.18	$ 2.53
Diluted earnings (loss) per common share:				
Continuing operations	$ 0.81	$ 0.73	$ 2.16	$ 2.34
Discontinued operations	—	—	(0.02)	0.15
	$ 0.81	$ 0.73	$ 2.14	$ 2.49
Dividends per common share	$0.125	$0.125	$ 0.375	$ 0.25

See accompanying Notes to Consolidated Financial Statements

CYTEC INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in millions, except per share amounts)

	September 30, 2015	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 170.9	$ 133.9
Trade accounts receivable, less allowance for doubtful accounts of $3.5 and $3.8 at September 30, 2015 and December 31, 2014, respectively	286.2	265.1
Other accounts receivable	72.9	74.6
Inventories	309.4	307.6
Deferred income taxes	35.1	27.4
Other current assets	21.9	26.2
Total current assets	896.4	834.8
Plants, equipment and facilities, at cost	1,699.7	1,680.8
Less: accumulated depreciation	(589.0)	(559.4)
Net plant investment	1,110.7	1,121.4
Acquisition intangibles, net of accumulated amortization of $80.1 and $70.8 at September 30, 2015 and December 31, 2014, respectively	128.7	141.6
Goodwill	502.0	508.8
Deferred income taxes	32.8	41.2
Other assets	137.5	119.4
Total assets	$2,808.1	$2,767.2
Liabilities		
Current liabilities		
Accounts payable	$ 179.1	$ 172.4
Current maturities of long-term debt	1.5	1.2
Accrued expenses	160.3	184.6
Income taxes payable	9.2	8.4
Deferred income taxes	0.4	0.3
Total current liabilities	350.5	366.9
Long-term debt	740.1	741.7
Pension and other postretirement benefit liabilities	229.1	245.9
Other noncurrent liabilities	156.3	170.3
Deferred income taxes	34.5	31.4
Stockholders' equity		
Preferred stock, 20,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $.01 par value per share, 150,000,000 shares authorized; issued 99,822,154 at September 30, 2015 and 99,772,436 at December 31, 2014	1.0	1.0
Additional paid-in capital	481.7	474.2
Retained earnings	1,829.3	1,699.6
Accumulated other comprehensive (loss) income	(54.1)	13.1
Treasury stock, at cost, 28,275,035 shares at September 30, 2015 and 28,732,931 shares at December 31, 2014	(960.3)	(976.9)
Total stockholders' equity	1,297.6	1,211.0
Total liabilities and stockholders' equity	$2,808.1	$2,767.2

See accompanying Notes to Consolidated Financial Statements

CYTEC INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in millions)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cash flows provided by (used in) operating activities		
Net earnings	$156.7	$ 183.1
(Loss) earnings from discontinued operations, net of tax	(1.5)	11.0
Net earnings from continuing operations	158.2	172.1
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Depreciation	52.1	46.5
Amortization	13.4	13.5
Share-based compensation	10.0	9.8
Deferred income taxes	5.4	18.8
Pension and postretirement benefit (income) expense	(2.3)	0.7
Contributions to pension and postretirement plans	(11.6)	(10.6)
Non-cash loss on disposal of assets	0.9	1.9
Unrealized (gain) loss on foreign currency forward contracts	(5.8)	7.9
Changes in operating assets and liabilities:		
Trade accounts receivable	(38.0)	(50.1)
Other receivables	4.3	(5.6)
Inventories	(11.8)	(48.7)
Other assets	(5.0)	1.1
Accounts payable	13.3	22.4
Accrued expenses	(19.0)	(1.6)
Income taxes payable	(2.5)	4.2
Other liabilities	(1.6)	(10.6)
Net cash provided by operating activities of continuing operations	160.0	171.7
Net cash (used in) provided by operating activities of discontinued operations	(3.2)	0.3
Net cash provided by operating activities	**156.8**	**172.0**
Cash flows used in investing activities:		
Additions to plants, equipment and facilities	(96.9)	(170.3)
Other investing activities, net	—	(0.1)
Net cash used in investing activities	**(96.9)**	**(170.4)**
Cash flows provided by (used in) financing activities:		
Proceeds from long-term debt	0.5	1.3
Payments on long-term debt	(0.9)	(0.4)
Change in short-term borrowings, net	—	2.9
Cash dividends	(26.8)	(17.9)
Proceeds from the exercise of stock options	9.9	14.3
Excess tax benefits from share-based payment arrangements	3.8	6.7
Net cash (used in) provided by financing activities	**(13.5)**	**6.9**
Effect of currency rate changes on cash and cash equivalents	(9.4)	(7.7)
Increase in cash and cash equivalents	**37.0**	**0.8**
Cash and cash equivalents, beginning of period	133.9	151.8
Cash and cash equivalents, end of period	**$170.9**	**$ 152.6**

See accompanying Notes to Consolidated Financial Statements

CYTEC INDUSTRIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Currencies in millions, except per share amounts, unless otherwise indicated)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for reporting on Form 10-Q and accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim reporting. Certain information and footnote disclosures normally included in our annual consolidated financial statements have been condensed or omitted pursuant to such rules and regulations.

Financial statements prepared in accordance with U.S. GAAP require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and other disclosures. In the opinion of management, these condensed consolidated financial statements include all normal and recurring adjustments necessary for a fair presentation of the financial position and the results of our operations and cash flows for the interim periods presented.

The results of operations for any interim period are not necessarily indicative of the results of operations for the full year. These condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements contained in the Company's 2014 Annual Report on Form 10-K. Unless indicated otherwise, the terms "Company," "Cytec," "we," "us," and "our" each refer collectively to Cytec Industries Inc. and its subsidiaries.

Reclassifications

Certain amounts reported for prior years in the unaudited consolidated financial statements and accompanying notes have been reclassified to conform to the current year's presentation.

2. MERGER AGREEMENT WITH SOLVAY SA

On July 29, 2015, we announced that the Company had entered into an Agreement and Plan of Merger (the "Merger Agreement") with Solvay SA ("Solvay") and its wholly owned subsidiary, Tulip Acquisition Inc. ("Merger Subsidiary"). Pursuant to the Merger Agreement, Merger Subsidiary will be merged with and into the Company (the "Merger"), with the Company surviving as a wholly-owned subsidiary of Solvay (the "Surviving Corporation"). In connection with the Merger, each issued and outstanding share of our common stock, par value $0.01 per share, other than shares held by the Company, Solvay or any of their respective subsidiaries and shares with respect to which appraisal rights are properly demanded and not waived, withdrawn or lost, will be converted into the right to receive $75.25 in cash, without interest and less any applicable withholding taxes.

Each of the Company, Solvay and Merger Subsidiary has made customary representations and warranties in the Merger Agreement. The Company has also agreed to various customary covenants and agreements, including, among others, and subject to certain exceptions, to conduct its business in the ordinary course of business between the execution of the Merger Agreement and closing of the Merger and not to engage in certain specified types of transactions during such period. Under the terms of the Merger Agreement, the Company is permitted to pay regular quarterly dividends in an amount not to exceed $0.125 per share. In addition, the Company will be subject to customary "no-shop" restrictions on its ability to solicit alternative acquisition proposals from third parties and to provide information to, and engage in discussions with, third parties regarding alternative acquisition proposals, except as permitted by the Merger Agreement.

The Merger Agreement contains specified termination rights, including the right for each of the Company and Solvay to terminate the Merger Agreement if the Merger is not consummated by January 28, 2016 (subject to one automatic three-month extension if all of the conditions to closing, other than the conditions related to obtaining certain governmental approvals, have been satisfied). The Merger Agreement also provides for other customary termination rights for both Solvay (including if the Board of Directors of the Company changes its recommendation in respect of the Merger) and the Company, and further provides that the Company would be required to pay Solvay a termination fee equal to $140.0 following a termination in certain circumstances.

The Merger is subject to certain closing conditions, including (i) the approval of the Merger Agreement by a majority of the outstanding shares of our common stock, (ii) the absence of any law or order prohibiting the consummation of the Merger, (iii) expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976 (the "HSR Act") and expiration or termination of any applicable waiting period or, if applicable, receipt of approval (which approvals remains in full force and effect), under any similar foreign antitrust or competition laws in Brazil, the European Union, Israel, Japan, Mexico, South Korea, Turkey and Ukraine; and (iv) the conclusion of any review, investigation or other proceeding by the Committee on Foreign Investment in the United States ("CFIUS") pursuant to Section 721 of the Defense Production Act of 1950, as added by the Exon-Florio Amendment of 1988 and as amended by the Foreign Investment and National Security Act of 2007. In addition to customary conditions in favor of both parties regarding the accuracy of the other party's representations and warranties (subject to customary materiality qualifiers) and the other party's compliance with its covenants and agreements contained in the Merger Agreement (subject to customary materiality qualifiers), Solvay's obligations to complete the Merger are also subject to the conditions that there have been no event or occurrence that would reasonably be expected to have a material adverse effect on the Company, the receipt of approval from the Defense Security Service of the U.S. Department of Defense and the absence of written objection from the Directorate of Defense Trade Controls of the U.S. Department of State.

The Company and Solvay submitted a joint voluntary notice to CFIUS on September 14, 2015 and CFIUS is currently reviewing the proposed transaction. The Company and Solvay notified the Directorate of Defense Trade Controls of the transaction on September 21, 2015, and are working with the Defense Security Service on a detailed plan to mitigate foreign ownership, control or influence. The applicable waiting period under the HSR Act expired on September 24, 2015. The Company made applicable filings in Mexico and Ukraine on September 24, 2015, in South Korea on October 5, 2015, in Israel on October 8, 2015, in Turkey on October 9, 2015 and in the European Union on October 13, 2015. The Company currently expects that applicable filings in Brazil and Japan will be made in due course.

Assuming timely satisfaction of the necessary closing conditions, we currently expect the closing of the Merger to occur in the fourth quarter of 2015.

3. NEW ACCOUNTING PRONOUNCEMENTS

In September 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments." The guidance requires that adjustments to provisional amounts recognized in a business combination be recorded during the measurement period in the period in which the adjustment amounts are determined. This also applies to the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result to the change in the provisional amounts as if the accounting had been completed at the acquisition date. Additional disclosures are required to clarify the impact the adjustments to provisional amounts would have had on prior periods (by income statement line item) as if the accounting had been completed at the acquisition date. The update is effective for reporting periods beginning after December 15, 2015 and for interim periods within those fiscal years, with early adoption permitted. We do not anticipate adoption of this guidance to have a material effect on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory." The guidance requires an entity to measure inventory at the lower of cost or net realizable value, from the current guidance of the lower of cost or market. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This ASU should be applied prospectively, and is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, with earlier application permitted. We do not anticipate adoption of this guidance to have a material effect on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-05, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." The guidance provides clarification on whether a cloud computing arrangement includes a software license. If a software license is included, the customer should account for the license consistent with its accounting of other software licenses. If a software license is not included, the arrangement should be accounted for as a service contract. The update is effective for reporting periods beginning after December 15, 2015 and for interim periods within those fiscal years, with early adoption permitted. Entities have the option of applying either a full retrospective approach to all periods presented or a prospective approach to all arrangements entered into or materially modified after the effective date. We do not anticipate adoption of this guidance to have a material effect on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs," which was amended by ASU No. 2015-15, "Interest-Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements," issued in August 2015. These ASUs will require the presentation of debt issuance costs in financial statements as a direct reduction of related debt liabilities with amortization of debt issuance costs reported as interest expense. However, the guidance allows an entity to defer and present debt issuance costs for line-of-credit arrangements as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement, which is consistent with current U.S. GAAP standards. ASU 2015-03 and ASU 2015-15 are effective for annual periods, and interim periods within those fiscal years, beginning after December 15, 2015 and are to be applied retrospectively upon adoption. Early adoption is permitted, including adoption in an interim period for financial statements that have not been previously issued. We are currently evaluating the effect that this pronouncement will have on our consolidated financial statements and related disclosures.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." This guidance focuses on a reporting company's consolidation evaluation to determine whether they should consolidate certain legal entities. This guidance is effective for annual periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. We are currently evaluating the effect that this pronouncement will have on our consolidated financial statements, but do not anticipate it will be material.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," which will supersede current revenue recognition guidance in Accounting Standards Codification Topic 605, "Revenue Recognition." The new standard is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and clarify guidance for multiple-element arrangements. In July 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which delays the effective date of the standard by one year to the first quarter of 2018 to provide companies sufficient time to implement the standard. Early adoption is permitted, but not before the first quarter of 2017. Adoption can occur using one of two prescribed transition methods. We have not yet selected a transition method and continue to evaluate the impact this guidance, as well as amendments to the guidance that have been proposed by the FASB, will have on our future consolidated financial statements and related disclosures.

4. DISCONTINUED OPERATIONS AND OTHER DIVESTITURES

The following tables display summarized activity in our consolidated statements of income for discontinued operations during the three and nine months ended September 30, 2015 and 2014 related to our former Coating Resins ("Coatings") business and other divestitures.

	Three Months Ended September 30,				
	2015		2014		
	Coatings	Total	Coatings	Distribution Product Line	Total
(Loss) gain on sale of discontinued operations	$—	$—	$(0.1)	$ 0.2	$ 0.1
Income tax expense on (loss) gain on sale	—	—	(0.3)	—	(0.3)
(Loss) earnings from discontinued operations, net of tax	$—	$—	$(0.4)	$ 0.2	$(0.2)

	Nine Months Ended September 30,					
	2015		2014			
	Coatings	Total	Coatings	Distribution Product Line	Pre-Acquisition Umeco	Total
(Loss) gain on sale of discontinued operations	$(2.3)	$(2.3)	$ (3.6)	$ 0.2	$ 3.6	$ 0.2
Income tax benefit on (loss) gain on sale	0.8	0.8	10.8	—	—	10.8
(Loss) earnings from discontinued operations, net of tax	$(1.5)	$(1.5)	$ 7.2	$ 0.2	$ 3.6	$11.0

Discontinued operations

Coating Resins

On April 3, 2013, we completed the divestiture of our remaining Coatings business to Advent International ("Advent"), a global private equity firm. In connection with the sale of the business to Advent, we agreed to retain certain liabilities, including liabilities for U.S. pension and other postretirement benefits and certain tax liabilities related to taxable periods (or portions thereof) ending on or before April 3, 2013. For the nine months ended September 30, 2015, we recorded after-tax losses of $1.5 related to the sale of Coatings, of which $0.1 was for these tax liabilities and $1.4 of additional costs of exiting a former Coatings facility. During the three and nine months ended September 30, 2014, we recorded after-tax charges of $0.1 and $1.4, respectively, related to certain of these tax liabilities. For the three and nine months ended September 30, 2014, we also incurred after-tax charges of approximately $0.3 and $2.5, respectively, for purchase price and working capital adjustments related to the sale. Additionally, in the nine months ended September 30, 2014, we recorded tax benefits of $11.1 based on our best estimate of the purchase price allocation attributable to the Coatings business sold in various taxing jurisdictions. These after-tax losses and gains are included in Net (loss) gain on sale of discontinued operations, net of tax in the consolidated statements of income. The final price paid and loss on sale remains subject to final working capital and other customary adjustments.

As of September 30, 2015, the final working capital adjustment on the Coatings divestiture transaction is in dispute. We believe we will recover the net amount we have recorded with respect to the final working capital adjustment.

Other divestitures

Industrial Materials distribution product line

In the third quarter of 2014, we recorded an after-tax benefit of $0.2 related to final purchase price and settlement of final working capital adjustments from the sale of the Industrial Materials distribution product line in July 2013, which we acquired as part of the Umeco acquisition in 2012. These amounts are included in Net (loss) gain on sale of discontinued operations, net of tax in the consolidated statements of income.

Former Umeco entities divested prior to our acquisition

As part of our acquisition accounting for Umeco in 2012, we established reserves related to income tax and value added tax liabilities of an entity that had been divested by Umeco in 2011, for periods that were under audit prior to it its divestiture. We continued to accrue interest through the end of 2013. In the first quarter of 2014, we agreed to a settlement for audit periods through March 31, 2009, which resulted in a benefit of approximately $3.6. The benefit is included in Net (loss) gain on sale of discontinued operations, net of tax in the consolidated statement of income for the nine months ended September 30, 2014.

5. RESTRUCTURING OF OPERATIONS

In accordance with our accounting policy, restructuring costs are included in our Corporate and Unallocated operating results for segment reporting purposes, which is consistent with management's view of its businesses. Aggregate pre-tax restructuring charges included in the consolidated statements of income were recorded by line item as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Manufacturing cost of sales	$ 0.5	$ 0.1	$2.0	$ 0.3
Selling and technical services	—	—	0.4	—
Administrative and general	2.3	(0.1)	4.1	0.1
Total	$ 2.8	$—	$6.5	$ 0.4

Details of our 2015 restructuring initiatives are as follows:

During the first quarter of 2015, we approved plans to realign the supporting structure of all our segments and across various functions to take advantage of synergies from the ongoing implementation of our single, global enterprise resource planning ("ERP") system. These plans resulted in a restructuring charge of $3.5 for severance related to the elimination of approximately 55 positions. The initiative is expected to be completed by the end of 2016. During the second quarter of 2015, we recorded a favorable adjustment of $0.1 to the 2015 restructuring initiatives, while in the third quarter of 2015, we recorded a favorable adjustment of $0.4 to these initiatives. The remaining reserve relating to the 2015 restructuring initiatives at September 30, 2015 is $1.4.

Updates to our 2013 restructuring initiatives are as follows:

During the first nine months of 2015, we recorded a net adjustment of $3.6 to the 2013 restructuring initiatives, mostly due to recognizing the fair value of a liability related to the leased Huntington Beach facility that we ceased using in the third quarter of 2015. The remaining reserve relating to the 2013 restructuring initiatives at September 30, 2015 is $3.2.

Updates to our 2012 restructuring initiatives are as follows:

During the first nine months of 2015, we recorded a net favorable adjustment of $0.1 to the 2012 restructuring initiatives. The remaining reserve relating to the 2012 restructuring initiatives at September 30, 2015 is $2.0.

Following are the changes in the restructuring reserve balance through the first nine months of 2015:

Restructuring Initiatives:	**2012**	**2013**	**2015**	**Total**
Balance at December 31, 2013	$ 4.8	$ 1.8	$—	$ 6.6
2014 (credits) charges	(0.4)	1.4	—	1.0
Non-cash items(1)	—	(0.5)	—	(0.5)
Cash payments	(1.2)	(0.9)	—	(2.1)
Balance at December 31, 2014	$ 3.2	$ 1.8	$—	$ 5.0
First quarter charges	0.1	—	3.5	3.6
Non-cash items(1)	—	(0.1)	—	(0.1)
Cash payments	(0.9)	(0.1)	(1.0)	(2.0)
Balance at March 31, 2015	$ 2.4	$ 1.6	$ 2.5	$ 6.5
Second quarter (credits) charges	(0.1)	0.3	(0.1)	0.1
Non-cash items(1)	—	(0.3)	—	(0.3)
Cash payments	(0.2)	(0.6)	(0.5)	(1.3)
Balance at June 30, 2015	$ 2.1	$ 1.0	$ 1.9	$ 5.0
Third quarter (credits) charges	(0.1)	3.3	(0.4)	2.8
Non-cash items(1)	—	(0.3)	—	(0.3)
Cash payments	—	(0.8)	—	(0.8)
Currency translation adjustments	—	—	(0.1)	(0.1)
Balance at September 30, 2015	$ 2.0	$ 3.2	$ 1.4	$ 6.6

(1) Includes accelerated depreciation of plant assets at our California sites.

6. SHARE-BASED COMPENSATION

The fair value of each option or stock-settled share appreciation right ("SARS") award is estimated on the grant date using a binomial-lattice option valuation model. Stock-settled SARS are economically valued the same as stock options. The binomial-lattice model takes into account variables such as volatility, dividend yield, and risk-free interest rate. In addition, the binomial-lattice model considers the contractual term of the option, the probability that the option will be exercised prior to the end of its contractual life, and the probability of termination or retirement of the option holder in computing the value of the option.

The weighted average assumptions for the nine months ended September 30, 2015 and 2014 are noted in the following table:

	Nine Months Ended September 30,	
	2015	2014
Expected life (years)	6.2	6.3
Expected volatility	30.4%	34.6%
Expected dividend yield	1.03%	0.63%
Risk-free interest rate	2.31%	3.00%
Weighted-average fair value per option	$14.40	$16.46

The expected life of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. Expected volatilities are based on the combination of implied market volatility and our historical volatility. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. As share-based compensation recognized in the consolidated statements of income is based on awards ultimately expected to vest, we incorporate the probability of pre-vesting forfeiture in determining the number of expected vested options. The forfeiture rate is based on the historical forfeiture experience and prospective actuarial analysis.

Stock Award and Incentive Plan

The 1993 Stock Award and Incentive Plan, as amended on September 17, 2014, (the "1993 Plan" or "Amended Plan") provides for grants of a variety of awards, such as stock options (including incentive stock options and nonqualified stock options), nonvested stock (including performance stock), SARS (including those settled with common shares) and deferred stock awards and dividend equivalents.

At September 30, 2015, there were approximately 7,400,000 shares reserved for issuance under the 1993 Plan, inclusive of approximately 3,500,000 shares reserved for issuance for all outstanding share-based compensation grants.

Stock options and stock-settled SARS

We have utilized the stock option component of the 1993 Plan to provide for the granting of nonqualified stock options and stock-settled SARS with an exercise price at 100% of the market price on the date of the grant. Options and stock-settled SARS are generally exercisable in installments of one-third per year commencing one year after the grant date and annually thereafter, with contract lives of generally 10 years from the grant date.

A summary of stock options and stock-settled SARS activity for the nine months ended September 30, 2015 is presented below:

Options and Stock-Settled SARS Activity:	Number of Units	Weighted Average Exercise Price Per Unit	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2015	2,996,794	$28.84		
Granted	565,408	44.69		
Exercised	(467,516)	26.79		
Forfeited	(13,838)	43.22		
Outstanding at September 30, 2015	3,080,848	$32.00	6.3	$128.9
Exercisable at September 30, 2015	1,972,525	$25.69	5.0	$ 95.0

During the nine months ended September 30, 2015, we granted 565,408 stock options. The weighted-average grant-date fair value of the stock options granted during the nine months ended September 30, 2015 and 2014 was $14.40 and $16.46 per share, respectively. Total pre-tax compensation cost related to stock option and stock-settled SARS was $2.3 and $2.4 for the three months ended September 30, 2015 and 2014, respectively, and $6.8 and $6.7 during the nine months ended September 30, 2015 and 2014, respectively. The total intrinsic value of stock options and stock-settled SARS exercised during the nine months ended September 30, 2015 and 2014 was $13.7 and $32.4, respectively. Treasury shares and newly issued shares have been utilized for stock option and stock-settled SARS exercises.

As of September 30, 2015, there was $7.0 of total unrecognized compensation cost related to stock options and stock-settled SARS. That cost is expected to be recognized over a weighted-average period of 1.3 years as the majority of our awards vest over 3 years.

Total tax benefits realized from share-based awards was $5.9 and $10.9 for the nine months ended September 30, 2015 and 2014, respectively. Cash received from stock options exercised was $9.9 and $14.3 for the nine months ended September 30, 2015 and 2014, respectively.

Cash-settled SARS

Our 1993 Plan also provides for the granting of cash-settled SARS, which were granted during 2004 and 2005. Cash-settled SARS are liability-classified awards. Cash used to settle cash-settled SARS exercised during the nine months ended September 30, 2015 and 2014 was $0.1 and $0.7, respectively. The total amount of pre-tax income recognized for cash-settled SARS was $0.1 for both the nine months ended September 30, 2015 and 2014. The liability related to our cash-settled SARS was $0.2 at December 31, 2014. There were no cash-settled SARS outstanding as of September 30, 2015.

Nonvested stock, nonvested stock units, and performance stock

The 1993 Plan provides for the issuance of nonvested stock, nonvested stock units, and performance stock. Nonvested stock and nonvested stock units are subject to certain restrictions on ownership and transferability that lapse upon vesting. Performance stock payouts are based on the attainment of certain financial performance objectives and may vary depending on the degree to which the performance objectives are met. We did not grant any performance stock in 2015 and 2014, and there were no outstanding performance stock awards as of September 30, 2015.

A summary of nonvested stock and nonvested stock units for the nine months ended September 30, 2015 is presented below:

Nonvested Stock and Nonvested Stock Units:	**Number of Units**	**Weighted Average Grant Date Fair Value Per Unit**
Nonvested at January 1, 2015	307,882	$34.66
Granted	80,276	45.20
Vested	(118,492)	25.71
Forfeited	(1,854)	41.22
Nonvested at September 30, 2015	267,812	$41.72

During the nine months ended September 30, 2015, we granted 66,308 nonvested stock units to employees and 13,968 shares of nonvested stock to nine directors, which generally vest on the third anniversary of the grant date. The weighted-average fair value of the nonvested stock and nonvested stock units on the grant date was $45.20 per share. The total amount of share-based compensation expense recognized for nonvested stock and nonvested stock units was $1.0 and $1.1 for the three months ended September 30, 2015 and 2014, respectively, and $2.9 for both the nine months ended September 30, 2015 and 2014. As of September 30, 2015, there was $3.8 of total unrecognized compensation cost related to nonvested stock and nonvested stock units. That cost is expected to be recognized over a weighted-average period of 1.8 years.

Compensation cost related to all share-based compensation arrangements capitalized in inventory was approximately $0.6 and $0.5 as of September 30, 2015 and December 31, 2014, respectively.

At September 30, 2015 and December 31, 2014, our Additional paid-in capital pool ("APIC Pool"), which represents excess tax benefits available to absorb potential future tax deficiencies, was $93.4 and $89.6, respectively.

7. EARNINGS PER SHARE (EPS)

Basic earnings per common share excludes dilution and is computed by dividing net earnings available to common stockholders by the weighted-average number of common shares outstanding (which includes shares outstanding, less performance and nonvested shares for which vesting criteria have not been met) plus deferred stock awards, weighted for the period outstanding. Diluted earnings per common share is computed by dividing net earnings available to common stockholders by the sum of the weighted-average number of common shares outstanding for the period adjusted (i.e., increased) for all additional common shares that would have been outstanding if potentially dilutive common shares had been issued and any proceeds of the issuance had been used to repurchase common stock at the average market price during the period. Under this method, an increase in the fair market value of the Company's stock can result in a greater dilutive effect from potentially dilutive common shares. The proceeds are assumed to be the sum of the amount to be paid to the Company upon exercise of options, the amount of compensation cost attributed to future services and not yet recognized, and the amount of income taxes that would be credited to or deducted from capital upon exercise.

The following table sets forth the computation of basic and diluted earnings per common share for the three and nine months ended September 30, 2015 and 2014 (in thousands, except net earnings in millions and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator:				
Earnings from continuing operations	$ 59.5	$ 53.8	$ 158.2	$ 172.1
(Loss) earnings from discontinued operations, net of tax	—	(0.2)	(1.5)	11.0
Net earnings	$ 59.5	$ 53.6	$ 156.7	$ 183.1
Denominator:				
Weighted average shares outstanding	72,098	72,498	71,966	72,234
Effect of dilutive shares:				
Options and stock-settled SARS	1,143	984	1,007	1,058
Nonvested shares and units	167	185	162	208
Diluted average shares outstanding	73,408	73,667	73,135	73,500
Basic earnings (loss) per common share:				
Earnings from continuing operations	$ 0.83	$ 0.74	$ 2.20	$ 2.38
(Loss) earnings from discontinued operations	—	—	(0.02)	0.15
Net earnings per common share	$ 0.83	$ 0.74	$ 2.18	$ 2.53
Diluted earnings (loss) per common share:				
Earnings from continuing operations	$ 0.81	$ 0.73	$ 2.16	$ 2.34
(Loss) earnings from discontinued operations	—	—	(0.02)	0.15
Net earnings per common share	$ 0.81	$ 0.73	$ 2.14	$ 2.49

The following table sets forth the anti-dilutive shares/units excluded from the above calculation because their inclusion would have had an anti-dilutive effect on earnings per share (in thousands):

	Nine Months Ended September 30,	
	2015	2014
Options	6	232
Stock-settled SARS	—	—
Nonvested shares and units	—	—
Total	6	232

8. INVENTORIES

Inventories consisted of the following:

	September 30, 2015	December 31, 2014
Finished goods	$199.4	$204.1
Work in progress	17.1	10.8
Raw materials and supplies	92.9	92.7
Total inventories	$309.4	$307.6

9. DEBT

Long-term debt, including the current portion, consisted of the following:

	September 30, 2015		December 31, 2014	
	Face	Carrying Value	Face	Carrying Value
Five-year revolving credit line due June 2019	$ —	$ —	$ —	$ —
8.95% notes due July 1, 2017	82.3	82.2	82.3	82.2
3.5% notes due April 1, 2023	400.0	397.9	400.0	397.7
3.95% notes due May 1, 2025	250.0	249.9	250.0	249.9
Other	14.9	11.6	17.4	13.1
Total debt	$747.2	$741.6	$749.7	$742.9
Less: current maturities	(1.5)	(1.5)	(1.4)	(1.2)
Long-term debt	$745.7	$740.1	$748.3	$741.7

All of the outstanding notes are unsecured and may be repaid in whole or in part, at our option at any time subject to a prepayment adjustment.

Debt issuances and repurchases

On November 12, 2014, we issued $250.0 aggregate principal amount of 3.95% senior unsecured notes due May 1, 2025 ("3.95% notes"), which resulted in $248.3 in net proceeds after original issue discount and underwriting fees. In addition, on November 5, 2014, we commenced offers to purchase our 6.0% notes due October 1, 2015 ("6.0% notes") and a portion of our 8.95% notes due July 1, 2017 ("8.95% notes"). In November 2014, we applied the net proceeds from the issuance of the 3.95% notes to repurchase $17.8 principal amount of our 6.0% notes for a purchase price of $18.7 plus accrued interest of $0.1. In December 2014, we applied the balance of the net proceeds as follows: (1) to repurchase $124.0 principal amount of our 6.0% notes for a purchase price of $129.6 plus accrued interest of $1.3; and (2) to repurchase $82.0 principal amount of our 8.95% notes for a purchase price of $97.8 plus accrued interest of $3.1. The repurchase of the 6.0% and 8.95% notes resulted in a loss of $22.7 in 2014, including transaction costs.

Revolving Credit Facility

At September 30, 2015, there were no borrowings outstanding under the Revolving Credit Facility (the "Facility"), and $400.0 was available for borrowing under the Facility. We are required to comply with certain customary financial covenants under the Revolving Credit Facility: (i) the ratio of consolidated total debt to consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA"); and (ii) the ratio of consolidated EBITDA to consolidated interest expense. We are in compliance with these covenants and expect to be in compliance through the effective time of the merger with Solvay, which is discussed further in Note 2.

Fair value

At September 30, 2015 and December 31, 2014, the fair value of our debt was $738.5 and $761.5, respectively. The fair value of our debt is based on Level 2 inputs, as defined in Note 16. These inputs include a discounted cash flow analysis, which incorporates the contractual terms of the notes and observable market-based inputs that include time value, interest rate curves, and credit spreads.

Interest

The weighted-average interest rate on all of our debt was 4.36% and 5.37% as of September 30, 2015 and 2014, respectively. We had no short-term borrowings outstanding at September 30, 2015 and December 31, 2014.

10. ENVIRONMENTAL, CONTINGENCIES AND COMMITMENTS

Environmental Matters

We are subject to substantial costs arising out of environmental laws and regulations, which include obligations to remove or limit the effects on the environment of the disposal or release of certain wastes or substances at various sites or to pay compensation to others for doing so.

As of September 30, 2015 and December 31, 2014, the aggregate environmental related accruals were $58.0 and $59.5, respectively, of which $9.5 was included in Accrued expenses for both periods, with the remainder of $48.5 and $50.0 included in Other noncurrent liabilities as of September 30, 2015 and December 31, 2014, respectively. Environmental remediation spending for the three months ended September 30, 2015 and 2014 was $1.6 and $1.7, respectively, and $4.0 and $3.9 for the nine months ended September 30, 2015 and 2014, respectively.

We review our environmental remediation accruals quarterly, and adjust our environmental related accruals as needed based on new information. During the nine months ended September 30, 2015, our adjustments resulted in a net increase of $3.6 in our environmental related accruals, consisting of an increase of $1.3 related primarily to an inactive U.S. site, for a detailed alternative analysis and feasibility study as required by the EPA as well as future remedial activities, and a net increase of $2.3 related to several other sites.

Our environmental related accruals can change substantially due to such factors as additional information on the nature or extent of contamination, methods of remediation required, changes in the apportionment of costs among responsible parties, and other actions by governmental agencies or private parties, or if we are named in a new matter and determine that an accrual needs to be provided, or if we determine that we are not liable and no longer require an accrual.

Piles Creek

We were notified by the National Oceanic and Atmospheric Administration ("NOAA"), a federal natural resource trustee, that, after an environmental assessment, we are one of six parties potentially responsible for damages to natural resources in Piles Creek, a tidal influenced tributary partially running through an industrial area in Linden, New Jersey. A portion of Piles Creek runs adjacent to the Company's previously closed landfill in Linden, New Jersey. NOAA further advised that it seeks compensation from the six potentially responsible parties in the form of restoring other tidal wetlands. Thus far, no legal action has been taken by NOAA and the Company is investigating its contribution, if any, to this matter. Accordingly, no loss contingency has been recorded.

A further discussion of environmental matters can be found in Note 12 of Notes to Consolidated Financial Statements contained in our 2014 Annual Report on Form 10-K.

Other Contingencies

We are the subject of numerous lawsuits and claims incidental to the conduct of our or certain of our predecessors' businesses, including lawsuits and claims relating to product liability and personal injury, including asbestos, environmental, contractual, employment and intellectual property matters.

As of September 30, 2015 and December 31, 2014, the aggregate self-insured and insured contingent liability was $44.0 and $45.9, respectively, and the related insurance recovery receivable for the liability as well as claims for past payments was $20.3 and $19.7, respectively. The asbestos liability included in the above amounts at September 30, 2015 and December 31, 2014 was $33.9 and $36.5, respectively, and the insurance receivable related to the liability as well as claims for past payments was $20.0 and $19.3, respectively. We anticipate receiving a net tax benefit for payment of those claims for which full insurance recovery is not realized.

Asbestos

We, like many other industrial companies, have been named as one of hundreds of defendants in a number of lawsuits filed in the U.S. by persons alleging bodily injury from asbestos. The claimants allege exposure to asbestos at facilities that we own or formerly owned, or from products that we formerly manufactured for specialized applications. Many of these cases involve numerous defendants. Historically, most of the closed asbestos claims against us have been dismissed without any indemnity payment by us; however, we can make no assurances that this pattern will continue.

The following table presents information about the number of claimants involved in asbestos claims with us:

	Nine Months Ended September 30, 2015	Year Ended December 31, 2014
Number of claimants at beginning of period	5,200	8,100
Number of claimants associated with claims closed during period	(100)	(3,000)
Number of claimants associated with claims opened during period	100	100
Number of claimants at end of period	5,200	5,200

Numbers in the foregoing table are rounded to the nearest hundred and are based on information as received by us, which may lag actual court filing dates by several months or more. Claims are recorded as closed when a claimant is dismissed or severed from a case. Claims are opened whenever a new claim is brought, including from a claimant previously dismissed or severed from another case. In 2014, by virtue of a new Texas law, which amended the Texas Civil Code, the Texas courts commenced dismissing dormant asbestos cases without prejudice to re-filing by plaintiffs. In the fourth quarter of 2014, the Texas courts dismissed almost 3,000 claimants with claims against us. We expect additional dismissals in late 2015 and early 2016.

Our asbestos related contingent liabilities and related insurance receivables are based on an actuarial study performed by a third party, which is updated every three years. During the third quarter of 2015, we completed an actuarial study of our asbestos related contingent liabilities and related insurance receivables, which updated our last study completed in the third quarter of 2012. The study is based on, among other things, the incidence and nature of historical claims data through June 30, 2015, the incidence of malignancy claims, the severity of indemnity payments for malignancy and non-malignancy claims, dismissal rates by claim type, estimated future claim frequency, settlement values and reserves, and expected average insurance recovery rates by claim type. The study assumes liabilities through 2044.

As a result of our findings, we recorded a decrease of $0.4 to our self-insured and insured contingent liabilities for indemnity costs for pending and anticipated probable future claims and recorded an increase of $2.1 related to receivables for probable insurance recoveries for these pending and future claims. The increase in the receivables primarily results from a shift in the types of expected future claims that have more available insurance. Overall, we expect to recover approximately 52% of our future indemnity costs. We have completed Coverage-In-Place-Agreements with most of our larger insurance carriers.

The ultimate liability and related insurance recovery for all pending and anticipated future claims cannot be determined with certainty due to the difficulty of forecasting the numerous variables that can affect the amount of the liability and insurance recovery. These variables include but are not limited to: (i) significant changes in the number of future claims; (ii) significant changes in the average cost of resolving claims; (iii) changes in the nature of claims received; (iv) changes in the laws applicable to these claims; and (v) financial viability of co-defendants and insurers.

Lead Pigment

Over the past 20 years we have been named as defendants in more than fifty cases in the U.S. in which plaintiffs assert claims for personal injury, property damage, and other claims for relief relating to one or more kinds of lead pigment that were used as an ingredient decades ago in architectural paint. Eight lead ingestion personal injury cases remain outstanding. The different suits were brought by government entities and/or individual plaintiffs, on behalf of themselves and others. The suits variously sought compensatory and punitive damages and/or injunctive relief, including funds for the cost of monitoring, detecting and removing lead based paint from buildings and for medical monitoring; for personal injuries allegedly caused by ingestion of lead based paint; and plaintiffs' attorneys' fees. We settled one of these cases in 2005 for an immaterial amount in order to avoid litigation costs. In all of the others, we prevailed in court or were dismissed as a defendant.

We currently are one of several defendants in eight personal injury lead ingestion cases, consisting of 172 plaintiffs venued in federal and state courts in Milwaukee, Wisconsin. One of the eight cases, which is venued in Federal District Court in Milwaukee, consists of 164 claimants, each alleging personal injury as a result of the ingestion of white lead carbonate in paint. The remaining seven cases consist of less than 10 total plaintiffs. We believe that the eight personal injury cases against us are without merit.

In July 2005, in a case in which we were one of several defendants, the Supreme Court of Wisconsin held that Wisconsin's risk contribution doctrine applies to bodily injury cases against manufacturers of white lead pigment. Under this doctrine, manufacturers of white lead pigment may be liable for injuries caused by white lead pigment based on their past market shares, unless they can prove they are not responsible for the white lead pigment which caused the injury in question. Seven of the eight personal injury cases, including the personal injury case consisting of 164 plaintiffs, were filed before January 2011, when the Wisconsin legislature passed legislation that will make it substantially more difficult to bring lead suits in the future, including a 25 year statute of repose. In June 2013, the Governor of Wisconsin signed into law the biennial budget, which contained within it a provision that retroactively applies the 2011 law to all claims of lead poisoning whether filed or accrued.

The defendants, including the Company, moved to dismiss the personal injury lead cases pending in Wisconsin state court pursuant to the new law. By a decision dated March 2014 in the Wisconsin state court case styled *Clark et al. v. American Cyanamid Company et al*., the court denied the defendants motion holding unconstitutional the retroactive application of the new law. The defendants, including the Company, petitioned for leave to appeal the trial court's decision. The petition for leave was granted by the Wisconsin Appellate Division. By order dated October 2015, the Wisconsin Appellate Division certified the issue to the Wisconsin Supreme Court.

Also, in 2010, the United States District Court for the Eastern District of Wisconsin held that the risk contribution theory imposed by the Wisconsin Supreme Court for lead pigment violates the due process clause set forth in the 14th Amendment to the United States Constitution. The Court's decision was appealed to the United States Circuit Court of Appeals for the Seventh Circuit. The Seventh Circuit Court of Appeals also requested that the parties brief the constitutionality of the new retroactivity provision in the biennial budget. In the third quarter of 2014, the United States Court of Appeals for the Seventh Circuit reversed the trial court's dismissal and held that the risk contribution theory imposed by the Wisconsin Supreme Court for lead pigment is permissible under the United States Constitution. The Court also held that the retroactivity provision of Wisconsin State 845.046 is unconstitutional as it effects a vested right. As a result of the Seventh Circuit's decision, the lead ingestion cases venued in the United States District Court of Wisconsin will proceed. The defendants, including the Company, have moved to dismiss the federal cases for lack of personal jurisdiction. By order dated October 2015, the district court denied the Company's motion to dismiss.

Finally, in July 2009, the Wisconsin Supreme Court, in the case styled *Ruben Godoy et al v. E.I. DuPont de Nemours et al.*, upheld a lower court's decision dismissing the plaintiff's strict liability and negligent defect causes of action for white lead carbonate. The decision in these cases, the new statutory law in Wisconsin, and our non-existent or diminutive market share, reinforces our belief that we have no liability in any of the eight Wisconsin cases, and accordingly, we have not recorded a loss contingency.

Stockholder Litigation

On September 17, 2015, an alleged stockholder of Cytec filed a complaint related to the merger in the Superior Court of New Jersey, Passaic County on behalf of a putative class of the Company's stockholders. The lawsuit, captioned *Levy v. Cytec Industries Inc., et al.*, names as defendants the Company, its directors, Solvay and Merger Subsidiary. The *Levy* complaint generally alleges that our directors breached their fiduciary duties by, among other things, conducting a flawed sales process and approving the merger agreement at an inadequate price, agreeing to a transaction through which the individual defendants will receive certain change of control benefits, and by disseminating a preliminary proxy statement in connection with the merger that is allegedly inaccurate or misleading in various respects. The complaint further alleges that these supposed breaches of duty were aided and abetted by Solvay and Merger Subsidiary. The complaint generally seeks, among other things, compensatory and/or rescissory damages and an award of attorneys' fees. On October 13, 2015, the Cytec defendants filed a motion to dismiss this action. We believe that the claims asserted in the litigation have no merit.

On October 6, 2015, the first of two putative class actions related to the merger was filed by an alleged stockholder of the Company in the United States District Court, District of Delaware. The first lawsuit, captioned *Lagarde v. Cytec Industries Inc.*, names as defendants the Company and its directors, and the second lawsuit, filed on October 21, 2015 and captioned *Andersen v. Cytec Industries Inc. et al.*, names as defendants the Company, its directors, Solvay and Merger Subsidiary. The two Delaware complaints generally allege that our directors made, and exercised control over other persons who also made, untrue statements of fact and omitted to state material facts necessary to make the statements made not misleading in the preliminary proxy statement relating to the merger, supposedly in violation of Sections 14(a) and 20(a) of the Securities and Exchange Act of 1934, 15 U.S.C. §§ 78-n(a) & 78t(a). The *Andersen* complaint also includes claims that the Company's directors breached their fiduciary duties by, among other things, agreeing to the merger at an inadequate price and following an insufficient sale process, and by making allegedly inadequate or incomplete disclosures relating to the merger in the preliminary proxy statement, and that the Company, Solvay and Merger Subsidiary aided and abetted those purported breaches of duty. The complaints generally seek, among other things, equitable relief to enjoin Cytec and Solvay from consummating the merger, damages and an award of attorneys' fees. The defendants have not yet answered or otherwise responded to the complaints. The defendants believe that the claims asserted in the litigation have no merit.

To date, we have no accrued amounts related to these lawsuits. See Note 2 for additional information related to the Merger with Solvay.

Other

Periodically, we enter into settlement discussions for lawsuits or claims for which we have meritorious defenses and for which an unfavorable outcome against us is not probable. In such instances, no loss contingency is recorded since a loss is not probable and it is our policy to expense defense costs as incurred. Typically, we consider these types of settlements in fairly limited circumstances usually related to the avoidance of future defense costs and/or the elimination of any risk of an unfavorable outcome. Such settlements, if any, are recorded when it is probable a liability has been incurred, typically upon entering into a settlement agreement.

While it is not feasible to predict the outcome of all pending environmental matters, lawsuits and claims, it is reasonably possible that there will be a necessity for future provisions for costs for environmental matters and for other contingent liabilities that we believe, will not have a material adverse effect on our consolidated financial position, but could be material to our consolidated results of operations or cash flows in any one accounting period. We cannot estimate any additional amount of loss or range of loss in excess of the recorded amounts. Moreover, many of these liabilities are paid over an extended period, and the timing of such payments cannot be predicted with any certainty.

From time to time, we are also included in legal proceedings as a plaintiff involving tax, contract, patent protection, environmental and other legal matters. Gain contingencies related to these matters, if any, are recorded when they are realized.

A further discussion of other contingencies can be found in Note 12 of Notes to Consolidated Financial Statements contained in our 2014 Annual Report on Form 10-K.

Commitments

We frequently enter into long-term contracts with customers with terms that vary depending on specific industry practices. Our business is not substantially dependent on any single contract or any series of related contracts. Descriptions of our significant sales contracts at December 31, 2014 are set forth in Note 12 of Notes to Consolidated Financial Statements contained in our 2014 Annual Report on Form 10-K.

11. COMPREHENSIVE INCOME

The components of comprehensive income, which represents the change in equity from non-owner sources, for the three and nine months ended September 30, 2015 and 2014 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net earnings	$ 59.5	$ 53.6	$156.7	$183.1
Other comprehensive (loss) income:				
Accumulated pension liability, net of tax	(0.5)	(0.4)	(1.3)	(1.3)
Foreign currency translation adjustments	(28.3)	(51.1)	(65.9)	(47.7)
Comprehensive income	$ 30.7	$ 2.1	$ 89.5	$134.1

The following tables present changes in accumulated other comprehensive income (“AOCI”) by component for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,					
	2015			2014		
	Accumulated Pension Liabilities	Cumulative Translation Adjustments	Total	Accumulated Pension Liabilities	Cumulative Translation Adjustments	Total
Balance, beginning of period	$ 5.5	$(30.8)	$(25.3)	$ 7.7	$ 90.5	$ 98.2
Other comprehensive income before reclassifications	—	(28.3)	(28.3)	—	(51.1)	(51.1)
Amounts reclassified from AOCI	(0.5)	—	(0.5)	(0.4)	—	(0.4)
Net current period OCI	(0.5)	(28.3)	(28.8)	(0.4)	(51.1)	(51.5)
Balance, end of period	$ 5.0	$(59.1)	$(54.1)	$ 7.3	$ 39.4	$ 46.7

	Nine Months Ended September 30,					
	2015			2014		
	Accumulated Pension Liabilities	Cumulative Translation Adjustments	Total	Accumulated Pension Liabilities	Cumulative Translation Adjustments	Total
Balance, beginning of period	$ 6.3	$ 6.8	$ 13.1	$ 8.6	$ 87.1	$ 95.7
Other comprehensive income before reclassifications	—	(65.9)	(65.9)	—	(47.7)	(47.7)
Amounts reclassified from AOCI	(1.3)	—	(1.3)	(1.3)	—	(1.3)
Net current period OCI	(1.3)	(65.9)	(67.2)	(1.3)	(47.7)	(49.0)
Balance, end of period	$ 5.0	$(59.1)	$(54.1)	$ 7.3	$ 39.4	$ 46.7

The following table presents a summary of reclassification adjustments out of AOCI for the three and nine months ended September 30, 2015 and 2014:

Details of AOCI component	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Affected line item in the Consolidated Statements of Income
Pension related adjustments:					
Amortization of prior service costs (credits)	$(0.8)	$(0.7)	$(2.1)	$(2.1)	(1)
	(0.8)	(0.7)	(2.1)	(2.1)	Total before tax
	0.3	0.3	0.8	0.8	Tax expense
Total pension reclassifications	$(0.5)	$(0.4)	$(1.3)	$(1.3)	Net of tax

(1) These AOCI components are included in the computation of net periodic pension cost, and allocated to various line items on the consolidated statements of income, primarily manufacturing cost of sales. See Note 17 – Employee Benefit Plans for additional information on net periodic pension cost.

12. INCOME TAXES

The effective tax rate for continuing operations for the three and nine months ended September 30, 2015 was a tax provision of 24.4%, or $19.2, and 26.7%, or $57.6, respectively, compared to a tax provision of 31.2%, or $24.4, and 29.0%, or $70.2, respectively for the three and nine months ended September 30, 2014. The effective tax rate for the three months ended September 30, 2015 was favorably impacted primarily by a net tax benefit of $5.0 attributable to the closure of the federal tax examination in the U.S. The effective tax rate for the nine months ended September 30, 2015 was favorably impacted by a net tax benefit of $6.7, consisting of $7.4 of adjustments to the unrecognized tax positions due to the closure of the U.S. federal tax examination, a statute lapse in non-U.S. jurisdictions, and changes in tax rates for U.S. and certain international operations, partially offset by $0.7 of valuation allowance charges.

As of September 30, 2015, the amount of gross unrecognized tax benefits for continuing operations is $6.2, excluding interest, of which $5.8 would impact our effective tax rate, if recognized. The amount of gross unrecognized tax benefits at December 31, 2014 for continuing operations was $10.0, excluding interest, of which $9.6 would impact our effective tax rate, if recognized.

We recognize interest and penalties related to unrecognized tax benefits in income tax expense in the consolidated statements of income. We had recorded a liability for the payment of interest and penalties (gross) for continuing operations, of approximately $1.2 as of December 31, 2014. Activity for the nine months ended September 30, 2015 included a $0.1 increase for additional accruals, which were offset by a $0.6 decrease due to the closure of the federal tax examination in the U.S., along with a statute lapse in the non-U.S. jurisdictions, and foreign exchange, thus resulting in a liability for the payment of interest of $0.7 as of September 30, 2015.

13. OTHER FINANCIAL INFORMATION

Dividends

On July 16, 2015, the Board of Directors declared a $0.125 per common share cash dividend, payable on August 25, 2015 to shareholders of record as of August 10, 2015. Cash dividends paid in both the third quarter of 2015 and 2014 were $9.0, and for the nine months ended September 30, 2015 and 2014 were $26.8 and $17.9, respectively. On October 15, 2015, the Board of Directors declared a $0.125 per common share cash dividend, payable on November 25, 2015 to shareholders of record as of November 10, 2015, as is permitted under the Merger Agreement with Solvay. See Note 2 for additional information related to the Merger with Solvay.

Income taxes paid

Income taxes paid for the nine months ended September 30, 2015 and 2014 were $54.4 and $51.7, respectively.

Interest

Interest paid for the nine months ended September 30, 2015 and 2014 was $19.0 and $26.0, respectively. Interest income for the nine months ended September 30, 2015 and 2014 was $0.8 and $0.4, respectively.

14. SEGMENT INFORMATION

Summarized segment information for our four continuing segments for the three and nine months ended September 30, 2015 and 2014 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Net sales:	**2015**	**2014**	**2015**	**2014**
Aerospace Materials				
Sales to external customers	$261.5	$250.8	$ 785.6	$ 756.7
Intersegment sales	0.1	0.7	0.2	0.8
Industrial Materials	63.8	80.3	206.1	250.0
In Process Separation	106.3	108.2	323.2	308.3
Additive Technologies	65.7	67.5	205.6	208.0
Net sales from segments	497.4	507.5	1,520.7	1,523.8
Elimination of intersegment revenue	(0.1)	(0.7)	(0.2)	(0.8)
Total consolidated net sales	$497.3	$506.8	$1,520.5	$1,523.0

	Three Months Ended September 30,				Nine Months Ended September 30,			
Earnings from operations:	**2015**	**% of Sales**	**2014**	**% of Sales**	**2015**	**% of Sales**	**2014**	**% of Sales**
Aerospace Materials	$ 54.8	21%	$45.7	18%	$153.6	20%	$136.4	18%
Industrial Materials	1.2	2%	6.8	9%	11.7	6%	24.7	10%
In Process Separation	30.8	29%	27.1	25%	92.1	28%	74.8	24%
Additive Technologies	10.8	16%	8.4	12%	29.5	14%	26.7	13%
Earnings from segments	97.6	20%	88.0	17%	286.9	19%	262.6	17%
Corporate and Unallocated, net(1)	(13.4)	—	(5.1)	—	(56.5)	—	(8.8)	—
Total earnings from operations	$ 84.2	17%	$82.9	16%	$230.4	15%	$253.8	17%

(1) For the three and nine months ended September 30, 2015, Corporate and Unallocated, net includes restructuring charges of $2.8 and $6.5, respectively, which are detailed further in Note 5, and charges of $4.5 related to the merger with

Solvay, which is discussed further in Note 2. For the nine months ended September 30, 2015, Corporate and Unallocated, net includes charges of $15.8 for net mark-to-market ("MTM") adjustments of our pension and postretirement benefit plans representing the impact of inventory capitalization related to the fourth quarter 2014 MTM adjustment, and costs of $11.3, in connection with a lockout of employees at one of our plants. For both the three and nine months ended September 30, 2014, Corporate and Unallocated, net includes costs of $0.6 in connection with a lockout of employees at one of our plants. For the nine months ended September 30, 2014, it includes benefits of $6.2 for MTM adjustments of our pension and postretirement benefit plans representing the impact of inventory capitalization related to the fourth quarter 2013 MTM adjustment, and restructuring charges of $0.4 related to prior year initiatives.

15. GOODWILL AND OTHER ACQUISITION INTANGIBLES

The following is the activity in the goodwill balances for each segment.

	Aerospace Materials	Industrial Materials	In Process Separation	Additive Technologies	Total
Balance at December 31, 2014	$233.7	$182.2	$65.1	$27.8	$508.8
2015 Activity:					
Foreign currency translation adjustments	(2.4)	(1.9)	(2.5)	—	(6.8)
Balance at September 30, 2015	$231.3	$180.3	$62.6	$27.8	$502.0

Other acquisition intangibles consisted of the following major classes:

	Weighted Average Useful Life (Years)	Gross Carrying Value		Accumulated Amortization		Net Carrying Value	
	2015	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Technology-based	14.3	$ 46.1	$ 47.3	$(28.5)	$(26.6)	$ 17.6	$ 20.7
Marketing-related	10.2	13.7	13.8	(8.4)	(7.6)	5.3	6.2
Customer-related	15.8	149.0	151.3	(43.2)	(36.6)	105.8	114.7
Total		$208.8	$212.4	$(80.1)	$(70.8)	$128.7	$141.6

Amortization of acquisition intangibles for the three months ended September 30, 2015 and 2014 was $3.4 and $3.6, respectively, and for the nine months ended September 30, 2015 and 2014 was $10.3 and $10.9, respectively.

Assuming no change in the gross carrying amount of acquisition intangibles and the September 30, 2015 currency exchange rates remain constant, the estimated annual future amortization expense for 2015 and the next five years are as follows:

	2015	2016	2017	2018	2019	2020
Intangibles amortization expense	$13.7	$13.5	$12.1	$10.6	$9.8	$9.4

16. DERIVATIVE FINANCIAL INSTRUMENTS AND CERTAIN HEDGING ACTIVITIES

Foreign Currency Derivative and Hedging Activities

Currency forward contracts

We periodically enter into currency forward contracts primarily to hedge currency fluctuations of transactions denominated in currencies other than the functional currency of the respective entity. At September 30, 2015, the principal transactions hedged involved accounts receivable and accounts payable. When hedging currency exposures, our practice is to economically hedge such exposures with forward contracts denominated in the same currency and with similar critical terms as the underlying exposure, and therefore, the instruments are effective at generating offsetting changes in the fair value, cash flows, or future earnings of the hedged item or transaction. The fair values of forward contracts are calculated each period. These forward contracts are not defined as hedging instruments and therefore, all changes in fair values are reported in Other expense, net.

At September 30, 2015, net contractual notional amounts of forward contracts outstanding translated into U.S. dollars ("USD") totaled $259.2. Of this total, $176.1 was attributed to the exposure in forward selling/purchase of USD, and $83.1 was attributable to the exposure in forward selling/purchase of Euros translated into USD equivalent amounts. The net unfavorable fair values of currency contracts, based on forward exchange rates at September 30, 2015 and December 31, 2014 were $0.3 and $6.1, respectively.

Credit risk

At September 30, 2015, we did not have derivative instruments that contained credit-related-risk contingent features or provisions that would trigger immediate settlement or require us to post collateral to our counterparties. Also as of September 30, 2015, we did not have any significant concentration of credit risk arising from our derivative instruments.

The following table summarizes the impact of derivative instruments on our consolidated balance sheets:

	Asset Derivatives				Liability Derivatives			
	September 30, 2015		December 31, 2014		September 30, 2015		December 31, 2014	
Derivatives not designated as hedging instruments:	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Foreign currency forwards	Other current assets	$2.5	Other current assets	$0.6	Accrued expenses	$2.8	Accrued expenses	$6.7

The following table summarizes the amount and location of gains or (losses) recognized in income for our derivatives not designated as hedges for the three and nine months ended September 30, 2015 and 2014:

	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative			
		Three Months Ended September 30,		Nine Months Ended September 30,	
Derivatives not designated as hedging instruments:		**2015**	**2014**	**2015**	**2014**
Foreign currency forwards	Other expense, net	$(0.5)	$(13.0)	$(14.5)	$(16.7)

Fair Value Measurements

We have certain assets and liabilities that are carried at fair value on a recurring basis in the financial statements, for which we determine the appropriate level in the fair value input hierarchy for each fair value measurement. The fair value hierarchy prioritizes the inputs, which refer broadly to assumptions market participants would use in pricing an asset or liability, into three levels. It gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, interest rates, exchange rates, and yield curves observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability.

All of our derivatives are valued based on Level 2 inputs. Our currency forwards are valued based on readily available published indices for commodity prices and currency exchange rates.

The net fair value of our foreign currency forward contracts, based on Level 2 inputs, at September 30, 2015 was approximately $0.3 unfavorable.

As of September 30, 2015, we did not have any non-financial assets and liabilities that are carried at fair value on a recurring basis in the consolidated financial statements or for which a fair value measurement was required for the nine months ended September 30, 2015. Included among our non-financial assets and liabilities that are not required to be measured at fair value on a recurring basis are plant, equipment and facilities, goodwill, acquisition intangibles, and asset retirement obligations. For more information regarding our hedging activities and derivative financial instruments, refer to Note 7 of Notes to Consolidated Financial Statements contained in our 2014 Annual Report on Form 10-K.

17. EMPLOYEE BENEFIT PLANS

Net periodic (benefit) cost for our pension and postretirement benefit plans was as follows:

	Pension Plans		Postretirement Plans	
Three Months Ended September 30,	**2015**	**2014**	**2015**	**2014**
Service cost	$ 0.5	$ 0.9	$ 0.2	$ 0.3
Interest cost	8.2	10.9	2.0	2.0
Expected return on plan assets	(10.7)	(12.7)	(0.3)	(0.3)
Net amortization	—	—	(0.7)	(0.8)
Net periodic (benefit) cost	$ (2.0)	$ (0.9)	$ 1.2	$ 1.2

	Pension Plans		Postretirement Plans	
Nine Months Ended September 30,	**2015**	**2014**	**2015**	**2014**
Service cost	$ 1.5	$ 2.7	$ 0.8	$ 0.7
Interest cost	24.9	32.8	5.9	6.0
Expected return on plan assets	(32.5)	(38.3)	(0.9)	(1.0)
Net amortization	0.1	0.1	(2.1)	(2.3)
Net periodic (benefit) cost	$ (6.0)	$ (2.7)	$ 3.7	$ 3.4

We disclosed in our 2014 Annual Report on Form 10-K that we expected to contribute $4.9 and $10.2 in 2015 to our pension and postretirement plans, respectively. Through September 30, 2015, actual contributions to our continuing pension and postretirement plans were $4.2 and $7.4, respectively.

We also sponsor various defined contribution retirement plans in the United States and a number of other countries, consisting primarily of savings and profit growth sharing plans. Contributions to the savings plans are based in part on matching a percentage of employees' contributions. Contributions to the profit growth sharing plans are generally based on our financial performance. Amounts expensed related to these plans for the three months ended September 30, 2015 and 2014 were $6.1 and $5.7, respectively, and for the nine months ended September 30, 2015 and 2014 were $19.9 and $18.2, respectively.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (Currencies in millions)

We are exposed to a variety of market risks, including fluctuations in currency rates and changes in interest rates. For a full discussion of market risks at year-end, refer to Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2014.

Interest Rate Risk: At September 30, 2015, our outstanding borrowings consisted of long-term fixed rate debt, which had a carrying value of $741.6, a face value $747.2, and a fair value of approximately $738.5.

We had no variable rate debt outstanding as of September 30, 2015.

Currency Risk: We periodically enter into currency forward contracts primarily to hedge currency fluctuations of transactions denominated in currencies other than the functional currency of the respective entity.

At September 30, 2015, the principal transactions hedged involved accounts receivable and accounts payable. When hedging currency exposures, our practice is to hedge such exposures with forward contracts denominated in the same currency and with similar critical terms as the underlying exposure, and therefore, the instruments are effective at generating offsetting changes in the fair value, cash flows, or future earnings of the hedged item or transaction.

At September 30, 2015, the currency and net contractual amounts of forward contracts outstanding translated into U.S. dollar equivalent amounts totaled $259.2. The fair value of currency contracts, based on forward exchange rates at September 30, 2015, was approximately $0.3 unfavorable. Assuming that period-end exchange rates between the underlying currencies of all outstanding contracts and the various hedged currencies were to adversely change by a hypothetical 10%, the fair value of all outstanding contracts at September 30, 2015 would decrease by approximately $27.3. However, since these contracts economically hedge specific transactions, any change in the fair value of the contracts would be offset by changes in the underlying value of the item or transaction being hedged.

Item 4. CONTROLS AND PROCEDURES

We carried out an evaluation, under the supervision and with the participation of the management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the period ended September 30, 2015. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

We are in the process of implementing a new global enterprise resource planning system ("ERP") that will enhance our business and financial processes and standardize our information systems. We have completed the implementation with respect to several subsidiaries/locations and plan on rolling out the ERP in phases over the next two years.

As with any new information system we implement, this application, along with the internal controls over financial reporting included in this process, will require testing for effectiveness. In connection with this ERP implementation, we are updating our internal controls over financial reporting, as necessary, to accommodate modifications to our business processes and accounting procedures. We do not believe that the ERP implementation will have an adverse effect on our internal control over financial reporting.

Except as described above, there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The financial statements and schedules extracted from Form 10-K and Form 10-Q have been reproduced as filed by Cytec with the SEC. The terms "Company" or "company" in such extracted financial statements and schedules refer to Cytec Industries Inc.

ANNEX B—GLOSSARY

2010 PD Amending Directive	Directive 2010/73/EU
Acquisition	The acquisition by Solvay of 100% of the shares of Cytec pursuant to the Merger Agreement
AND	Adiponitrile
AGEAS	Ageas SA/NV
AMF	The French Market Authority (*Autorité des marchés financiers*)
BAT	Best Available Techniques
CADE	Brazilian competition authority
CBS	Corporate and business services operating segment
CCMP	CCMP Capital Advisors, LLC
CER	Certified Emission Reductions
CFIUS	Committee on Foreign Investment in the United States
CFROI	Cash Flow Return on Investment
CGU	Cash generating unit
Code	Belgian Code of Private International Law OR Belgian Corporate Governance Code
COMAH Regulations	The Control of Major Accident Hazards Involving Dangerous Substances Regulations. See Seveso Regulations.
Company	Solvay SA
CRS	Common Reporting Standard
CSR	Corporate social responsibility
CTEF	Comité Technique Européen du Fluor
Cytec	Cytec Industries, Inc.
DAC	Directive 2014/107/EU
DDTC	U.S. Directorate of Defense Trade Controls
DHS	U.S. Department of Homeland Security
DOJ	U.S. Department of Justice
Draft Directive	European Commission proposal for the FTT
DSI	Days Sales Outstanding
DSS	Defense Security Service
ECMS	Energy & CO_2 Management Services
ECVM	European Council of Vinyl Manufacturers
EEA	The European Economic Area.
EBIT	Earnings before interest expense and taxes
ELD	European Liability Directive
EMEA	Europe-Middle East-Africa
EMS	Environmental Management System
EMTN	European Medium Term Note
EPA	U.S. Environmental Protection Agency
ETS or EU ETS	European Emission Trading System

EUA	European Union Allowances
Financial Services Act	Italian Legislative Decree No. 58 of February 24, 1998
FKM	Fluoroeolastomer
FOCI	Foreign Ownership, Control or Influence
FTC	U.S. Federal Trade Commission
GBU	Global Business Unit of Solvay
GHG	Greenhouse gas
HDS	Highly dispersible silica
HPPO	Hydrogen peroxide propylene oxide, new technology to produce prolyene oxide using hydrogen peroxide.
HSE	Health, Safety and Environmental Corporate Department
HSR Act	U.S. Hart-Scott Rodino Antitrust Improvements Act of 1976
H2O2	Hydrogen peroxide
ICCA	International Council of Chemical Associations
IED	Industrial Emissions Directive
IFRS	International Financial Reporting Standards, including International Accounting Standards (IAS) and Interpretations, as adopted by the European Union.
ITAR	International Traffic in Arms Regulations
INEOS	Ineos Group Limited
LiTFSI	lithium salts
LTI	Long Term Incentives plan
Merger	The merger between Solvay's subsidiary and Cytec.
Merger Agreement	The agreement to acquire Cytec between Solvay and Tulip Acquisition Inc. and Cytec Industries Inc. dated July 28, 2015
NAFTA	North American Free Trade Agreement
NISPOM	National Industrial Security Program Operating Manual
NOL	Net Operating Loss
OFP	Organizations for Financing Pensions
OLED	Organic light emitting diodes
OSHA	Operational Safety and Health Administration
P&I	Polyamide & Intermediates
PCC	Precipitated calcium carbonate
PEEK	Polyether ether ketone
Principal Shareholder	Solvac
Prospectus	The present document, including its Annexes.
PSM	Process-safety management
PSU	Performance Share Units
PVDF	Polyvinylidene fluoride, polymer type.
R&I	Research and innovation
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals regulation

REBITDA	Recurring earnings before interest taxes depreciation and amortization
Rhodia	Rhodia S.A.
SCMS	Solvay Care Management System
Seveso Regulations	See COMAH Regulations
Share(s)	An ordinary share of Solvay, without nominal value.
SME	Small and medium-sized enterprises
SO	Stock Option program
Solvac	Solvac SA, a company incorporated under Belgian law, the shares of which are admitted to trading on Euronext Brussels
Solvay/Solvay Group/ Group	The public limited liability company (société anonyme/naamloze vennootschap) Solvay SA, incorporated under the laws of Belgium, having its registered office in Brussels, or Solvay SA and the group of companies owned and/or controlled by Solvay, as the context requires and as existing prior to the closing of the Acquisition.
SPM	Sustainable Portfolio Management
STI	Short Term Incentives plan
SVHC	Substances of Very High Concern
Transactions	The Acquisition, the related financing and the refinancing.
U.S. GAAP	Accounting principles generally accepted in the United States of America.

REGISTERED OFFICE OF THE ISSUER

Solvay Finance
25 rue de Clichy
75009 Paris
France

REGISTERED OFFICE OF THE GUARANTOR

Solvay SA
Rue du Ransbeek, 310
B-1120 Brussels
Belgium

STRUCTURING ADVISORS

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

Morgan Stanley & Co International plc
25 Cabot Square
London, E14 4QA
United Kingdom

JOINT GLOBAL COORDINATORS

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Morgan Stanley & Co International plc
25 Cabot Square
London, E14 4QA
United Kingdom

JOINT BOOKRUNNERS

BNP Paribas
10 Harewood Avenue
NW1 6AA London
United Kingdom

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

ING Bank N.V., Belgian Branch
24 Avenue Marnix
1000 Brussels
Belgium

Morgan Stanley & Co International plc
25 Cabot Square
London, E14 4QA
United Kingdom

FISCAL AGENT AND PRINCIPAL PAYING AGENT

BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich
Howald—Hesperange
L-2085 Luxembourg
Luxembourg

CALCULATION AGENT

BNP Paribas Securities Services, Luxembourg Branch
33, rue de Gasperich
Howald—Hesperange
L-2085 Luxembourg
Luxembourg

AUDITORS

To the Issuer

Deloitte & Associés
Immeuble "Park Avenue"
81, Boulevard de Stalingrad
BP 81284
69608 Villeurbanne Centre
France

To the Guarantor

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Berkenlaan 8
B-1831 Diegem
Belgium

LEGAL ADVISERS

To the Issuer and the Guarantor
(as to Belgian law)

Linklaters LLP
Rue Bréderode 13
Belgium

To the Issuer and the Guarantor
(as to French law)

Linklaters LLP
25 rue de Marignan
75008 Paris
France

To the Issuer and the Guarantor
(as to English law)

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

To the Managers
(as to Belgian law)

Clifford Chance LLP
65, avenue Louise
1050 Brussels
Belgium

To the Managers
(as to English and French law)

Clifford Chance Europe LLP
1 rue d'Astorg
75377 Paris Cedex 08
France

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