DRAFT LETTER OF OFFER

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Draft Letter of Offer is sent to you as a shareholder(s) / beneficial owner(s) of Rhodia Specialty Chemicals India Limited. If you require any clarifications about the action to be taken, you should consult your stockbroker or investment consultant or the Manager/ Registrar to the Offer. In case you have sold your equity shares in Rhodia Specialty Chemicals India Limited, please hand over this Draft Letter of Offer, the accompanying Form of Acceptance-cum-Acknowledgement, Form of Withdrawal and Transfer Deed to the member of the stock exchange through whom the said sale was effected.

SOLVAY PARTICIPATIONS FRANCE S.A.S.

Registered Office: 25, rue de Clichy,
75009 Paris, France, Telephone: (+33)140758000; Fax: (+33)145758074 (***Acquirer***),

SOLVAY S.A.

Registered Office: 33, rue de Ransbeek 310, 1120 Brussels, Belgium
Telephone: (+32)22642111; Fax: (+32)22643061 (***Solvay***),

SOLVAY FINANCE FRANCE S.A.

Registered Office: 25, rue de Clichy, 75009 Paris, France,
Telephone: (+33)140758000; Fax: (+33)145758074 (***Solvay Finance***),

RHODIA S.A.

Registered Office: Immeuble Coeur Défense, Tour A, 110, esplanade Charles de Gaulle – La Défense 4 – 92931 Paris La Défense Cedex - France
Telephone: (+33)153566464; Fax: (+33)153566400 (***Rhodia***), and

RHODIA UK LIMITED

Registered Office: Oak House, Reeds Crescent, Watford, Hertfordshire, WD24 4QP, United Kingdom
Telephone: (+44)1923485868; Fax: (+44)1923211580 (***Rhodia UK***)

Solvay, Solvay Finance, Rhodia and Rhodia UK are persons acting in concert with the Acquirer for the purpose of the Offer (Solvay, Solvay Finance, Rhodia and Rhodia UK individually, a ***Person Acting in Concert / PAC***, and collectively, the ***Persons Acting in Concert / PACs***)

MAKE A CASH OFFER AT Rs. 834.27 (RUPEES EIGHT HUNDRED THIRTY FOUR AND PAISE TWENTY SEVEN ONLY) PER SHARE PAYABLE IN CASH FOR THE ORIGINAL SHAREHOLDERS (COMPUTED AS PER PARAGRAPH 7.2.1 OF THIS DRAFT LETTER OF OFFER WHICH ASSUMES THAT THE PAYMENT IS MADE ON 15 MAY 2013) AND AT Rs. 386.72 (RUPEES THREE HUNDRED AND EIGHTY SIX AND PAISE SEVENTY TWO ONLY) PER SHARE PAYABLE IN CASH FOR THE OTHER SHAREHOLDERS IN RESPECT OF FULLY PAID-UP EQUITY SHARE OF FACE VALUE OF RS. 10/- EACH
pursuant to the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto up to the date of the Public Announcement (the ***1997 Regulations***)

TO ACQUIRE 913,626 FULLY PAID-UP EQUITY SHARES
representing 27.07% of the paid-up equity share capital of

RHODIA SPECIALTY CHEMICALS INDIA LIMITED

Registered Office: Phoenix House, "A" Wing, 4th Floor, 462, Senapati Bapat Marg,
Lower Parel - West, Mumbai - 400013, India
Telephone: (+91) 22 6663 7100; Fax: (+91) 22 2495 2834 (***Target Company***)

Please Note :

1) The Offer is being made pursuant to and in compliance with regulations 10 and 12 and other applicable provisions, if any, of the 1997 Regulations.
2) The Offer is subject to the receipt of approval from Reserve Bank of India under the Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder for the acquisition of any Shares tendered by NRIs or erstwhile OCBs under the Offer. For further details please refer to paragraph 8 of this Draft Letter of Offer.
3) The Offer is not conditional upon any minimum level of acceptance.
4) If there is any upward revision in the Offer Price(s) till the last date of revision i.e. Thursday, 18 April 2013 or withdrawal of the Offer in terms of the 1997 Regulations, the same would be informed by way of a corrigendum to the public announcement in the same newspapers where the original Public Announcement dated 8 September 2011 had appeared. Such revised Offer Price(s), as applicable to the Original Shareholders or the Other Shareholders, would be payable for all the Shares of the Target Company held by Original Shareholders and/or Other Shareholders, as the case may be, and tendered anytime during the Offer and accepted under the Offer.
5) The procedure for acceptance is set out in paragraph 9 of this Draft Letter of Offer. A Form of Acceptance-cum-Acknowledgement and a Form of Withdrawal are enclosed with this Draft Letter of Offer.
6) **This is not a competitive bid. There has been no competitive bid as on the date of this Draft Letter of Offer.**
7) The Public Announcement and Corrigenda are available on the website of Securities Exchange Board of India http://www.sebi.gov.in.
8) Letter of Offer, Form of Acceptance-cum-Acknowledgement and Form of Withdrawal are also expected to be available on the website of Securities and Exchange Board of India: http://www.sebi.gov.in.
9) **Shareholders who have accepted the Offer by tendering the requisite documents in terms of the Public Announcement / Draft Letter of Offer can withdraw the same up to three working days prior to the Offer Closing Date. Requests for such withdrawals should reach the designated collection centres before the close of business hours on Thursday, 25 April 2013.**

MANAGER TO THE OFFER	REGISTRAR TO THE OFFER
Morgan Stanley **Morgan Stanley India Company Private Limited** 18F / 19F, Tower 2, One Indiabulls Centre 841, Senapati Bapat Marg, Mumbai 400 013 Tel. No: (+91) 22 6118 1000 Fax No: (+91) 22 6118 1040 Email: rhodiaindiaoffer@morganstanley.com Contact Person: Prashant Dugar SEBI Registration Number: INM000011203	LINK INTIME INDIA PVT LTD **Link Intime India Private Limited** C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai – 400078 Tel. No. (022) 2596 7878 Fax No. (022) 2596 0329 Email: rscil.offer@linkintime.co.in Contact Person: Pravin Kasare SEBI Registration Number: INR000004058

The table below summarizes the schedule of activities in relation to the Offer.

Activity	Original Offer Schedule (Day & Date)	Revised Offer Schedule (Day & Date)
Date of publication of Public Announcement	Thursday, 8 September 2011	Thursday, 8 September 2011
Last date for a competitive bid	Thursday, 29 September 2011	Thursday, 29 September 2011
Date of publication of First Corrigendum to Public Announcement	-	Thursday, 20 October 2011
Date of publication of Second Corrigendum to Public Announcement	-	Tuesday, 19 February 2013
Date of publication of Third Corrigendum to Public Announcement	-	Wednesday, 27 February 2013
Specified Date*	Friday, 7 October 2011	Friday, 15 March 2013
Date by which Letter of Offer to be dispatched to shareholders	Thursday, 20 October 2011	Thursday, 4 April 2013
Offer Opening Date	Wednesday, 2 November 2011	Thursday, 11 April 2013
Last date for revising the Offer Price / Offer Size	Wednesday, 9 November 2011	Thursday, 18 April 2013
Last date for withdrawing acceptance from the Offer	Wednesday, 16 November 2011	Thursday, 25 April 2013
Offer Closing Date	Monday, 21 November 2011	Tuesday, 30 April 2013
Last date of communicating acceptance / rejection and payment of consideration for accepted tenders / return of unaccepted Shares	Tuesday, 6 December 2011	Wednesday, 15 May 2013

***** *Specified Date is the date for determining the names of the shareholders to whom this Draft Letter of Offer would be sent, being all shareholders whose names appear on the register of members of the Target Company and as regards the beneficial owners of the dematerialized shares, whose names appear as beneficiaries on the records of the respective depositories, at the close of business on Friday, 15 March 2013*

RISK FACTORS IN RELATION TO THE OFFER

i. Acceptance of Shares of the Target Company tendered in the Offer is subject to receipt of RBI/statutory approvals as mentioned in paragraph 8 of this Draft Letter of Offer.

ii. In the event that (a) a regulatory approval is not received in time, or (b) there is any litigation leading to a stay/injunction on the Offer or that restricts/restrains the Acquirer/PAC from performing its obligations hereunder, or (c) SEBI instructs the Acquirer / PAC not to proceed with the Offer, then the Offer process may be delayed beyond the schedule of activities indicated in this Draft Letter of Offer. Consequently, the payment of consideration to the shareholders of the Target Company whose Shares have been accepted in the Offer as well as the return of the Shares not accepted by the Acquirer may be delayed. In case of delay due to non-receipt of statutory approvals, as per regulation 22(12) of the 1997 Regulations, SEBI may, if satisfied that the non-receipt of approvals was not due to any wilful default or negligence on the part of the Acquirer and the PACs, grant an extension for the purpose of completion of the Offer subject to the Acquirer and the PACs agreeing to pay interest to the shareholders as may be specified by SEBI. However, if the Acquirer or PACs fail to obtain statutory approvals in time on account of the wilful default or neglect or inaction or non-action by the Acquirer or PACs in obtaining the requisite approval(s), the amount held in the escrow account may be subject to forfeiture and be dealt with in the manner provided in the 1997 Regulations. Further, shareholders should note that after the last date of withdrawal i.e. Thursday, 25 April 2013, shareholders who have lodged their acceptances would not be able to withdraw the same even if the acceptance of Shares under the Offer and dispatch of consideration gets delayed.

iii. The tendered Shares and documents would be held by the Registrar to the Offer till such time as the process of acceptance of tenders and the payment of consideration is completed. The shareholders will not be able to trade in such Shares which are in the custody of the Registrar to the Offer. During such period, there may be fluctuations in the market price of the Shares. The Acquirer and the PACs make no assurance with respect to the market price of the Shares both during the period that the Offer is open and upon completion of the Offer and disclaim any responsibility with respect to any decision by the shareholders on whether or not to participate in the Offer.

iv. The Offer is not conditional upon any minimum level of acceptance. The unaccepted Shares will be returned to the shareholders in accordance with the Schedule of Activities for the Offer.

v. The Acquirer and the PACs make no assurance with respect to the financial performance of the Target Company. The Acquirer makes no assurance with respect to their investment / divestment decisions relating to their proposed shareholding in the Target Company.

vi. The Acquirer, the PACs and the Manager to the Offer accept no responsibility for the statements made otherwise than in this Draft Letter of Offer / Public Announcement / Corrigenda and anyone placing reliance on any other source of information (not released by the Acquirer or the PACs or the Manager to the Offer) would be doing so at his/her/their own risk.

The risk factors set forth above pertain to the acquisition and the Offer and do not relate to the operations of the Target Company and are neither exhaustive nor intended to constitute a complete analysis of the risks involved in participation or otherwise by a shareholder of the Target Company in the Offer. Shareholders of the Target Company are advised to consult their stockbroker or investment consultant, if any, for further risks with respect to their participation in the Offer.

CURRENCY OF PRESENTATION

In this Draft Letter of Offer, all references to "Euro" or "€" is to the Euro which means the lawful currency of the Eurozone, as adopted by certain member nations of the European Union and the European Union institutions. Unless otherwise stated, the Rupee equivalent quoted in each case is calculated in accordance with the Reserve Bank of India rate as on the reference date. In this Draft Letter of Offer, any discrepancy in any table between the total and sums of amounts listed are due to rounding off.

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1. DEFINITIONS

€ / Euro(s)	Euro means the lawful currency of the Eurozone, as adopted by certain member nations of the European Union and the European Union institutions
1997 Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto.
Acquirer	Solvay Participations France S.A.S.
AoA / Articles	Articles of Association
BSE	The Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
Corrigenda	Collectively, the First Corrigendum, the Second Corrigendum and the Third Corrigendum
Depositories	Collectively NSDL and CDSL
DP	Depository Participant
Draft Letter of Offer	This Draft Letter of Offer dated Tuesday, 5 March 2013
Eligible Person(s) for the Offer	All the shareholders of the Target Company (other than Acquirer and PACs) who own Shares anytime on or before Tuesday, 30 April 2013 (the Offer Closing Date) are eligible to participate in the Offer
FEMA	Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder
FII(s)	Foreign Institutional Investor(s)
First Corrigendum	First Corrigendum to the Public Announcement published on Thursday, 20 October 2011
Form of Acceptance	Form of Acceptance-cum-Acknowledgement annexed to this Draft Letter of Offer
Form of Withdrawal	Form of Withdrawal annexed to this Draft Letter of Offer
FY	Financial Year
Global Acquisition	The acquisition of shares of, and control in, Rhodia by the Acquirer, Solvay and Solvay Finance
Global Announcement	Public announcement of the Global Acquisition
Global Offer	The offer for Global Acquisition
Income Tax Act	Income Tax Act, 1961
Listing Agreement	The listing agreement entered into by the Target Company with the BSE on which the Shares are listed
Manager/ Manager to the Offer / Merchant Banker	Morgan Stanley India Company Private Limited
NRI	Non Resident Indian
NSDL	National Securities Depository Limited
OCBs	Overseas Corporate Bodies
Offer	This open offer for acquisition of 913,626 Shares, representing 27.07% of the paid-up equity share capital of the Target Company at the Offer Price, pursuant to the order of the Hon'ble Bombay High Court dated Wednesday, 13 February 2013 and in compliance with regulations 10 and 12 of the 1997 Regulations.
Offer Closing Date	Tuesday, 30 April 2013
Offer Opening Date	Thursday, 11 April 2013
Offer Price	Rs. 834.27 (Rupees Eight Hundered Thirty Four and Paise Twenty Seven Only) per Share payable in cash for the Original Shareholders (computed as per paragraph 7.2.1 of this Draft Letter of Offer which assumes that the payment is made on 15 May 2013) and Rs.386.72 (Rupees Three Hundred and Eighty Six and Paise Seventy Two only) per Share payable in cash for the Other Shareholders.
Offer Size	913,626 Shares
Original Shareholders	Shareholders of the Target Company who were holding the Shares as on 14 March 2000 and continue to hold the Shares as on date of tendering their Shares in the Offer, and in respect of whom the procedure for identification is set out in paragraph 7.3 of this Draft Letter of Offer
Other Shareholders	All shareholders of the Target Company other than Original Shareholders
PAN	Permanent Account Number
Persons Acting in Concert / PACs	Solvay S.A., Solvay Finance France S.A., Rhodia S.A. and Rhodia UK Limited
Public Announcement / PA	Public announcement of the Offer published on Thursday, 8 September 2011
RBI	Reserve Bank of India
Registrar to the Offer / Registrar	Link Intime India Private Limited
Rhodia	Rhodia S.A., a French limited liability company incorporated in France, with its registered address at Coeur Défense, Tour A, 110, esplanade Charles de Gaulle – La Défense 4 – 92931 Paris La Défense Cedex - France
Rhodia UK	Rhodia UK Limited, a limited liability company incorporated under the laws of England and Wales, with its registered office at Oak House, Reeds Crescent, Watford, Hertfordshire, WD24 4QP, United Kingdom
Rs.	Indian Rupee, the lawful currency of the Republic of India

SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992
Second Corrigendum	Second Corrigendum to the Public Announcement published on Tuesday, 19 February 2013
Share(s)	Fully paid-up equity shares of face value of Rs.10/- each of the Target Company
Specified Date	Friday, 15 March 2013
Solvay	Solvay S.A., a limited liability company incorporated in Belgium, with its registered office at 33, rue de Ransbeek 310, 1120 Brussels, Belgium
Solvay Finance	Solvay Finance France S.A., a limited liability company incorporated in France, with its registered office at 25, rue de Clichy, 75009 Paris, France
Target Company	Rhodia Specialty Chemicals India Limited, a public limited company incorporated under the Companies Act 1956, with its registered office at Phoenix House, "A" Wing, 4th Floor, 462, Senapati Bapat Marg, Lower Parel - West, Mumbai - 400013, India
Third Corrigendum	Third Corrigendum to the Public Announcement published on Wednesday, 27 February 2013

2. DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF DRAFT LETTER OF OFFER WITH SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE 1997 REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF RHODIA SPECIALTY CHEMICALS INDIA LIMITED TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF THE ACQUIRER, PACs OR THE COMPANY WHOSE SHARES/CONTROL IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT LETTER OF OFFER. IT SHOULD BE CLEARLY UNDERSTOOD THAT WHILE ACQUIRER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DRAFT LETTER OF OFFER, THE MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT ACQUIRER DULY DISCHARGES ITS RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MERCHANT BANKER, MORGAN STANLEY INDIA COMPANY PRIVATE LIMITED, HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED 5 MARCH 2013 TO THE SEBI IN ACCORDANCE WITH THE SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997 AND SUBSEQUENT AMENDMENT(S) THEREOF. THE FILING OF THIS DRAFT LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ACQUIRER FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

3. DETAILS OF THE OFFER

3.1 Background of the Offer

3.1.1 The Offer is being made by the Acquirer, along with the PACs, to the Eligible Persons for the Offer as a mandatory open offer under and in compliance with regulations 10 and 12 and other applicable regulations of the 1997 Regulations, and as a consequence of an indirect substantial acquisition of Shares accompanied with indirect acquisition of control of the Target Company. The PACs are persons acting in concert with the Acquirer within the meaning of regulation 2(1)(e)(1) of the 1997 Regulations. Under regulation 2(1)(e)(2) of the 1997 Regulations, there may be other persons who could be deemed to be acting in concert with the Acquirer and the PACs. However, such persons are not acting in concert for the purpose of the Offer.

3.1.2 A Framework Agreement dated 3 April 2011 was signed, between the Acquirer, the PACs and Rhodia (***Framework Agreement***) specifying the terms of a business combination of Solvay and Rhodia. On 4 April 2011, Solvay and Rhodia published a joint press release and in accordance with Title III of Book II and more specifically of articles 232-1 et seq. of the General Regulation of the French Autorité des marchés financiers (***AMF***), Solvay offered (***Global Offer***) to the shareholders of Rhodia, and to holders of all of the bonds convertible into and/or exchangeable for newly issued or existing shares (***OCEANEs***) issued by Rhodia, to purchase the securities held by them, as mentioned below, according to the terms and conditions set out in the offer document for the Global Offer:

(i) (a) all of the issued and outstanding ordinary shares of Rhodia (including shares represented by the American Depositary Shares (***ADS***)), (b) the shares which may be issued as a result of the conversion of the OCEANEs, (c) shares which may be issued as a result of the exercise of the warrants (BSA or *bons de souscription d'actions*) issued by Rhodia and held by the Company Mutual Fund "Zukunft 2006",(d) shares which may be issued as a result of the exercise of the Rhodia warrants granted to employees of Rhodia or its subsidiaries (options) and (e) the possible payment in shares of the 2010 Dividend (as defined below), or, to the knowledge of Solvay, a maximum of 120,694,373 shares of Rhodia at 31 March 2011 (excluding shares which may be issued as part of a payment in shares of the 2010 Dividend). These shares are admitted for trading on the NYSE Euronext Paris under ISIN Code FR 0010479956 or "RHA". The ***2010 Dividend*** means the dividend from Rhodia of €0.50 per share for the 2010 financial year; and

(ii) the OCEANEs issued by Rhodia and admitted for trading on the NYSE Euronext Paris market under ISIN Code FR 0010464487, or, to the knowledge of Solvay 12,372,636 OCEANEs.

3.1.3 The principal terms of the Framework Agreement are summarized below:

(i) Principal undertakings of Solvay

(a) Solvay undertook, no more than five (5) trading days following the date of the signing of the Framework Agreement, to file a public offer to purchase the shares and OCEANEs issued by Rhodia and all outstanding ADSs representing shares of Rhodia. The Framework Agreement sets forth notably the principal terms of the Global Offer (the securities subject to the Global Offer, the terms of the Global Offer and adjustments, the liquidity mechanism, the markets in which the Global Offer will be made, the conditions for opening the Global Offer, the conditions for closing the Global Offer, and the minimum level of acceptance and squeeze-out);

(b) In the event of a positive outcome for the Global Offer, Solvay undertook to consider every solution for refinancing Rhodia in accordance with the terms of existing loans (including debt securities) containing a change of control clause; and

(c) Solvay undertook to put in place a liquidity mechanism under the conditions described in paragraph 2.9 of the offer document for the Global Offer.

(ii) Principal undertakings of Rhodia

(a) Rhodia undertook to hold a meeting of its Board of Directors as soon as possible following the delivery by the independent expert of its report, and, in any event, within three (3) trading days following the delivery of such report, in order to provide a formal opinion with respect to the Global Offer in accordance with applicable regulations;

(b) Rhodia undertook to not to seek, request or actively undertake discussions concerning (i) any offer competing with the Global Offer within the meaning of article 232-7 of the General Regulation of the AMF through any means, (ii) any merger involving directly or indirectly Rhodia, (iii) any transaction for the sale of all or a significant part of the business of Rhodia and its subsidiaries or (iv) any transaction having an equivalent economic effect to the transactions described in (i) to (iii) above (the transactions described in (i) to (iv) above, collectively ***Equivalent Operations***). Rhodia nevertheless reserved the possibility of entering into contract with any third party who might solicit it for the purpose of raising the possibility of an Equivalent Operation. In such a situation:
- Rhodia must immediately inform Solvay;
- Rhodia must not limit its analysis of the Equivalent Operation to the price which may be offered and must take into account in its analysis notably the quality of the strategic and industrial project, the proposals of the acquirer in terms of sustainable development and social policy, its financing and the terms of execution;
- the Board of Directors of Rhodia may not approve the Equivalent Operation if Solvay has made a proposal to Rhodia which is considered superior to the Equivalent Operation by Rhodia's Board of Directors with respect to the criteria described above; and

(c) Rhodia undertook to manage its activities as in the ordinary course of business and to cause its subsidiaries also to be managed as in the ordinary course of business.

(iii) Collaboration between Solvay and Rhodia

Solvay and Rhodia agreed to collaborate in the context of their relations with (i) the Independent Expert, (ii) the regulatory authorities (including the AMF, the Banking, Finance and Insurance Commission and, as the case may be, the Security and Exchange Commission and any other competent market authority), (iii) the A*utorité de Contrôle Prudentiel*, the Ministry of the Economy, Finance and Industry, and antitrust authorities (including the European Commission and the competent U.S. authority).

3.1.4 Pursuant to the above mentioned Global Offer to the shareholders of Rhodia, which the Board of Directors of Rhodia had unanimously recommended, on 7 September 2011, the Acquirer, Solvay and Solvay Finance, among themselves, acquired (***Global Acquisition***) (i) 100,164,286 ordinary shares and voting rights of Rhodia from the shareholders of Rhodia representing, in the aggregate, 94.16% of the outstanding ordinary share capital and voting rights of Rhodia, and (ii) 12,063,999 OCEANEs representing 97.51% of the outstanding OCEANEs. As a result of such acquisition, on 7 September 2011 the Acquirer, Solvay and Solvay Finance acquired control of, and Solvay (by reason of its direct holding and the holdings through its subsidiaries the Acquirer and Solvay Finance) became the holding company of, Rhodia. Further, on 7 September 2011, the Acquirer and/or the PACs have acquired 102,782 further Rhodia shares after conversion of an equivalent number of ADS, thus resulting in the Acquirer and the PACs, among themselves, holding an aggregate of 94.25% of the outstanding share capital and voting rights of Rhodia, in addition to the 97.51% of the outstanding OCEANEs referred above.

3.1.5 On 13 September 2011, Solvay informed the AMF of its decision to implement a squeeze-out procedure for the shares and the OCEANEs of Rhodia not tendered in the Global Acquisition in consideration for an indemnity in cash of:

- €31.60 per share corresponding to the price per share paid into the Global Acquisition;
- €52.35 per OCEANE corresponding to the price per OCEANE paid in the Global Acquisition, i.e. €52.32, increased by an amount equal to 2.35% of the price per OCEANE (coupon included), calculated *prorata temporis* for the period from the settlement of the offer to the date of the squeeze-out.

Accordingly, on 13 September 2011, the AMF published a notice relating to the date of implementation of the squeeze-out i.e. 16 September 2011. The amount of the indemnification for the shares and the OCEANEs subject to the squeeze-out was paid on 16 September 2011 and was transferred on a dedicated technical cash account opened for that purpose in the books of BNP Paribas Securities Services, in charge of the indemnification process within the squeeze-out. At the time of the closure of the affiliates' accounts by Euroclear France, the financial intermediaries required from BNP Paribas Securities Services an indemnification for the shares and the OCEANEs registered in their books which have not been tendered to the Global Acquisition, and thus the accounts of the holders of Rhodia shares and OCEANEs have been credited for the amount of the indemnification due to them. The amounts corresponding to the indemnification for Rhodia shares and Rhodia OCEANEs, which have not been requested by the financial intermediaries on behalf of the beneficiaries, will be kept by BNP Paribas Securities Services for a period of 10 years as from 16 September 2011 and will be transferred to the *Caisse des Dépôts et Consignations* following the expiry of such period. Such amounts could be claimed at any time by their beneficiaries, subject to the thirty-year prescription in favor of the French State. The Rhodia shares and the OCEANEs were delisted on 16 September 2011, the date on which the squeeze-out was implemented. Consequent to the completion of a successful squeeze out, with effect from 16 September 2011, the Acquirer and the PACs, between themselves, hold the entire share capital and voting rights of Rhodia.

3.1.6 Rhodia indirectly holds 100% of the outstanding share capital of Rhodia UK. Rhodia is thus the holding company of, and controls, Rhodia UK. Rhodia UK, in turn, holds 2,461,974 Shares of the Target Company representing 72.93% of the issued, subscribed and paid-up equity share capital of the Target Company and is, therefore, the holding company of, and in control of, the Target Company.

3.1.7 In light of the above, by acquiring the abovementioned shares of Rhodia, on 7 September 2011 the Acquirer, along with the PACs, indirectly acquired 72.93% of the issued, subscribed and paid-up equity share capital of, and control of, the Target Company. As mentioned in paragraph 3.1.4 above, the Acquirer and/or Solvay and/or Solvay Finance acquired 102,782 further Rhodia shares after conversion of an equivalent number of ADS. Accordingly, the Acquirer, along with Solvay and Solvay Finance, having become persons who control Rhodia, and thereby having indirectly acquired voting rights of 72.93% of the Target Company, and having indirectly acquired control over the Target Company, the Offer is being made under regulations 10 and 12 and other applicable provisions of the 1997 Regulations.

3.1.8 Accordingly, since the indirect acquisition of the abovementioned shares and control of Rhodia pursuant to the Global Offer has been consummated on 7 September 2011, the Acquirer, Solvay and Solvay Finance were required to make a public announcement to the shareholders of the Target Company within three months of consummation of such acquisition and therefore made the Public Announcement on 8 September 2011 to comply with the provisions of regulation 14(4) of the 1997 Regulations.

3.1.9 Further, as disclosed in paragraph 19 of the PA, on the basis that there was an indirect acquisition of equity shares of the Target Company by Rhodia in March 2000, by an order dated 19 July 2001, the then Chairman of SEBI had directed Rhodia to make a public offer to the shareholders of the Target Company under the 1997 Regulations at an offer price to be computed by taking the higher of the price arrived at by taking 14 March 2000 and the actual date of public announcement as the reference dates. By the same order, the Chairman of SEBI had also directed Rhodia to pay interest on the offer price from 14 July 2000 till the date of actual payment of consideration for the shares to be tendered in the offer to be made by Rhodia. On appeal by Rhodia, by an order dated 7 November 2001, the Securities Appellate Tribunal (***SAT***) upheld the abovementioned order of the Chairman of SEBI, but modified the order to the extent that only those shareholders of the Target Company as on 14 June 2000 who continue to be shareholders should be entitled to receive interest. Rhodia filed an appeal (SEBI Appeal No. 13 of 2001) against the order of the SAT before the High Court of Bombay on 3 December 2001 (the ***Appeal***).

3.1.10 In the meanwhile, in an attempt to resolve the dispute, Rhodia filed an application with SEBI for consent settlement on 16 December 2011 followed by revised consent terms for settlement on 16 November 2012 in terms of SEBI circular No. EFD/ED/Cir-1/2007 dated 20 April 2007 read with SEBI circular No. CIR/EFD/1/2012 dated 25 May 2012. On 8 January 2013, SEBI approved the consent terms, which required Rhodia to pay an aggregate amount of Rs. 78,75,000/- (which includes the legal costs) to settle the dispute, and revise the offer size and offer price, details of which are provided in paragraph 3.1.11 (the ***Consent Terms***). Rhodia and SEBI jointly approached the Hon'ble High Court of Judicature at Bombay for disposal of the Appeal in terms of the Consent Terms. The Hon'ble High Court by order dated 13 February 2013 was pleased to dispose off the Appeal in terms of the Consent Terms (the ***Bombay High Court Order***).

3.1.11 Pursuant to the above, the Acquirer proposes to acquire from the Eligible Persons for the Offer, 913,626 Shares representing 27.07% of the issued, subscribed and paid-up equity share capital of the Target Company (being the Offer Size) at a price of Rs. 834.27 per Share (being the Offer Price for Original Shareholders, computed as per paragraph 7.2.1 of this Draft Letter of Offer which assumes that the payment is made on 15 May 2013) payable in cash and Rs. 386.72 per Share (being the Offer Price for Other Shareholders) payable in cash and in accordance with the 1997 Regulations, subject to the terms and conditions set out in the Public Announcement, Corrigenda and this Draft Letter of Offer. The Offer Size has been determined in accordance with regulations 21(1) and 21(5) of the 1997 Regulations. The Offer is neither conditional nor subject to any minimum level of acceptance. The Acquirer will acquire all the Shares that are validly tendered in accordance with the terms of the Offer, up to, but not exceeding, the Offer Size, at the Offer Price.

3.1.12 As on the date of the Second Corigendum, the issued, subscribed and paid up share capital of the Target Company comprised of 3,375,600 Shares aggregating to Rs. 33,756,000. As at the date of the Second Corigendum, to the best of the knowledge of the Acquirer and the PACs, there were no partly paid-up equity shares or outstanding convertible instruments of the Target Company. The promoters of the Target Company are Rhodia UK, Pandit Vasant Pratap, Ranjit Pandit and Pandit Ranjit Vasant, holding an aggregate of 73.87% of the issued subscribed and paid-up share capital of the Target Company. Of these, Rhodia UK alone holds 72.93% of the issued subscribed and paid-up share capital of the Target Company.

3.1.13 The Offer is subject to the Acquirer obtaining the approval of the RBI under the FEMA and the regulations made thereunder, in each case as amended from time to time, for the transfer / acquisition of Shares, if any, tendered by NRIs or erstwhile OCBs, pursuant to this Offer. The Acquirer will make the requisite application(s) to the RBI to obtain its approval for the acquisition/ transfer of Shares, if any, validly tendered by NRIs or erstwhile OCBs and accepted pursuant to this Offer.

3.1.14 The Acquirer, the PACs and the Target Company have not been prohibited by SEBI from dealing in securities in terms of a direction issued under Section 11B of the SEBI Act or any regulations made under the SEBI Act.

3.1.15 The Board of Directors of the Target Company had nominees of Rhodia UK prior to the date of the Public Announcement, given Rhodia UK was already in control of the Target Company prior to the date of the Public Announcement. Since then, the Board of Directors of the Target Company has changed in the normal course of business and currently includes nominees of the Acquirer and/or the PACs. The Acquirer and the PACs may further seek to reconstitute the Board of Directors of the Target Company after/upon completion of the Offer, in accordance with the provisions contained in the 1997 Regulations or SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as applicable and the Companies Act, 1956.

3.2 Details of the Offer

3.2.1 The Offer is to acquire up to 913,626 Shares, which represents 27.07% of the paid-up equity share capital of the Target Company. The Offer is being made at a price of Rs. 834.27 per Share (being the Offer Price for Original Shareholders, computed as per paragraph 7.2.1 of this Draft Letter of Offer which assumes that the payment is made on 15 May 2013) payable in cash and Rs. 386.72 per Share (being the Offer Price for Other Shareholders) payable in cash in accordance with the 1997 Regulations and subject to the terms and conditions mentioned in this Draft Letter of Offer.

3.2.2 The Public Announcement and Corrigenda were published in the following newspapers, in accordance with regulation 15 of the 1997 Regulations:

Publication	Language	Editions
Financial Express	English	All editions (Mumbai, Ahmedabad, Delhi, Kolkata, Hyderabad, Chennai, Bangalore, Pune, Chandigarh, Lucknow, Kochi)
Jansatta	Hindi	All editions (Delhi, Kolkata, Chandigarh, Lucknow)
Mumbai Lakshadeep	Marathi	Mumbai

(The Public Announcement and Corrigenda are available at the SEBI website: www.sebi.gov.in)

3.2.3 Neither the Acquirer nor the PACs nor any of their directors have directly acquired any Shares since the date of the Public Announcement up to the date of this Draft Letter of Offer. Other than indirect acquisition of the Shares as described in paragraph 3.1.7 of this Draft Letter of Offer, the Acquirer and the PACs have neither acquired nor have been allotted any Shares in the last 12 months period prior to the date of the Public Announcement.

3.2.4 Other than the 2,461,974 Shares held by Rhodia UK, which constitutes 72.93% of the issued, subscribed and paid-up equity share capital of the Target Company, the Acquirer and the PACs do not directly own any other Shares, as on the date of the Second Corigendum.

3.2.5 The Offer is not a conditional offer and is not subject to a minimum level of acceptance by the shareholders. Accordingly, to the extent of the Offer Size and in accordance with the Public Announcement and this Draft Letter of Offer, the Shares that are validly tendered and accepted pursuant to the Offer shall be acquired by the Acquirer as fully paid up, free from all liens, charges and encumbrances and together with all the rights attached thereto, including all rights to dividend, bonus and rights offer declared thereof.

3.2.6 This is not a competitive bid.

3.2.7 There has been no competitive bid as on the date of this Draft Letter of Offer.

3.3 Object of the Acquisition/ Offer and Future Plans

3.3.1 The Offer is being made pursuant to a global acquisition resulting in indirect acquisition of more than 15% of the share capital and voting rights and indirect acquisition of control of the Target Company and the Offer is being made, in compliance with regulations 10 and 12 and other applicable provisions of the 1997 Regulations.

3.3.2 Based on the information available with the Acquirer, the Acquirer does not anticipate any material impact on its business and operations. When compared to the Acquirer's investment in Rhodia and consequently the overall valuation of Rhodia, the Acquirer's acquisition of an indirect stake in the Target Company and any Shares that it may acquire pursuant to the Offer does not represent a material asset.

3.4 Disclosure in terms of Regulation 16 (ix) of the 1997 Regulations

3.3.3 As on the date of this Draft Letter of Offer, the Acquirer and the PACs plan to continue the present business of the Target Company and do not have any plans to dispose of or otherwise encumber any assets of the Target Company in the next two years except in the ordinary course of business of the Target Company or as described hereinafter. Disposal or encumbrance of assets of the Target Company may take place to the extent required for the purpose of restructuring and/or streamlining of operations, assets, investments, liabilities or otherwise of the Target Company by way of arrangement, reconstruction, restructuring, mergers, demergers and/or otherwise, at a later date. There are no such plans as at the date of this Draft Letter of Offer and such decisions, if taken, will be governed by the provisions of applicable laws.

3.3.4 Except in the ordinary course of business, the Acquirer and the PACs undertake that they shall not sell, dispose of or otherwise encumber any substantial assets of the Target Company except with the prior approval of the shareholders of the Target Company as may be required in accordance with applicable law.

4. BACKGROUND OF THE ACQUIRER AND THE PACs

4.1 Details of the Acquirer – Solvay Participations France S.A.S.

4.1.1 The Acquirer is a limited liability company (*société par actions simplifiée*) that was formed and registered on 12 November 1998 and for a period terminating on 12 November 2097 unless extended or terminated beforehand, under the laws of France. The Acquirer is registered in the commercial and companies register of Paris under number 420 837 684. The corporate headquarters of the Acquirer is situated at 25, rue de Clichy, 75009 Paris.

4.1.2 The Acquirer belongs to the Solvay group (***Solvay Group***). The promoter of the Acquirer is Solvay Finance, which holds all the shares of the Acquirer, and which is in turn 99.9% owned by Solvay through its French branch. Therefore, the person in control of the Acquirer is Solvay.

4.1.3 The Acquirer's corporate purpose, in France and outside France, is to acquire an interest, directly or indirectly, in any form whatsoever, in any real estate, industrial, commercial or financial transaction related to the chemical products and plastic materials industry in general, to the transformation of these products and to human health and, more specifically, the business of the Solvay Group in France, including, without limitation, transactions which involve:

(i) the creation of any company, association, union or grouping, or the taking of any interest in any such bodies, and

(ii) the subscription, purchase, sale of shares, bonds, interests and securities of any kind, and transactions on the monetary and financial market on behalf of the Solvay Group.

The Acquirer may carry out any industrial, financial, commercial, securities, real estate and civil transactions related directly or indirectly to its corporate purpose or likely to support the development and extension of its business.

4.1.4 The Acquirer has complied with the filing requirements under Chapter II of the 1997 Regulations.

The status of compliance with the provisions of Chapter II of the 1997 Regulations is annexed to this Draft Letter of Offer as Annexure I.

4.1.5 At the of the Second Corrigendum, the outstanding share capital of the Acquirer amounts to € 2,075,037,495/- (Rs. 1,49,58,03,22,850/-), fully paid up and divided into 138,335,833 ordinary equity shares of nominal value of € 15/- (Rs. 1,081/-) each. The shareholding structure of the Acquirer as on the date of the Second Corrigendum is as under:

S. No.	Shareholding	Capital held	Voting rights
1.	Solvay Finance	100%	100%
	Total	**100%**	**100%**

4.1.6 The shareholding pattern of the Acquirer as on the date of the Second Corrigendum is as under:

S. No.	Shareholder's category	No. of shares held	Percentage of shares held
1.	Promoters (Solvay Finance)	138,335,833	100%
2.	FII/ Mutual-Funds/ FIs/Banks	-	-
3.	Public	-	-
	Total Paid Up Capital	**138,335,833**	**100%**

4.1.7 As on of the Second Corrigendum, the Board of Directors of the Acquirer comprised of 3 directors appointed for an indefinite period of time. Brief particulars of the directors are as under:

Name / Designation	Residential Address	Whether such Director is already	Date of Appointment	Experience	Qualification

		on the Board of the Target Company			
Xavier Bétolaud du Colombier, Director & Chairman	5 rue du Cardinal Mercier, 75009 PARIS	No	3 December 2012	Public Affairs Director, Solvay S.A. French branch office'legal representative	Sciences Politics Paris
Jean-Marc Thomas, Director	12 rue Cimarosa 75116 PARIS	No	3 December 2012	Deputy Head of Tax Group Solvay	1986 DESS IAE Aix en Provence
Emmanuelle Dropsy-Vendeuvre, Director	172 rue des Iselles 78670 Villennes sur Seine	No	3 December 2012		

4.1.8 The shares of the Acquirer are not listed for trading on any stock exchange.

4.1.9 Based on the statutory auditors' (Deloitte & Associes, France) report on the stand-alone financial statements, prepared in accordance with the French accounting regulations, the stand-alone financial information of the Acquirer is as below:

(i) Audited Profit and Loss Account for the years ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011:

Profit and Loss Account	**Year ended 31 December 2008**		**Year ended 31 December 2009**		**Year ended 31 December 2010**		**Year ended 31 December 2011**	
	€	**Rs. Lacs**	**€**	**Rs. Lacs**	**€**	**Rs. Lacs**	**€**	**Rs. Lacs**
Revenue	717	1	4	0	270,510	195	0	0
Other External Expenses	-4,970,451	-3,583	-253,456	-183	-135,717	-98	-4,756,349	-3,429
Tax	-65,181	-47	-60,938	-44	-38,937	-28	-919,338	-663
Other	0	0	-1	-0	-5	-0	-2	-0
Total Operating Expenses	*-5,035,632*	*-3,630*	*-314,395*	*-227*	*-174,659*	*-126*	*-5,675,690*	*-4,091*
Net Operating Income (loss)	**-5,034,915**	**-3,629**	**-314,391**	**-227**	**95,852**	**69**	**-5,675,689**	**-4,091**
Financial Income								
Dividends	27,842,013	20,070	36,183,451	26,083	0	0	23	0
Financial Interests	1,545,792	1,114	18,130,435	13,069	0	0	363,718	262
Reduction of depreciations & Others	0	0	0	0	0	0	14,047,126	10,126
Total Financial Income	*29,387,805*	*21,184*	*54,313,886*	*39,152*	*0*	*0*	*14,410,867*	*10,388*
Financial Expenses								
Amortization and Charges to Provisions/Accrual for depreciation	0	0	-18,130,387	-13,069	-19,650	-14	-37,894,515	-27,316
Interest	-47,789,333	-34,449	-21,939,132	-15,815	-28,533,356	-20,568	-66,790,630	-48,146
Others	0	0	0	0	0	0	-2,007,777	-1,447
Total Financial Expenses	*-47,789,333*	*-34,449*	*-40,069,519*	*-28,884*	*-28,553,006*	*-20,583*	*-106,692,922*	*-76,910*
Net Financial Income (Loss)	**-18,401,528**	**-13,265**	**14,244,367**	**10,268**	**-28,553,006**	**-20,583**	**-92,282,055**	**-66,522**
Net Income Before Tax and Extraordinary Income	**-23,436,443**	**-16,894**	**13,929,976**	**10,042**	**-28,457,155**	**-20,514**	**-97,957,744**	**-70,613**
Exceptional Income from Capital Transactions	422,695,398	304,703	16,200	12	0	0	0	0
Write-Back of Provisions and Expense Reclassifications	5,339	4	92,000	66	32,000	23	161,418	116
Exceptional Charges on Capital Transactions	-415,546,991	-299,550	-31,050	-22	0	0	0	0
Exceptional Depreciation, Amortization and Charges to Provisions	-251,295	-181	-98,000	-71	-17,236	-12	-3,436	-2
Net Extraordinary Income (Loss)	*6,902,451*	*4,976*	*-20,850*	*-15*	*14,764*	*11*	*157,982*	*114*
Net Income (Loss) Before	**-16,533,992**	**-11,919**	**13,909,126**	**10,026**	**-28,442,391**	**-20,503**	**-97,799,762**	**-70,500**

Profit and Loss Account	**Year ended 31 December 2008**		**Year ended 31 December 2009**		**Year ended 31 December 2010**		**Year ended 31 December 2011**	
	€	**Rs. Lacs**	**€**	**Rs. Lacs**	**€**	**Rs. Lacs**	**€**	**Rs. Lacs**
Tax								
Income Tax	0	0	0	0	0	0	0	0
Net Income (Loss) for the Period (Local Accounts)	**-16,533,992**	**-11,919**	**13,909,126**	**10,026**	**-28,442,391**	**-20,503**	**-97,799,762**	**-70,500**

Source: Statutory auditor's report on the stand alone financial statements for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(ii) Audited Balance Sheet as on 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011:

Balance Sheet	**As on 31 December 2008**		**As on 31 December 2009**		**As on 31 December 2010**		**As on 31 December 2011**	
	€	**Rs. Lacs**	**€**	**Rs. Lacs**	**€**	**Rs. Lacs**	**€**	**Rs. Lacs**
Assets								
Shares/Participating Interests								
Gross Value	1,407,529,989	1,014,626	1,509,233,289	1,087,940	1,557,116,816	1,122,457	4,940,945,561	3,561,710
Depreciation and Amortisation	-41,387,065	-29,834	-59,517,451	-42,904	-59,520,901	-42,906	-83,368,378	-60,097
Net Value	**1,366,142,924**	**984,792**	**1,449,715,838**	**1,045,036**	**1,497,595,915**	**1,079,551**	**4,857,577,183**	**3,501,614**
Other financial investments	0	0	0	0	0	0	4,474,850	3,226
Total Fixed Assets	**1,366,142,924**	**984,792**	**1,449,715,838**	**1,045,036**	**1,497,595,915**	**1,079,551**	**4,862,052,033**	**3,504,839**
Debtors								
Group Companies	0	0	1,186	1	0	0	607,127,851	437,652
Other Debtors (Gross Value)	0	0	16,200	12	16,200	12	16,200	12
Other Debtors (Depreciation Amortisation or Provisions)	0	0	0	0	-16,200	-12	-16,200	-12
Total Current Assets	**0**	**0**	**17,386**	**13**	**0**	**0**	**607,127,851**	**437,652**
Total Assets	**1,366,142,924**	**984,792**	**1,449,733,224**	**1,045,049**	**1,497,595,915**	**1,079,551**	**5,469,179,884**	**3,942,491**
Liabilities								
Share Capital	675,037,500	486,605	675,037,500	486,605	675,037,500	486,605	2,075,037,495	1,495,803
Paid-in Capital	14,715	11	16,126	12	16,126	12	16,126	12
Legal Reserve	19,003,751	13,699	19,003,751	13,699	19,003,751	13,699	19,003,751	13,699
Tax Regulated Reserves	612	0	612	0	612	0	612	0
Other Reserves	264	0	264	0	264	0	264	0
Loss Brought Forward	-14,613,056	-10,534	-31,147,047	-22,453	-17,237,921	-12,426	-45,680,312	-32,929
Loss for the Period	-16,533,992	-11,919	13,909,126	10,026	-28,442,391	-20,503	-97,799,762	-70,500
Total Shareholders' Equity	**662,909,793**	**477,863**	**676,820,331**	**487,890**	**648,377,940**	**467,387**	**1,950,578,174**	**1,406,086**
Provision for Liabilities & Charges								
Provision for liabilities/reserve for risks	275,115	198	275,115	198	275,115	198	221,194	159
Provision for charges/reserve for future expenses	456,500	329	462,500	333	447,736	323	343,675	248
Total Provision for Liabilities and Charges	**731,615**	**527**	**737,615**	**532**	**722,851**	**521**	**564,869**	**407**
Loans	590,467,111	425,642	772,139,865	556,602	848,447,914	611,609	3,508,367,326	2,529,028
Long-term Financial Debt	**590,467,111**	**425,642**	**772,139,865**	**556,602**	**848,447,914**	**611,609**	**3,508,367,326**	**2,529,028**
Suppliers/Trade Creditors and Related Accounts	34,195	25	35,272	25	47,067	34	911,168	657
Tax and Social Security Liabilities	210	0	141	0	141	0	1,350	1
Other Debts	0	0	0	0	0	0	8,756,998	6,313
Total Current Liabilities	**34,405**	**25**	**35,413**	**26**	**47,208**	**34**	**9,669,516**	**6,970**
Amounts Due on Fixed Assets and Related Accounts	112,000,000	80,736	0	0	0	0	0	0
Total Liabilities	**1,366,142,924**	**984,792**	**1,449,733,224**	**1,045,049**	**1,497,595,915**	**1,079,551**	**5,469,179,884**	**3,942,491**

Source: Statutory auditors' report on the stand alone financial statements for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(iii) Other Financial Data for the year ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011:

Other Financial Data	**Year ended 31 December 2008**	**Year ended 31 December 2009**	**Year ended 31 December 2010**	**Year ended 31 December 2011**

	€	Rs.	€	Rs.	€	Rs.	€	Rs.
Dividend (%)	0%	0%	0%	0%	0%	0%	0%	0%
Book Value Per Share (1)	14.73	1,062	15.04	1,084	14.41	1,039	14.10	1,016
Earnings Per Share(2)	-0.37	-26.48	0.31	22.28	-0.63	-45.56	-0.71	-50.69
Return on Net Worth (%)(3)	-2.5%	-2.5%	2.1%	2.1%	-4.4%	-4.4%	-5.0%	-5.0%

Source: Statutory auditors' report on the stand alone financial statements for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(1) Book Value Per Share computed as the Total Shareholder's Equity (Net Worth) / number of equity shares outstanding at the end of the year
(2) Earnings Per Share calculated as Net Income / (Loss) for the year / number of equity shares outstanding at the end of the year
(3) Return on Shareholder's Equity (Net Worth) calculated as Net Income / (Loss) for the year / Shareholder's Equity (Net Worth) as at the end of the year

(The reporting currency for the above financial data is Euro (€). For the purpose of convenience the same is converted into Rupees where applicable at one € = Rs. 72.0856 being the exchange rate as on 15 February 2013; Source: www.rbi.org.in)

4.1.10 The reasons for rise/fall in total income and profit after tax in the relevant years:

Fiscal 2011 compared to Fiscal 2010

- Net Loss for fiscal 2011 increased by €69,357,371 from €28,442,391 in fiscal 2010 to €97,799,762, mainly due to increase in financial interests costs by €38,257,274 and increase in accrual for depreciation/amortization and changes in provisions, which increased by €37,874,865.

Fiscal 2010 compared to Fiscal 2009

- Net Income for 2010 reduced by €42,351,517 from a profit of €13,909,126 in 2009 to a loss of €28,442,391, mainly due to non-receipt of dividend and financial interest in 2010 and increase in financial interests costs by €6,594,224.

Fiscal 2009 compared to Fiscal 2008

- Net Income for 2009 increased by €30,433,118 from a loss of €16,533,992 in 2008 to a profit of €13,909,126, mainly due to:
  - The dividend received from subsidiaries (increase of €8,341,438)
  - The fees paid in 2008 for the acquisition of Solvay Alexandria Sodium Carbonate Company (amounting to €4,694,000) which were not recurring costs
  - In 2008, the sale by the Acquirer of its participation in Inergy Holding and Solvay Finance Ireland brought a non-recurring positive result of €7,148,407
  - Decrease of financial interests costs by €25,850,201

4.1.11 The significant accounting principles and main valuation rules of the Acquirer, as per the financial statements for the period 1 January 2011 to 31 December 2011 are as under:

The annual accounts were prepared in accordance with the French statutory chart of accounts, the additional recommendations of the French Advisory Board for Accounting ("Conseil National de la Comptabilité") and the accounting guidelines applicable to French chemicals companies.

The accounting general principles were applied in compliance with the prudence principle, in accordance with the following basic assumptions:
- Going concern;
- Consistency of accounting principles from one period to another;
- Accruals; and
- the general financial statement preparation and presentation rules.

In general, all valuations were made based on historical costs.

The currency for these accounts is the Euro (€).

Financial assets

Financial assets excluding receivables, loans and deposits are booked at their acquisition cost. At the closing date, the Acquirer reviews the book value of these investments based on the share of equity held, taking into account net asset gains, changes in the investment since the purchasing date and future outlooks. Where the book value is less than the financial asset cost, a provision for impairment is booked for the difference.

Receivables

Receivables are booked based on their nominal value. A provision is booked when the likely net realisable price is below the book value.

Provisions for risks and charges

The Acquirer has recorded provisions for liabilities and charges meeting the definition provided by the French Accounting Committee ("Comité de la Réglementation Comptable") in CRC notice 00-06 covering liabilities:

- a provision for liabilities and charges is a liability whose due date or amount is not precisely defined;
- a liability is an asset with a negative economic value for the entity, which is to say a commitment from the Acquirer towards a third party, which is likely or certain to result in an outflow of resources without consideration of an equivalent value at minimum.

Environmental liabilities

Within the framework of the recommendation n°2003-R 02 of 21 October, 2003 relating to the consideration of environmental aspects in the statutory and consolidated accounts of companies, the Acquirer conducted an analysis of environmental expenses as at 31 December, 2011.

Environmental expenses correspond to expenditure incurred to prevent, reduce or repair environmental damages the Acquirer caused or could cause by its activities. Those expenditures are linked to (not exclusively):

- waste elimination and efforts to limit it in term of quantity
- contaminated soil, surface water and groundwater management
- air quality and climate preservation
- noise reduction and
- landscape biodiversity protection.

The application of the general definition of an environmental cost results in the recognition of an environmental liability in the following situations: an environmental cost is booked as an offsetting entry to a liability when it is likely that the settlement of a present obligation, of an environmental nature, resulting from past events, will trigger an outflow of resources, without consideration that is at least equivalent, and that the amount of the payment can be reliably estimated.

The nature of this obligation must be clearly defined and can cover from two categories:

- legal or contractual: the Acquirer has the legal or contractual obligation to prevent, reduce or repair the damage caused to the environment, or
- implicit: an implicit obligation is the result of an Acquirer initiative, when it undertakes to prevent, reduce or repair the damage caused to the environment and cannot act otherwise without difficulty, since due to declarations of intention or general policy or previous solidly established practices, the Acquirer has indicated to third parties that it would assume such expenditure.

The Acquirer's obligation to incur these expenses can be materialised by prefectural decrees, administrative circulars, DRIRE injunctions or by the Acquirer's formal commitments to a third party.

According to EEC rules, an environmental liability should be considered as a contingent liability and disclosed as such in the notes to the financial statements, in the rare cases where a best estimate value cannot be determined.

For environmental liabilities that will not be settled in the near future, the 4% discount rate applied is consistent with the rate used in the consolidated accounts. The impact of present value changes will be shown concurrently with the provision change.

4.1.12 There has been no changes during fiscal 2011 in the Valuation Method or the Presentation of Stand Alone Financial Statements

4.1.13 As on the date of the Second Corrigendum, the Acquirer does not have any subsidiaries or joint ventures in India, and is not a promoter of any Indian company.

4.1.14 As on the date of the Second Corrigendum, the Acquirer does not directly own any Shares in the Target Company.

4.2 Details of the PACs - Solvay

4.2.1 Solvay is a limited liability company (*société anonyme*) that was formed and registered on 26 December 1863, for an unlimited period of time, under the laws of Belgium. Solvay is registered in the list of legal persons in Brussels under number 403 091 220, with its corporate headquarters located at 33, rue de Ransbeek 310, 1120 Brussels, Belgium.

4.2.2 Solvay belongs to the Solvay Group. The promoter and person in control of Solvay is Solvac S.A., a Belgian limited liability company (*société anonyme*) whose shares are listed for trading on NYSE Euronext Brussels.

4.2.3 Solvay is one of the world leaders in chemicals with its business divided into two sectors:
(i) chemicals, including in particular sodium bicarbonate, hydrogen peroxide and fluoride products; and
(ii) plastics, including the production of special polymers and vinyl products.

4.2.4 Solvay has complied with the filing requirements under Chapter II of the 1997 Regulations

The status of compliance with the provisions of Chapter II of the 1997 Regulations is annexed to this Draft Letter of Offer as Annexure I.

4.2.5 At the date of the Second Corrigendum, the outstanding share capital of Solvay is €1,270,516,995 (Rs. 91,587,123,360/-) fully paid up and divided into 84,701,133 ordinary equity shares without par value. For shareholder votes, each share has one vote, except for shares held by Solvay Stock Option Management SPRL, for which voting rights are suspended. The shareholding structure of Solvay as on the date of the of the Second Corrigendum is as follows:

S. No.	Shareholding	Capital held	Voting rights
1.	Solvac S.A.	30.15%	30.15%
2.	Solvay Stock Option Management SPRL	2.81%	Voting rights suspended
3.	JP Morgan Asset Management Holdings Inc	3.03%	3.03%
4.	Others (individual, European and international institutional shareholders)	64.01%	64.01%
	Total	**100%**	

4.2.6 The shares of Solvay are listed for trading on NYSE Euronext Brussels and Paris.

4.2.7 The Board of Directors of Solvay as on the date of the Second Corrigendum comprised of 15 directors appointed for a renewable period of four years. Brief particulars of the directors are as under:

Name / Designation	Residential Address	Whether such Director is already on the Board of the Target Company	Date of Appointment	Experience	Qualification
M. Nicolas Boël, Chairman of the Board of Directors	Avenue des Grands Prix 75, 1150 Brussels Belgium	No	4 June 1998	Chairman of the Board of Directors, Chairman of the Finance and Compensation Committees, Member of the Nomination	MA in Economics (Catholic University of Louvain), Master of Business Administration (College of William and Mary – USA)

Name / Designation	Residential Address	Whether such Director is already on the Board of the Target Company	Date of Appointment	Experience	Qualification
				Committee	
M.Jean-Pierre Clamadieu, Director	Rue de Namur 14, 1000 Brussels Belgium	No	8 May 2012	Chairman of the Executive Committee, Director and Member of the Finance Committee and guest of the Compensation and Nomination Committees	Engineering degree from the Ecole des Mines (Paris)
M. Bernard de Laguiche, Director	Rue des Bollandistes 69, 1040 Brussels 4, Belgium	No	2 June 2005 (effective from 1 March 2006)	Member of the Executive Committee, Director and Member of the Finance Committee	Commercial Engineering degree, MA in economics HSG (University of St. Gallen, Switzerland).
M. Jean-Marie Solvay, Director	Chaussee de Bruxelles 115, 1310 La Hupe, Belgium	No	3 June 1991	Director and Member of the Innovation Board	Advanced Management Programme – Insead.
Chevalier Guy de Selliers de Moranville, Director	Elgin Crescent 79, W112 JE London, United Kingdom	No	7 June 1993	Director Member of the Finance and Audit Committees	Civil engineering degree in mechanical engineering, and MA in Economics (Catholic University of Louvain).
M. Denis Solvay, Director	Les Amerois, 6830 Bouillon, Belgium	No	5 June 197	Director, Member of the Compensation and Nomination Committees	Commercial engineering degree (Free University of Brussels).
M. Jean Van Zeebroeck, Independent Director	Rue Fontaine 1, 1390 Grez-Doiceau, Belgium	No	6 June 2002	Independent Director Member of the Compensation and Nomination Committees	Doctorate of Law and diploma in Business Administration (Catholic University of Louvain), MA in Economic Law (Free University of Brussels), Master of Comparative Law (University of Michigan – USA).
M. Jean-Martin Folz, Independent Director	Allee des Drocourtes 3, 78290 Croissy-sur-Seine, France	No	6 June 2002 (effective from 30 October 2002)	Independent Director, Chairman of the Nomination Committee and Member of the Compensation Committee	Ecole Polytechnique and Mining Engineer (France).
Prof. Bernhard Scheuble, Independent Director	Ernst-Ludwig-Strasse 33, 64625 Bensheim, Germany	No	9 May 2006	Independent Director Chairman of the Audit Committee	MSc, Nuclear Physics & PhD, Display Physics (Freiburg University - Germany).
M. Anton van Rossum, Independent Director	Avenue de la Petite Espinette 10, 1180 Brussels 18, Belgium	No	9 May 2006	Independent Director Member of the Audit Committee	MA in Economics and Business Administration (Erasmus University Rotterdam).
M. Charles Casimir-Lambert, Independent Director	Chemin des Tulipiers, 2 1297 Founex, Switzerland	No	8 May 2007	Independent Director Member of the Audit Committee	MBA Columbia Business School (New York) / London Business School (London), Master's degree (lic.oec.HSG) in economics, management and finance (University of St. Gallen – Switzerland).

Name / Designation	Residential Address	Whether such Director is already on the Board of the Target Company	Date of Appointment	Experience	Qualification
Mme Petra Mateos-Aparicio Morales, Independent Director	c/ Alfonso XIIn 50 Piso 4 D, 28014 Madrid, Spain	No	12 May 2009	Independent Director Member of the Finance Committee	PhD in Economics and Business Administration (Universidad Complutense, Madrid - Spain).
Baron Herve Coppens d' Eeckebrugge, Independent Director	Avenue Baron d'Huart, 152 1950 Kraainem, Belgium	No	12 May 2009	Independent Director Member of the Finance Committee	MA in Law from the University of Louvain-la-Neuve (Belgium), Diploma in Economics and Business, ICHEC (Belgium).
M. Yves-Thibault de Silguy, Independent Director	Avenue de la Motte-Picquet, 36 75007 Paris, France	No	11 May 2010	Independent director Member of the Compensation and Nomination Committees	MA in Law from the University of Rennes, DES in public law from the Université de Paris I, graduate of the Institut d'Etudes Politiques de Paris and the Ecole Nationale d'Administration,
Mme Evelyn du Monceau, Independent Director	Avenue des Fleurs 14 1150 Brussels	No	11 May 2010	Independent Director Member of the Compensation and Nomination Committees	MA in Applied Economics from the Catholic University of Louvain (Belgium).

4.2.8 Based on the Statutory auditors' (Deloitte) report on the consolidated financial statements, 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 financial information of Solvay is as below:

(i) Audited Profit and Loss Account for the years ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 is as below:

Profit and Loss Account	Year ended 31 December 2008		Year ended 31 December 2009		Year ended 31 December 2010		Year ended 31 December 2011	
	€ MM	Rs. Lacs	€ MM	Rs. Lacs	€ MM	Rs. Lacs	€ MM	Rs. Lacs
Sales	9,490	6,841,009	8,485	6,116,540	5,959	4,295,635	8,109	5,845,494
Cost of goods sold	-6,381	-4,599,840	-5,495	-3,961,153	-4,833	-3,483,941	-6,545	-4,718,061
Gross margin	***3,109***	***2,241,169***	***2,991***	***2,156,107***	***1,126***	***811,694***	***1,564***	***1,127,433***
Commercial and administrative costs	-1,567	-1,129,595	-1,482	-1,068,322	-482	-347,457	-660	-475,771
Research and development costs	-564	-406,568	-555	-400,080	-125	-90,108	-156	-112,455
Other operating gains and losses	-10	-7,209	16	-11,534	6	4,325	-60	-43,252
Earnings from associates and JV accounted for using equity method / Other gains	-2	-1,442	0	0	46	33,160	61	43,973
REBIT	**965**	**695,635**	**969**	**698,518**	**571**	**411,614**	**748**	**539,207**
Non-recurring items	20	14,417	-105	-75,691	-317	-228,514	-188	-135,523
EBIT	**985**	**710,052**	**864**	**622,827**	**254**	**183,100**	**560**	**403,684**
Cost of borrowings	-138	-99,479	-135	-97,317	-138	-99,479	-159	-114,618
Interest on lendings and short term deposits	26	18,742	9	6,488	22	15,859	39	28,114
Other gains and losses on net indebtedness	18	12,976	-25	-18,022	-10	-7,209	-16	-11,534

Cost of discounting provisions	0	0	-64	-46,135	-52	-37,485	-72	-51,902
Income/loss from available-for-sale investments	-299	-215,539	-5	-3,604	0	0	1	721
Capital Gains Pharma	0	0	0	0	0	0	0	0
Result before taxes	**592**	**426,752**	**643**	**463,516**	**76**	**54,786**	**354**	**255,186**
Income taxes	-143	-103,084	-90	-64,878	21	15,138	-19	-13,696
Result from discontinued operations	-	-	-	-	1,726	1,244,213	-38	-27,393
Net income	**449**	**323,668**	**553**	**398,638**	**1,823**	**1,314,137**	**296**	**213,376**
Non-controlling interests	-44	-31,718	-37	-26,672	-47	-33,881	-50	-36,043
Net income for the year (Solvay share)	**405**	**291,950**	**516**	**371,966**	**1,776**	**1,280,256**	**247**	**178,054**

Source: Solvay's Annual Reports for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011
REBIT refers to EBIT before non-recurrent items
EBIT refers to Earnings before interests and taxes
Profit and Loss Account of Solvay has been restated to take the changed from Joint venture accounting applied as from 1 January 2011, into account. JVs are now accounted for using equity method instead of the proportionate method

(ii) Audited Balance Sheet as on 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 is as below:

Balance Sheet	**As on 31 December 2008**		**As on 31 December 2009**		**As on 31 December 2010**		**As on 31 December 2011**	
	€ Million	**Rs. Lacs**	**€ Million**	**Rs. Lacs**	**€ Million**	**Rs. Lacs**	**€ Million**	**Rs. Lacs**
Assets								
Non-current assets	**7,752**	**5,588,145**	**5,075**	**3,658,390**	**5,090**	**3,669,203**	**12,064**	**8,696,515**
Intangible assets	726	523,348	162	116,780	111	80,016	1,705	1,229,075
Goodwill	1,667	1,201,682	76	54,786	68	49,019	2,599	1,873,528
Tangible assets	4,218	3,040,609	3,921	2,826,512	3,276	2,361,554	5,652	4,074,329
Available-for-sale investments	30	21,626	68	49,019	62	44,694	80	57,669
Investments in associates	0	0	0	0	346	249,419	704	507,489
Other investments	187	134,802	209	150,661	275	198,238	125	90,108
Deferred tax assets	649	467,841	487	351,061	631	454,866	780	562,275
Loans and other non-current assets	273	196,796	152	109,571	322	232,119	420	302,763
Current assets	**4,513**	**3,253,264**	**7,471**	**5,385,582**	**8,633**	**6,223,228**	**7,373**	**5,314,938**
Inventories	1,255	904,686	805	580,296	761	548,578	1,578	1,137,525
Trade receivables	1,666	1,200,961	1,373	989,748	1,651	1,190,148	2,311	1,665,919
Income tax receivables	92	66,320	19	13,696	12	8,650	43	30,997
Dividends receivable	0	0	0	0	1	721	-	-
Other current receivables - Financial instruments	0	0	0	0	3,722	2,683,060	464	334,481
Other current receivables - Other	555	400,080	327	235,723	533	384,221	938	676,171
Cash and cash equivalents	883	636,524	1,486	1,071,205	1,954	1,408,570	1,943	1,400,641
Assets held for sale - Pharma	0	-	3,408	2,456,708	0	0	0	0
Assets held for sale	61	43,973	53	38,206	0	0	95	68,482
Total assets	**12,264**	**8,840,688**	**12,546**	**9,043,972**	**13,723**	**9,892,430**	**19,437**	**14,011,453**
Equities & Liabilities								
Total equity	**4,745**	**3,420,504**	**5,160**	**3,719,663**	**6,708**	**4,835,562**	**6,653**	**4,795,915**
Share capital	1,271	916,219	1,271	916,219	1,271	916,219	1,271	916,219
Reserves	3,179	2,291,630	3,483	2,510,773	5,017	3,616,580	4,885	3,521,426
Non-controlling interests	296	213,376	406	292,671	419	302,042	497	358,270
Non-current liabilities	**4,185**	**3,016,820**	**4,536**	**3,269,844**	**4,692**	**3,382,299**	**8,179**	**5,895,955**
Long-term provisions: employee benefits	1,106	797,277	895	645,174	1,003	723,028	2,595	1,870,645
Other long-term provisions	922	664,638	766	552,183	946	681,938	1,325	955,146
Deferred tax liabilities	258	185,983	196	141,290	163	117,501	710	511,814
Long-term financial debt	1,852	1,335,042	2,635	1,899,479	2,535	1,827,393	3,374	2,432,199
Other non-current liabilities	46	33,160	44	31,718	46	33,160	174	125,431
Current liabilities	**3,334**	**2,403,364**	**2,851**	**2,055,186**	**2,323**	**1,674,569**	**4,605**	**3,319,583**

Short-term provisions: employee benefits	43	30,997	7	5,046	78	56,227	39	28,114
Other short-term provisions	80	57,669	61	43,973	58	41,810	230	165,799
Short-term financial debt	627	451,982	185	133,360	148	106,688	794	572,367
Trade liabilities	1,337	963,797	828	596,876	1,428	1,029,395	2,232	1,608,971
Income tax payable	49	35,322	66	47,577	62	44,694	51	36,764
Dividends payable	0	0	0	0	100	72,087	100	72,087
Other current liabilities	1,183	852,783	682	491,630	450	324,389	1,159	835,483
Liabilities associated with assets held for sale - Pharma	0	0	1,012	729,515	0	0	0	0
Liabilities associated with assets held for sale - PCC	14	10,092	11	7,930	0	0	0	0
Total equity & liabilities	**12,264**	**8,840,688**	**12,546**	**9,043,972**	**13,723**	**9,892,430**	**19,437**	**14,011,453**

Source: Solvay's Annual Reports for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(iii) Other Financial Data for the year ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011 is as below:

Other Financial Data	**Year ended 31 December 2008**		**Year ended 31 December 2009**		**Year ended 31 December 2010**		**Year ended 31 December 2011**	
	€	**Rs.**	**€**	**Rs.**	**€**	**Rs.**	**€**	**Rs.**
Gross Dividend [(2)]	2.93	2,112	2.93	2,112	3.07	2,213	3.07	2,213
Book Value Per Share (Shareholders' Equity per share)[(3)]	54	3,893	58	4,172	77	5,575	76	5,473
Earnings Per Share[(4)]	4.92	355	6.28	453	21.85	1,575	3.04	219
Return on Net Worth (%)[(5)]	9.5%	9.5%	10.7%	10.7%	26.7%	26.7%	4.3%	4.3%
Price to Earnings Ratio[(6)]	22.65	22.65	17.75	17.75	5.10	5.10	36.66	36.66

Source: Solvay's Annual Reports for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(1) Total Equity (Net Worth) has been calculated as the total of Share Capital, Reserves and Non-controlling interest
(2) Solvay shares are without any par value, therefore gross dividend reported
(3) Book value Per Share (Shareholder's Equity per share) computed as the Total Equity (Net Worth) less Non-Controlling interest divided by the average number of shares for calculating IFRS results
(4) Earnings Per Share calculated as Net income (Solvay's share) divided by the weighted average number of shares
(5) Return on Total Equity (Net Worth) computed as net income of the Solvay Group divided by Total Equity
(6) Price to Earnings Ratio computed as the closing price of €111.45 per share of Solvay on NYSE Euronext Brussels as on 15 February 2013 divided by Earnings Per Share

(The reporting currency for the above financial data is Euro (€). For the purpose of convenience the same is converted into Rupees where applicable at one € = Rs. 72.0856 being the exchange rate as on 15 February 2013; Source: www.rbi.org.in)

4.2.9 The reasons for the rise/fall in total income and profit after tax in the relevant years are as below:

Fiscal 2011 compared to Fiscal 2010

- Solvay Group sales increased to reflect pro-forma figures to show the income statement (1) as if the acquisition of Rhodia had become effective from the 1st of January 2010, (2) harmonizing the accounting rules and (3) eliminating the Purchase Price Allocation (PPA) impacts
- Net income for 2011 amounted to €296 million down from €1,823 million in 2010, primarily due to 2010 containing €1726 million of results from discontinued operations. The negative contribution of €38 million from discontinued operations in 2011 is explained primarily by the €47 million working capital related adjustment subsequent to the sale of the pharmaceuticals activities

Fiscal 2010 compared to Fiscal 2009

- Solvay Group sales was down largely due to significant fall in sales of discontinued Pharmaceutical operations. The continuing operations of Chemicals and Plastics have provided reasonably good growth.
- The net income of the Solvay Group amounting to €1,823 million in 2010 was significantly higher. It included the capital gains realized on the sale of the pharmaceuticals activities (amounting to €1.7 billion, net of taxes) and on the sale of Solvay's stake in Inergy Automotive Systems (amounting to €130 million, after

taxes).

Fiscal 2009 compared to Fiscal 2008

- Sales in 2009 was €8,485 million which were down by 11% compared to 2008, largely because of Chemicals (-12%) and Plastics (-19%) sectors. The primary markets of the Chemicals and Plastics Sectors were impacted by the economic crisis
- The net income of the Solvay Group, €553 million improved by 23% as compared to 2008. This was because the net result of 2008 had been affected by the non-recurring write-down amounting to €309 million of holdings in Fortis

4.2.10 The significant accounting policies of Solvay, as per the financial statements for the period 1 January 2011 to 31 December 2011, are as under:

IFRS accounting policies

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

(1) General information and applicable IFRS

Solvay (the "**Company**") is a public limited liability company governed by Belgian law and quoted on NYSE Euronext Brussels and also on NYSE Euronext Paris as of 23 January 2012.

The consolidated financial statements of Solvay, its subsidiaries and its joint ventures (jointly the "Solvay Group") for the year ended 31 December 2011 were prepared in accordance with IFRS (International Financial Reporting Standards) accounting policies as adopted by the European Union.

These consolidated financial statements are also compliant with the IFRS issued by the IASB (International Accounting Standards Board).

(a) **Standards, interpretations and amendments applicable as from 2011**

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

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

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

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

- Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2012)
- Amendments to IAS 19 Employee Benefits (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013)

According to the Solvay Group, the aforementioned standards, interpretations and amendments will have no significant impact on the consolidated financial statements.

(c) **Changes in accounting principles**

- IAS 31 – Interests in Joint Ventures
  From the 1st of January, 2011, Solvay adopted the equity method to recognise its interests in "Jointly controlled entities" instead of the proportionate consolidation method.
  The reason for this change is the publication in May, 2011 of the new IFRS 11 – Joint Arrangements which will require the application of the equity method for joint arrangements classified as joint ventures. If endorsed by the European Union, IFRS 11 will supersede IAS 31 as from January 1st, 2013.
- IAS19 – Employee benefits
  The accounting policy related to post-employment benefits has been modified as from July 1, 2011. This has led Solvay to eliminate the Corridor approach and recognize all actuarial gains and losses in other comprehensive income (equity).This change in accounting method is in line with the revised IAS 19 which should be applicable as from January, 1st 2013.
- Impact of changes in accounting policies
  The following tables summarise the impact of these changes in accounting policies which have been applied retrospectively in accordance with IAS 8:

a) Income statement

€ million	**2010 Published**	**Impact Equity Method**	**Impact Actuarial G/L**	**2010 Restated**
Sales	6,796	-837		5,959
Cost of goods sold	-5,496	663		-4,833
Gross margin	1,301	-175		1,126
Commercial and administrative costs	-560	78		-482
Research and development costs	-136	11		-125
Other operating gains and losses	-4	10		6
Earnings from associates and joint ventures accounted for using equity method	1	45		46
REBITDA	1,019	-89		930
REBIT	602	-31		571
Non-recurring items	-328	11		-317
EBIT	274	-20		254
Cost of borrowings	-142	4		-138
Interest on lendings and short term deposits	23	-1		22
Other gains and losses on net indebtedness	-10	0		-10
Cost of discounting provisions (*)	-52	0		-52
Income/loss from available-for-sale investments	0	0		0
Result before taxes	93	-17		76
Income taxes	4	17		21
Result from continuing operations	97	0		97
Result from discontinued operations	1,726	0		1,726
Net income for the year	1,823	0		1,823
Non-controlling interests	-47	0		-47
Net income (Solvay share)	1,776	0		1,776
Basic earnings per share from continuing operations (€)	0.62			0.62

b) Statement of comprehensive income

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

c) Statement of cash flow

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

d) Statement of financial position

€ Million	2009				2010			
	Published	Impact Equity Method	Impact Actuarial G/L	Restated	Published	Impact Equity Method	Impact Actuarial G/L	Restated
ASSETS								
Non-current assets	5,075	-169	17	4,923	5,205	-129	14	5,090

Intangible assets	162	-57		105	121	-10		111
Goodwill	76	-5		71	73	-5		68
Tangible assets	3,921	-541		3,380	3,698	-422		3,276
Available-for-sale investments	68	0		68	62	-0		62
Investments in associates	0	466		466	20	326		346
Other investments	209	-13		196	278	-3		275
Deferred tax assets	487	-17	55	525	586	-7	52	631
Loans and other non-current assets	152	-2	-38	112	368	-8	-38	322
Current assets	7,471	-298		7,173	8,809	-176		8,633
Inventories	805	-133		672	870	-109		761
Trade receivables	1,373	-103		1,270	1,706	-55		1,651
Income tax receivables	19	-11		8	12	0		12
Dividends receivables	0	0		0	1	-0		1
Other current receivables – Financial instruments	0	26		26	3,701	21		3,722
Other current receivables - Other	327	-5		322	516	17		533
Cash and cash equivalents	1,486	-71		1,415	2,003	-49		1,954
Assets held for sale - Pharma	3,408	0		3408	0	0		0
Assets held for sale - Other	53	0		53	0	0		0
Total assets	12,546	-467	17	12,096	14,014	-305	14	13,723
EQUITY & LIABILITIES								
Total equity	5,160	0	-136	5,024	6,839	-0	-131	6,708
Share capital	1,271	0		1,271	1,271	0		1,271
Reserves	3,483	0	-136	3,347	5,148	0	-131	5,017
Non-controlling interests	406	0		406	419	0		419
Non-current liabilities	4,536	-140	153	4,549	4,636	-89	145	4,692
Long-term provisions: employee benefits	895	-23	153	1,025	871	-13	145	1,003
Other long-term provisions	766	-3		763	952	-6		946
Deferred tax liabilities	196	-24		172	175	-12		163
Long-term financial debt	2,635	-89		2,546	2,590	-55		2535
Other non-current liabilities	44	-1		43	48	-2		46
Current liabilities	2,851	-327		2,524	2,540	-217		2,323
Short-term provisions: employee benefits	7	-1		6	80	-2		78
Other short-term provisions	61	-11		50	63	-5		58
Short-term financial debt	185	-56		129	212	-64		148
Trade liabilities	828	-128		700	1,489	-61		1,428
Income tax payable	66	-16		50	67	-5		62
Dividends payable	100	0		100	100	-0		100
Other current liabilities	582	-116		466	529	-79		450
Liabilities associated with assets held for sale - Pharma	1,012	-0		1,012	0	0		0
Liabilities associated with	11	-0		11	0	0		0

assets held for sale								
Total equity & liabilities	12,546	-467	17	12,096	14,014	-305	14	13,723

(2) Basis for preparation

The consolidated financial statements are presented in million of euros, which is also the functional currency of the parent company. The Solvay 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 Solvay and entities controlled by the Solvay (its subsidiaries). Control is achieved where the Solvay 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 Solvay Group.

All intra Solvay Group transactions, balances, income and expenses are fully eliminated.

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

Changes in the Solvay 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 Solvay 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 Solvay 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 Solvay 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 Solvay Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Solvay 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 Solvay 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 Solvay 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 Solvay 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 Solvay 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 Solvay 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 Solvay Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Solvay Group's net investment in the associate) are recognized only to the extent that the Solvay Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Solvay 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 Solvay 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 Solvay Group, profits and losses are eliminated to the extent of the Solvay Group's interest in the relevant associate.

(6) Interests in joint ventures

A joint venture is a contractual arrangement whereby the Solvay 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 venture has an interest are referred to as jointly controlled entities. The Solvay Group reports its interests in jointly controlled entities using the equity method of accounting (see 5 Investments in associates).

Where the Solvay Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Solvay 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 Solvay Group in the fair value of the entity's net identifiable assets at the acquisition date; The consideration transferred corresponds to the sum of the fair values of the assets transferred and liability incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

If, after reassessment, the Solvay 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 Solvay Group's cash-generating units (or group of CGUs) in accordance with IAS36 Impairment of Assets.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other group of assets.

These tests consist in comparing the carrying amount of the assets (or CGUs) with their recoverable amount. The recoverable amount of an asset (CGU) is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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

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

(8) Foreign currencies

The individual financial statements of each Solvay 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 (€), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rate.

Non monetary items carried at fair value that are denominated in foreign currencies are retranslated at the closing rate when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Solvay 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 Solvay 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 Solvay Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.
The main exchange rates used are:

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

(9) Provisions for retirement obligations and other long-term employee benefits

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

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

b. Defined benefit plans
Defined benefit plans concern all plans other than defined contributions plans.
These plans mainly concern:

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

Taking into account projected final salaries (projected unit credit method) on an individual basis, post-employment benefits are measured by applying a method using assumptions involving the discount rate, expected long-term return on plan assets specific for each country, life expectancy, turnover, wages, annuity revaluation, medical cost inflation and discounting of sums payable. The assumptions specific to each plan take into account the local economic and demographic contexts.

The amount recorded under post-employment obligations and other long-term employee benefits corresponds to the difference between the present value of future obligations and the fair value of the plan assets intended to hedge them, less, where necessary, any unamortized past service cost (except regarding other long-term employee benefits for which the past service cost is immediately recognized in profit or loss).

If this calculation gives rise to a net commitment, an obligation is recoded in liabilities. If the measurement of the net obligation gives rise to a surplus for the Solvay Group, the asset recognized for this surplus is limited to the net total of any unrecognized past service cost and the present value of any future plan refunds or any reduction in future contributions to the plan.

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

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

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

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

The actuarial calculations of post-employment obligations and other long-term benefits are performed by independent actuaries.

(10) Non-recurring items

Non-recurring items mainly include:

- gains and losses on the sale of subsidiaries, joint-ventures, associates accounted for under the equity method that do not qualify as discontinued operations, available-for-sale investments;
- gains and losses on the sale of real estate not directly linked to an operating activity;
- restructuring charges associated with the shutdown of an activity;

- impairment losses resulting from the shutdown of an activity or a plant;
- impairment losses resulting from testing Cash-Generating Units for impairment (a CGU includes tangible assets, intangible assets and allocated goodwill if any);
- the impact of significant litigation;
- the remediation costs not generated by on-going production facilities (shut-down sites, discontinued activities).
- other material operating income or expenses resulting from unusual events and likely to distort the analysis and comparability of the Solvay 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 Solvay 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 Solvay 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 Solvay 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 Solvay 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 Solvay 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 Solvay Group's general policy on borrowing costs (see 17 below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating leases

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

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

(13) Intangible assets

Intangible assets acquired in a business combination are initially measured at fair value; intangible assets acquired separately or internally developed are initially measured at cost.

After initial recognition, intangible assets are measured at cost or fair value less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure on intangible assets is capitalized only if it increases the future economic benefits associated with the specific asset. Other expenditure is expensed as incurred.

Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and method are reviewed at each financial year-end. A change in the useful life of an intangible asset is accounted for prospectively as a change in estimate.

The estimated useful lives are as follows:
- patents & trademarks: 2 – 25 years
- software: 3 – 5 years
- development expenditure:2 – 15 years

Licenses, patents and similar rights

Expenditure on acquired licenses, patents, trademarks and similar rights is capitalized and amortized on a straight-line basis over the contractual period, if any, or the estimated useful life, which is normally considered to be not longer than 25 years.

Research and Development costs

Research costs are expensed in the period in which they are incurred.

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

The capitalized development costs are amortized on a straight-line basis over their useful lives.

Capitalized expenditure comprises employee expenses, the cost of materials and services directly attributed to the projects, and an appropriate share of overheads including, and where necessary, the interim interest accrued. It is amortized once the relevant products are sold or the relevant industrial processes are used over the estimated term of the economic benefits expected to flow from the project. The expenditure is tested for impairment if there is indication of a loss in value and annually for projects in the course of development.
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 Solvay Group was granted carbon dioxide (CO_2) emission allowances for some of its installations. The Solvay Group is also involved in Clean Development Mechanism (CDM) and Joint Implementation (JI) projects under the Kyoto protocol. Under these projects, the Solvay Group has deployed facilities in order to reduce greenhouse gas emissions at the relevant sites in return for Certified Emission Reductions (CER) or Emission Reduction Units (ERU).

Treatment of European Union Allowances (EUA)

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

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

Treatment of Certified Emission Reductions (CER)

Under the CDM projects, Solvay has deployed facilities in order to reduce the greenhouse gas emissions at its Onsan (South Korea) and Paulinia (Brazil) sites. Upon verification by independent experts, should these emissions fall below the benchmark levels set by the UNFCCC, Solvay receives Certified Emission Rights

(CER) which are freely transferable. As part of the development of Solvay Energy Services and to organize the sale of the CERs arising from the two projects, Solvay has acquired the remaining 50% of Orbéo, the former joint-venture with Société Générale.

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

The CER sales realized between participants in CDM projects and in organized markets are recognized in net sales upon delivery of the CERs, *i.e.* when they are recorded in the CO_2 emissions account of the transferee. In connection with the JI, Solvay has set up in France similar, but smaller-sized projects aiming at obtaining ERUs. ERU recognition is identical to CER recognition.

In order to manage exposure to future CER price fluctuations, Solvay has set up forward CER sales contracts, with or without guarantee of delivery. Based on their characteristics, when these contracts represent derivatives within the meaning of IAS 39 Financial Instruments. Otherwise, they represent off-balance sheet commitments.

Treatment of Orbeo's activities

In addition to selling CERs, Orbeo is involved in developing CO_2 instrument trading, arbitrage and hedging activities, and developing the "Origination" activity. The net income or expense from these activities is recorded, after elimination of intra Solvay Group transactions, in net sales or cost of sales for the "industrial" component, where Orbeo sells the CERs generated by Solvay, as well as for the "trading" component, where Orbeo purchases / sells CERs and EUAs; The margin calls relating to the derivative instruments contracted by Orbeo are recognized in Other current financial assets in respect of guarantee deposits paid, and in Borrowings in respect of guarantee deposits received. Cash flow movements arising from these margin calls have been isolated in a separate line in the Consolidated Statements of Cash Flows under Net cash flow from operating activities.

(15) Property, plant & equipment

a. Initial recognition

The property, plant and equipment owned by the Solvay 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 Solvay Group;
- The cost of the asset can be reliably measured.

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

The components of an item of property, plant and equipment with different useful lives are recognized separately.

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

b. Useful lives

Land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

Transportation equipment	5 - 20 years
Development costs	2 - 5 years
Patents, trademarks and other intangible assets	5 - 20 years

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

c. Subsequent expenditure

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

The carrying amount of replaced items is derecognized.

Repair and maintenance costs are recognized in the income statement as incurred.

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

d. Dismantling costs

Dismantling and restoration costs are included in the initial cost of an item of property, plant and equipment if the Solvay Group has a legal or constructive obligation to dismantle or restore.

Generally, Solvay does not have any current, legal or constructive obligation to dismantle and/or restore its operating sites in accordance with IAS 37 Provisions, contingent liabilities and contingent assets, as such obligation is only likely to arise upon the discontinuation of a site’s activities. To date, Solvay has not therefore set aside any provisions for dismantling costs or recognized the components relating to the dismantling of its operating installations.

However, the costs of dismantling discontinued sites or installations are provided when there is a legal obligation (due to a request or injunction from the relevant authorities), or there is no technical alternative to dismantling to ensure the safety compliance of the discontinued sites or installations.

(16) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Solvay 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 Solvay Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash- generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

(17) Capitalized interests

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(18) Government grants

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

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

Other government grants are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Solvay 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 Solvay Group level.

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

(21) Financial liabilities

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

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

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

Financial liabilities measured at amortized cost using the effective interest method

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

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

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

(22) Derivative financial instruments

The Solvay 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.

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

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in financial income or expense immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Solvay 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 Solvay Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, energy risk and CO2 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 Solvay Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the ‘other financial gains and losses’ line item.
Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the income statement as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a nonfinancial 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 Solvay Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Hedges of net investments in foreign operations

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

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

(24) Provisions

Provisions are recognized when the Solvay Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Solvay 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 Solvay 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 Solvay Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Environmental liabilities

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

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

(25) Segment information

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

(26) Revenue recognition

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

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

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

Net sales and other revenue are recognized when all the following conditions have been satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods or, with respect to the rendering of services, the stage of completion can be measured reliably;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

- it is probable that the future economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(27) Non-current assets held for sale and discontinued operations

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

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

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

(28) Finance income and costs

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

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

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

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

(29) Share options

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

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

(30) Statement of Comprehensive Income

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

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

(31) Contingencies

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

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

(32) Events after the reporting period

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

4.2.11 Critical accounting judgments and key sources of estimation uncertainty

Impairment

The Solvay 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.

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 Solvay Group deferred tax situation, is systematically involved in assessing deferred tax assets.

Employment benefits provisions

All main employee benefits plans are assessed annually by independent actuaries. Discount rates and inflation rates are defined globally by management, the other assumptions (such as future salary increases, expected long-term rates of return on plan assets and expected rates of medical care cost increases) are defined at a local level. All plans are supervised by the Solvay Group’s central human resources department with the help of one central actuary to check the acceptability of the results and assure uniformity in reporting.

Health, Safety and Environmental Provisions (HSE)

HSE provisions are managed and coordinated jointly by an HSE competence center and the finance department. The forecasts of expenses are discounted to present value in accordance with IFRS rules.

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

To reflect the passage of time, the provisions are increased each year on a prorated basis at the discount rates defined above.

Provisions for litigation

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

Health, safety and environment (HSE) provisions

These provisions stand at € 791 million, compared with € 459 million at the end of 2010.

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

- mines and drilling operations to the extent that legislation and/or operating permits in relation to quarries, mines and drilling operations contain requirements to pay compensation to third parties. These provisions, based on local expert advice, can be expected to be used over a 10-20 year horizon, and amount to € 146 million;
- provisions related to the cessation of mercury electrolysis activities: forecast expenditure is staggered over time as a result of the expected reutilization of the sites, national regulations on the management of contaminated soils and the state of contamination of soils and groundwater. Most of these provisions can be expected to be used over a 10-20 year time horizon;
- dikes, dump sites and land: the provisions relate mainly to soda plant dikes, old lime dikes and land and dump sites linked to activities at certain industrial sites; these provisions have a horizon of 1 to 20 years;
- asbestos: an asbestos removal program is under way: provisions for asbestos removal work and occupational diseases have a horizon of 1 to 15 years.

The acquisition of Rhodia has brought provisions linked to various types of pollution (organic, inorganic) coming from miscellaneous specialty chemicals productions; these provisions are mainly covering stopped activities or closed plants; most of these provisions have an horizon of 1 to 20 years.

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

Provisions for litigation

Provisions for litigation stand at € 611 million at the end of 2011 compared with € 437 million at the end of 2010. This increase mainly comes from the acquisition of Rhodia at September 30th, 2011 for € 228 million including contingent liabilities for € 59 million.

The main provisions at the end of 2011 serve to cover:

- the financial consequences of the € 175 million fine imposed by the European authorities for infringement of competition rules in the peroxides area, and in an ancillary manner the potential financial exposure for civil litigation in connection thereof. This fine was reduced in 2011 in the course of the appeal introduced by Solvay. However, the appeal process is still on-going;
- risks related to the sale of the Pharmaceuticals segment for which the Solvay Group may remain liable (€ 104 million);
- tax risks (€ 222 million).

Other provisions

[1] A similar procedure is implemented for tax litigation.

Other provisions, set up to cover specific risks such as obligations related to the shutdown or disposal of activities, amount to € 153 million, compared with € 108 million at the end of 2010.

The increase in mainly related to the integration of Rhodia (€ 58 million).

Solvay Group Policy on insurance

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

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

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

Reputational Risk

Reputational risk arises from Solvay's exposure to a deterioration of its reputation among its different stakeholders. Damage may occur due to the materialization of any of the risks described in this section and subsequent publicizing of the outcome. It may also arise from the occurrence of any event or action associated with the Solvay name that would be in breach of ethics, legislation, corporate governance principles and which, more generally speaking, fall short of stakeholder expectations with regard to Solvay.

Damage to corporate reputation can be accelerated and amplified by the Internet and social networking media.

Reputation is a key asset. Loss of reputation can result in competitive disadvantage. The reputational risk deals with the subjective, composite perception of a company by its different stakeholders. Trust is a fundamental ingredient to reputation.

4.2.12 As per the report issued by the statutory auditors, there are contingent liabilities up to an amount of €423 million (Rs. 304,926 Lacs) as on 31 December 2011 as detailed below:

Contingent Liabilities: Year ended 31 December 2011	**€ Million**
Liabilities and commitments of third parties guaranteed by the company	373
Environmental contingent liabilities	38
Litigation and other major commitments	12
Total	**423**

4.2.13 Status of Corporate Governance of Solvay

The Solvay Group has adopted the 2009 Belgian Corporate Governance Code as its reference code in governance matters. Solvay publishes yearly, as part of its annual report, a Corporate Governance Statement. This statement presents the application of the Belgian Governance Code in accordance with the "Comply or Explain" principle.

Solvay has compliance organization in place under the leadership of the Group General Counsel has been in place to enhance a Group-wide ethics and compliance-based culture and to promote and control compliance with applicable laws, Solvay's Group Code of Conduct and corporate values. Compliance Officers have been appointed in all four regions. Training courses and induction activities are organized to ensure that ethical and compliant conduct is embodied in the way business is done at Solvay and to address behavioral risks in certain specific areas, such as antitrust or corruption. Regular campaigns are organized to train new employees and to maintain the right level of awareness in the whole Solvay Group.

The compliance organization, in collaboration with internal audit, legal department and other departments or functions, is monitoring compliance with applicable laws and Solvay's Group Code of Conduct. Any violation of this Code will lead to sanctions in accordance with the applicable legislation. Reporting of violations is encouraged and various avenues are proposed to employees including the contact with the Compliance Officers. In most countries in which Solvay operates, Solvay has introduced the Solvay Ethics Helpline, an external resource where employees can report ethical or compliance concerns in their own language.

4.2.14 Pending Litigations involving Solvay

Chemical & Plastics activities

Anti-trust proceedings

- In May 2006, the European Commission imposed fines in an aggregate amount of € 193 million against Solvay (including Ausimont SpA acquired by Solvay in 2002) for alleged breaches of competition rules in the peroxygens market. Solvay is appealing the decision of the European Commission. Following appeal by Solvay, the European General Court ruled that the fine should be reduced to € 139.5 millions. Appeal has been lodged by Solvay to further reduce the fine. In November 2011, the EU Commission lodged a cross-appeal against the reduction of fine.
- Joint civil lawsuits have been filed before the Court of Dortmund (Germany) in 2009 against Solvay and other producers based on the alleged anti-trust violation and claiming damages from the producers on a joint and several basis in the principal amount of € 240 million. This proceeding is pending and Solvay is defending itself vigorously.
- In Brazil, Solvay is facing administrative claims related to alleged cartel activities in the Brazilian H2O2 and perborate market in the years 1998 to 2001.CADE (Brazilian antitrust authority) issued fines against Solvay and others in May 2012 (Solvay's share of the fines is € 29.6 million) Solvay has filed a claim contesting the administrative fines before the Brazilian Federal Court.

HSE related proceedings

- The French municipality of Metz has since 2001 filed several lawsuits against Solvay and Novacarb that discharge of water containing some sodium chloride arising from the soda ash production process into the Meurthe river was generating additional costs (claimed to be about € 50 million) for the distribution of drinkable water. Solvay complies with the operating permits delivered by the authorities and contests vigorously the allegations.
- In Ferrara, Italy, since 2002 criminal proceedings have been ongoing before the Criminal Court of Ferrara against four former employees of Solvay for alleged criminal conducts before 1975 in relation to two cases of former PVC workers with diseases allegedly due to exposure to VCM. The case was dismissed by the Judge of first instance in the Criminal Court of Ferrara in April 2012 and several civil parties have appealed this decision. Solvay may be exposed to claims for civil liability in the event of a negative outcome of the proceedings.
- In Spinetta Marengo, Italy, in October 2009, the Public Prosecutors charged several individuals (including employees or former employees of Solvay, and including Ausimont SpA) in relation to alleged criminal violations of environmental laws. Following a decision of the judge for Preliminary Hearing in January 2012, this case is now pending at trial level before the Assize Court of Alessandria. Solvay and Solvay Specialty Polymers Italy (formerly Solvay Solexis), a subsidiary of Solvay, and legal successor of Ausimont SpA, may be exposed to claims for civil liability in case of a negative outcome of the proceedings.
- In Bussi, Italy, the Public Prosecutor charged several individuals (including former employees of Ausimont SpA acquired by Solvay in 2002) in relation to alleged criminal violation of environmental laws. This case is pending at trial level before the Criminal Court of Pescara. Solvay Specialty Polymers Italy (formerly Solvay Solexis), a subsidiary of Solvay, and legal successor of Ausimont SpA, may be exposed to claims for civil liability in the event of a negative outcome of the proceedings.
- As a general note, authorities are increasingly active to ensure improved management of the soil and groundwater environmental legacy of industrial companies. In this context, a number of administrative proceedings are under way to define the need and approach for remediation. As a result, Solvay is involved in environmental legal proceedings in a limited number of sites, most of them related to sites of Ausimont SpA (acquired in 2002) and concerning soil contamination or landfills.

Pharmaceutical activities (discontinued)

- In the context of the sale of the Pharmaceutical activities in February 2010, the contractual arrangements have defined terms and conditions for the allocation and sharing of liability arising out of the activities before the sale.
- Subject to limited exceptions, Solvay's exposure for indemnifications to Abbott for liabilities arising out of sold activities shall be limited to an aggregate amount representing EUR 500 million and for limited durations.

This includes indemnification against certain potential liabilities for the U.S. hormone replacement therapy (HRT) litigation. Former users of HRT products have brought thousands of U.S. lawsuits against manufacturers of HRT products. As of December 31, 2012, Solvay has resolved substantially all of the HRT cases brought against its former affiliate.

4.2.15 Details of material acquisitions / mergers involving the Solvay during the years ended 31 December 2011, 31 December 2010, 31 December 2009 and 31 December 2008

Acquisitions

2011

- Solvay acquired Rhodia S.A. and Orbeo in 2011
- Solvay acquired a fluorspar mine in Chiprovtsi, Bulgaria from the N&N Group

2010

- Purchase of non-controlling interests in Vinythai (€35 million), Vinilis (€15 million) and Kali Chemie (€2 million)
- Investment in a PVC entity under construction in Russia (€90 million)
- Purchased 50% of Westpipe AB, a sewage, soil, water and cable protection pipe systems manufacturer located in Ulricehamn, Sweden, for a net cash outflow of €0.7 million (SEK 7 million)

2009

- The acquisition of additional shares in available-for-sale investments, mainly Plextronics (€9 million)
- Other acquisitions totalling €96 million in companies that are either not significant or are in a start-up phase
- The disposal of available-for-sale investments relates to the sale of Sofina shares for €14 million

2008

- Purchase of 100% of Innogenetics nv, a Belgian biotechnology company, for a net cash outflow of €221 million
- Purchase of 100% of Alexandria Sodium Carbonate Co, a sodium carbonate manufacturer located in Egypt, for a net cash outflow of €107 million
- Purchased assets from Ajedium Film Group LLC for a net cash outflow of €8 million
- Other investments worth €49 million includes Rusvinyl in Russia (€14 million), Solalban Energia in Argentina (€11 million), Solvay Biochemicals Thailand (€8 million), JV for H2O2 in Thailand (€8 million)

Disposals

2012

- On 25 May 2012, Solvay closed the sale of its 50% stake in Pipelife to Wienerberger for €172 million and a special dividend of €10 million

2010

- Solvay on 15 February 2010 closed the sale of the pharmaceuticals business of the Solvay Group to Abbott for a total Enterprise Value of about €5.2 billion
- Solvay sold its 50% stake in Inergy Automotive Systems to plastic Omnium for €268 million in cash
- Solvay sold its nonconsolidated investments in the Vinyls cluster for €11 million

2009

- There were no disposals of consolidated subsidiaries in 2009

2008

- In 2008, the disposal of subsidiaries amounted to €100 million and was mainly related to the sale of Solvay Engineered Polymers for €90 million

4.2.16 As on the date of the Second Corrigedum, Solvay has two (2) subsidiaries in India, being (i) Solvay Specialities India Private Limited, and (ii) Solvay Vishnu Barium Private Limited. The details of the Indian companies promoted by Solvay, none of which is a sick industrial company, as on the date of the Second Corrigedum for the last 3 years based on audited financials are as under:

Name of the Company	Solvay Specialities India Private Limited
Date of Incorporation	20 June 2005

Nature of Business	Manufacturing of specialty polymers, trading / agency in other Solvay products			
Financial Performance				
Year Ended	**31 December 2008**	**31 December 2009**	**31 December 2010**	**31 December 2011**
Equity capital (Rs. Lacs)	32,500	32,500	32,500	32,500
Total Reserves (excluding revaluation reserves) (Rs. Lacs)	-3,480	-5,310	-4,871	-3603
Total Income (Rs. Lacs)	10,340	7,010	11,970	20,432
Profit After Tax (Rs. Lacs)	-470	-1,830	440	1,267
Earnings Per Shares (Rs.)	0	-1	0	0
Net Asset Value (Rs. Lacs)	29,020	27,190	27,630	28,897

Name of the Company	Solvay Vishnu Barium Private Limited			
Date of Incorporation	21 May 2001			
Nature of Business	Manufacturing of Barium Carbonate			
Financial Performance				
Year Ended	**31 March 2009**	**31 March 2010**	**31 March 2011**	**31 March 2012**
Equity capital (Rs. Lacs)	8,639	8,639	8,639	8,639
Total Reserves (excluding revaluation reserves) (Rs. Lacs)	-5,419	-5,930	-6,298	-6,156
Total Income (Rs. Lacs)	1,384	1,712	-2,800	3,891
Profit After Tax (Rs. Lacs)	-1.331	-511	-368	142
Earnings Per Shares (Rs.)	0.4	1.0	0.8	0.0
Net Asset Value (Rs. Lacs)	3,221	2,710	2,342	2,484

4.2.17 The Compliance Officer for Solvay is Katinka Tattersall, Head of Ethics & Compliance, Solvay S.A., Rue de Ransbeek 310, 1120 Bruxelles, Tel:+32-2-264-1441 ; Fax :+32-2-264-3061 ; Email: katinka.tattersall@solvay.com.

4.2.18 As at the date of the Second Corrigedum, Solvay does not directly own any Shares in the Target Company.

4.3 Details of the PACs – Solvay Finance

4.3.1 Solvay Finance is a limited liability company formed and registered on 15 October 1986, and extended for 99 years on 20 August 1993 for a period terminating on 19 August 2092, unless extended or terminated beforehand, under the laws of France. Solvay Finance is registered in the commercial and companies register of Paris under number 757 801 261, with its corporate headquarters located at 25, rue de Clichy, 75009 Paris.

4.3.2 Solvay Finance belongs to the Solvay Group. The promoter and person in control of Solvay Finance is Solvay DNF, a French branch of Solvay, which holds 99.99% of the share capital of Solvay Finance.

4.3.3 Solvay Finance has two principal businesses:

(i) holding 100% of the shares of the Acquirer; and
(ii) acting as a centralizing company for the financial needs of the French companies and, as the case may be, the non-French companies of the Solvay Group.

4.3.4 Solvay Finance has complied with the filing requirements under Chapter II of the 1997 Regulations

The status of compliance with the provisions of Chapter II of the 1997 Regulations is annexed to this Draft Letter of Offer as Annexure I.

4.3.5 At the date of the Second Corrigendum, the outstanding share capital of Solvay Finance is €1,055,274,801 (Rs. 670,644,597,073/-) fully paid up and divided into 50,251,181 ordinary equity shares of nominal value of €21 (Rs. 1,401/-) each. The shareholding structure of Solvay Finance is as follows:

Shareholding	Shares held	Percentage
Solvay DNF	50,251,175	99.99%
Solvay Electrolyse France	1 (lent by Solvay)	0.01%
Soviller	1 (lent by Solvay)	
Solvay Participations France	1 (lent by Solvay)	
Monsieur Bétolaud du Colombier	1 (lent by Solvay)	

Monsieur Jean-Marc Thomas	1 (lent by Solvay)	
Madame Emmanuelle Vendeuvre	1 (lent by Solvay)	

4.3.6 The shareholding pattern of Solvay Finance as on the date of the Second Corrigedum is as under:

Sl. No.	Shareholder's category	No. of shares held	Percentage of shares held
1.	Promoters (Solvay DNF)	50,251,175	99.99%
2.	FII/ Mutual-Funds/ FIs/Banks	-	-
3.	Others	6	0.01%
	Total Paid Up Capital	**50,251,181**	**100%**

4.3.7 The shares of Solvay Finance are not listed for trading on any stock exchange.

4.3.8 The Board of Directors of Solvay Finance as on the date of the Second Corrigedum comprised of 3 directors. Brief particulars of the directors are as under:

Name / Designation	Residential Address	Whether such Director is already on the Board of the Target Company	Date of Appointment	Experience	Qualification
Xavier Bétolaud du Colombier, Director & Chairman	5 Rue du Cardinal Mercier, 75009 PARIS	No	03 December 2012	Public Affairs Director Solvay SA French branch office'legal representative	Sciences Politics Paris
Jean-Marc Thomas, Director	12 rue Cimarosa 75116 PARIS	No	3 December 2012	Deputy Head of Tax Group Solvay	1986 DESS IAE Aix en Provence
Emmanuelle Dropsy-Vendeuvre, Director	172 rue des Iselles 78670 Villennes sur Seine	No	3 December 2012		

4.3.9 Based on the Statutory auditors' (Deloitte & Associes, France) report on the financial statements, prepared in accordance with the French accounting regulations, the financial information of Solvay Finance is as below:

(i) Audited Profit and Loss Account for the years ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011:

Profit and Loss Account	**Year ending 31 December 2008**		**Year ending 31 December 2009**		**Year ending 31 December 2010**		**Year ending 31 December 2011**	
	€	**Rs. Lacs**	**€**	**Rs. Lacs**	**€**	**Rs. Lacs**	**€**	**Rs. Lacs**
Revenue	0	0	0	0	484,481	349	2	0
Other External Expenses	-373,433	-269	-348,465	-251	-147,079	-106	-1,106,921	-798
Tax Expenses	-236,159	-170	136,636	-98	-59,734	-43	-255,298	-184
Other	-1	0	-1	0	-1	0	0	0
Total Operating Expenses	-609,593	-439	485,102	-350	-206,814	-149	-1,362,219	-982
Net Operating Income (Loss)	**-609,593**	**-439**	**-485,102**	**-350**	**277,667**	**200**	**-1,362,217**	**-982**
Financial Income								
Financial Interest	93,191,799	67,178	29,715,873	21,421	10,632,877	7,665	29,386,086	21,183
Reversal of Depreciation / Impairment Reversal	0	0	13,910,536	10,027	0	0	180,060,602	129,798
Exchange Gains	0	0	45	0	0	0	0	0
Financial Expenses								
Accrual for Depreciation / Amortization and Charges to Provisions	-16,533,992	-11,919	0	0	-28,442,391	-20,503	0	0
Interest Expenses	-93,184,210	-67,172	-28,341,090	-20,430	-11,124,145	-8,019	-31,383,627	-22,623
Exchange Losses	-7,589	-5	-438	0	-5,211	-4	0	0
Total Financial Expenses	-108,571,795	-78,265	28,341,528	-20,430	39,571,747	-28,526	-31,383,627	-22,623
Net Financial Income (Loss)	-15,379,996	-11,087	15,284,926	11,018	-28,938,870	-20,861	178,063,061	128,358
Net Income (Loss)	**-15,989,589**	**-11,526**	**14,799,824**	**10,669**	**-28,661,203**	**-20,661**	**176,700,844**	**127,376**

Profit and Loss Account	**Year ending 31 December 2008**		**Year ending 31 December 2009**		**Year ending 31 December 2010**		**Year ending 31 December 2011**	
	€	**Rs. Lacs**	**€**	**Rs. Lacs**	**€**	**Rs. Lacs**	**€**	**Rs. Lacs**
Before Tax and Extraordinary Income								
Other	-74	0	0		0	0	0	0
Net Extraordinary Income	-74	0	0		0	0	0	0
Net Income (Loss) Before Tax	**-15,989,663**	**-11,526**	**14,799,824**	**10,669**	**-28,661,203**	**-20,661**	**176,700,844**	**127,376**
Income Tax Expenses	196,751	-142	-263,554	-190	0			
Net Income (Loss) for the Period (Local Accounts)	**-16,186,414**	**-11,668**	**14,536,270**	**10,479**	**-28,661,203**	**-20,661**	**176,700,844**	**127,376**

Source: Statutory Auditor's Report on the Financial Statements for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(ii) Audited Balance Sheet as on 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011:

Balance Sheet	**As on 31 December 2008**		**As on 31 December 2009**		**As on 31 December 2010**		**As on 31 December 2011**	
	€	**Rs. Lacs**	**€**	**Rs. Lacs**	**€**	**Rs. Lacs**	**€**	**Rs. Lacs**
Assets								
Land	22,307	16	22,307	16	22,307	16	22,307	16
Participating Interests/Shares								
Gross Value	835,038,464	601,942	835,038,464	601,942	835,038,464	601,942	2,235,038,459	1,611,141
Depreciation, Amortisation or Provisions	-172,128,321	-124,080	-158,217,785	-114,052	-186,660,176	-134,555	-6,599,574	-4,757
Net Value	**662,910,143**	**477,863**	**676,820,679**	**487,890**	**648,378,288**	**467,387**	**2,228,438,885**	**1,606,384**
Other Participating Interests								
Gross Value	335		335	0	335	0	335	0
Depreciation, Amortisation or Provisions	-302		-302	0	-302	0	-302	0
Loans	10,088,442	7,272	8,837,342	6,370	7,000,000	5,046	6,700,000	4,830
Accrued Interest	531,347	383	235,578	170	46,268	33	72,564	52
Group Accounts	1,125,805,256	811,543	1,371,020,871	988,309	508,535,832	366,581	123,552,838	89,064
Total Loans	**1,136,425,045**	**819,199**	**1,380,093,791**	**994,849**	**515,582,100**	**371,660**	**130,325,402**	**93,946**
Total Fixed Assets	**1,799,357,528**	**1,297,078**	**2,056,936,810**	**1,482,755**	**1,163,982,729**	**839,064**	**2,358,786,627**	**1,700,345**
Debtors								
Group Companies	346,047,102	249,450	366,014,586	263,844	198,629,354	143,183	605,061	436
Other	689	0	0	0	0	0	2,168	2
Total Current Assets	**346,047,791**	**249,451**	**366,014,586**	**263,844**	**198,629,354**	**143,183**	**607,230**	**438**
Total Assets	**2,145,405,319**	**1,546,528**	**2,422,951,396**	**1,746,599**	**1,362,612,083**	**982,247**	**2,359,393,857**	**1,700,783**
Liabilities								
Share Capital	755,274,807	544,444	755,274,807	544,444	755,274,807	544,444	1,055,274,801	760,701
Paid-in Capital	8,378	6	8,378	6	8,378	6	8,378	6
Legal Reserve	2,715,261	1,957	2,715,261	1,957	2,715,261	1,957	2,715,261	1,957
Tax-Driven Reserves	4,487	3	4,487	3	4,487	3	4,487	3
Other Reserves	146,986	106	146,986	106	146,986	106	146,986	106
Loss Brought Forward	-99,242,921	-71,540	-115,429,335	-83,208	-100,893,064	-72,729	-129,554,267	-93,390
Profit / (Loss) for the Period	-16,186,414	-11,668	14,536,270	10,479	-28,661,203	-20,661	176,700,844	127,376
Total Shareholders' Equity	**642,720,583**	**463,309**	**657,256,854**	**473,788**	**628,595,651**	**453,127**	**1,105,296,488**	**796,760**
Bonds	6,425,342	4,632	7,053,822	5,085	7,040,274	5,075	6,766,826	4,878
Bank Overdrafts	61,710	44	23,584	17	0	0	0	0
Loans	1,495,931,426	1,078,351	1,758,377,460	1,267,537	726,904,227	523,993	1,246,663,234	898,665
Long-term Financial Debt	**1,502,418,478**	**1,083,027**	**1,765,454,866**	**1,272,639**	**733,944,502**	**529,068**	**1,253,430,060**	**903,543**
Trade Creditors and Related Accounts	33,215	24	70,384	51	47,472	34	516,154	372
Tax and Social Security	149,666	108	47,903	35	17,338	12	141,667	102

Balance Sheet	As on 31 December 2008		As on 31 December 2009		As on 31 December 2010		As on 31 December 2011	
	€	Rs. Lacs	€	Rs. Lacs	€	Rs. Lacs	€	Rs. Lacs
Liabilities								
Miscellaneous Creditors	83,376	60	121,390	88	7,120	5	9,487	7
Total Current Liabilities	**266,257**	**192**	**239,676**	**173**	**71,930**	**52**	**667,309**	**481**
Total Liabilities	**2,145,405,319**	**1,546,528**	**2,422,951,396**	**1,746,599**	**1,362,612,083**	**982,247**	**2,359,393,857**	**1,700,783**

Source: Statutory Auditor's Report on the Financial Statements for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(iii) Other Financial Data for the years ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011:

Other Financial Data	Year ending 31 December 2008		Year ending 31 December 2009		Year ending 31 December 2010		Year ending 31 December 2011	
	€	Rs.	€	Rs.	€	Rs.	€	Rs.
Dividend (%)	0%	0%	0%	0%	0%	0%	0%	0%
Book Value Per Share [(1)]	18	1,288	18	1,317	17	1,260	22	1,586
Earnings Per Share[(2)]	-0.45	-32.44	0.40	29.14	-0.80	57.45	3.52	253.48
Return on Net Worth (%) [(3)]	-2.5%	2.5%	2.2%	2.2%	-4.6%	-4.6%	16.0%	16.0%

Source: Statutory Auditor's Report on the Financial Statements for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(1) Book Value Per Share computed as the Total Shareholder's Equity (Net Worth) / number of equity shares outstanding at the end of the year
(2) Earnings Per Share calculated as Net Income / (Loss) for the year / number of equity shares outstanding at the end of the year
(3) Return on Shareholder's Equity (Net Worth) calculated as Net Income / (Loss) for the year / Shareholder's Equity (Net Worth) as at the end of the year

(The reporting currency for the above financial data is Euro (€). For the purpose of convenience the same is converted into Rupees where applicable at one € = Rs. 72.0856 being the exchange rate as on 15 February 2013; Source: www.rbi.org.in)

4.3.10 The reasons for the rise/fall in total income and net profit in the relevant years are:

Fiscal 2011 compared to Fiscal 2010

- The Net Profit for 2011 increased by €205,362,047 to €176,700,844 primarily due to cancellation of a provision for impairment amounting to €180,060,602

Fiscal 2010 compared to Fiscal 2009

- In 2010, Solvay Finance received reimbursements (credit notes) from Solvay France S.A. to compensate excess billings during preceding years. Another element that contributed to the increase in operating income relates to a reduction in the price of services billed to Solvay Finance by Solvay France SA for approximately €150,000 per annum.
- Net Profit fell from €14,536,270 in 2009 to a loss of €28,661,203 in 2010 (decline of €43,197,473) mainly due to booking of a provision for impairment of €28,442,391, for its share in Solvay Participations France,decrease of financial expenses (interests) by €17,216,945 and a decrease of Financial Income (interests) by €19,082,996

Fiscal 2009 compared to Fiscal 2008

- Net Profit increased from a loss of €16,186,414 in 2008 to a profit of €14,536,270 in 2009 mainly due to reversal of depreciation of €13,910,536 in 2009 for its share in Solvay Participations France

4.3.11 The significant accounting policies of Solvay Finance, as per the financial statements for the period 1 January 2011 to 31 December 2011 are as under:

The annual accounts were prepared in accordance with the French statutory chart of account and CRC recommendation 99-01, the additional recommendations of the French Advisory Board for Accounting ("ConseiJ National de la Comptabilite") and the accounting guidelines applicable to French chemicals companies.

The accounting general principles were applied in compliance with the prudence principle, in accordance with the following basic assumptions:

- Going concern;
- Consistency of accounting principles from one period to another;
- Accruals;

and the general financial statement preparation and presentation rules.

In general, all valuations were made based on historical costs. The currency for these accounts is the Euro (€).

Financial assets: Financial assets excluding receivables, loans and deposits are booked at their acquisition cost. At the closing date, Solvay Finance reviews the book value of these investments based on the share of equity held, taking into account net asset gains, changes in the investment since the purchasing date and future outlooks. Where the book value is less than the financial asset cost, a provision for impairment is booked for the difference.

Receivables: Receivables are booked based on their nominal value. A provision is booked when the likely net realisable price is below the book value.

Provisions for liabilities and charges: Solvay Finance has recorded provisions for liabilities and charges meeting the definition provided by the French Accounting Committee (*Comite de la Reglementation Comptable*) in CRC notice 00-06 covering liabilities:

(1) a provision for liabilities and charges is a liability whose due date or amount is not precisely defined;
(2) a liability is an asset with a negative economic value for the entity, which is to say a commitment from the company towards a third party, which is likely or certain to result in an outflow of resources without consideration of an equivalent value at minimum.

No provision was booked at 31 December.

According to EEC rules, an environmental liability should be considered as a contingent liability and disclosed as such in the notes to the financial statements, in the rare cases where a best estimate value cannot be determined. For environmental liabilities that will not be settled in the near future, the 4% discount rate applied is consistent with the rate used in the consolidated accounts. The impact of present value changes will be shown concurrently with the provision change.

No asset or provision was booked at 31 December to take into consideration future environmental costs incurred to prevent or remediate future damages or maintain resources.

Bonds: The bonds were booked at their nominal value taking into consideration accrued interest, but without a calculation of the net present value.

4.3.12 There was no change in the valuation method or the presentation of annual accounts during 2011

4.3.13 As per the report issued by the statutory auditors, there are no contingent liabilities as on 31 December 2011.

4.3.14 As on the date of the Second Corrigedum, Solvay Finance does not have any subsidiaries or joint ventures in India, and is not a promoter of any Indian company.

4.3.15 As at the date of the Second Corrigedum, Solvay Finance does not directly own any Shares in the Target Company.

4.4 Details of the PACs – Rhodia

4.4.1 Rhodia is a limited liability company formed and registered on 18 February 1994, under the laws of France. Rhodia is registered in the commercial and companies register of Nanterrre under number 352 170 161 RCS NANTERRE, with its registered office located at Immeuble Coeur Défense, Tour A, 110, esplanade Charles de Gaulle – La Défense 4 – 92931 Paris La Défense Cedex - France.

4.4.2 Rhodia belongs to the Solvay Group. The promoter and person in control of Rhodia is (i) Solvay and (ii) the

Acquirer

4.4.3 Rhodia is a world leader in the development and production of specialty chemicals. Rhodia provides added-value products and high-performance solutions to diversified markets, including automotive, electronics, flavours and fragrances, health, personal and home care, consumer goods and industrial, through their 11 global business units.

4.4.4 Rhodia has complied with the filing requirements under Chapter II of the 1997 Regulations

The status of compliance with the provisions of Chapter II of the 1997 Regulations is annexed to this Draft Letter of Offer as Annexure I.

4.4.5 At the date of the Second Corrigendum, the outstanding share capital of Rhodia is € 107,077,559/- (Rs. 7,718,846,457/-) fully paid up and divided into 107,077,559 ordinary shares of nominal value of € 1/- (Rs. 72.09/-) each. The shareholding structure of Rhodia is as follows:

Shareholding	Shares held	Percentage
Solvay	10,637,102	9.93%
Acquirer	94,394,175	88.15%
Treasury Shares	558,749	0.52%
Public - Individuals	1,487,533	1.39%
Total	**107,077,559**	**100%**

4.4.6 The shareholding pattern of Rhodia as on the date of the Second Corrigendum is as under

Sl. No.	Shareholder's category	No. of shares held	Percentage of shares held
1.	Promoters / Persons in control	105,031,277	98.08%
2.	FII/ Mutual-Funds/ FIs/Banks	-	-
3.	Treasury Shares	558,749	0.52%
4.	Public / Others	1,487,533	1.39%
	Total Paid Up Capital	**107,077,559**	**100%**

4.4.7 The shares of Rhodia were listed for trading on NYSE Euronext Paris stock exchange. With effect from 16 September 2011, the shares of Rhodia have been delisted.

4.4.8 As on the date of the Second Corrigendum the Chairman of Rhodia is Mr. Jean-Pierre Clamadieu and the Managing Director of Rhodia is Mr. Gilles Auffret. Brief particulars of the Board of Directors are as under:

Name / Designation	Residential Address	Whether such Director is already on the Board of the Target Company	Date of Appointment	Experience	Qualification
Jean Pierre Clamadieu	Rhodia - Immeuble Coeur Défense – Tour A 110, esplanade Charles de Gaulle, 92400 Courbevoie, France	No	3 October 2003	**Jean-Pierre Clamadieu** is the CEO of Solvay and has been the Chairman of Rhodia since 27 October 2011 and previously the Chairman and Chief Executive Officer of Rhodia since March 2008. Prior to that, he served as the Chief Executive Officer and Director since October 2003. He has also been a director on the board of directors of Faurecia since 29 May 2007 and of SNCF since 21 February 2008 and of AXA since 10 December 2012. Mr. Clamadieu also is the president of the Sustainable Development commission of the MEDEF and of the Franco-Brazilian Business Council of the International MEDEF. He is also Vice-President of the CEFIC (European Chemical Industry Council) and a member of the board of the ICCA (International Chemical Industry Council). Mr.	Graduate of the École des Mines of Paris

Name / Designation	Residential Address	Whether such Director is already on the Board of the Target Company	Date of Appointment	Experience	Qualification
				Clamadieu was president of the Pharmacy and Agrochemicals Division from April to October 2003, president of the Fine Organics Division from January 2002 to April 2003, Senior Vice President of Corporate Purchases in 2001 and president of the Eco Services Enterprise between 1999 and 2000. From 1996 to 1999, he served as the president of the chemical activities of the Rhône- Poulenc Group for the Latin America zone. Mr. Clamadieu came to Rhône-Poulenc in 1993 to develop new activities in the field of automobile pollution control. Before joining Rhône-Poulenc, Mr. Clamadieu was a technical advisor to the Minister of Labor from 1991 to 1993. Mr. Clamadieu started his professional career in 1984, occupying various positions in French governmental agencies such as the Regional Industry and Research Office (DRIR) and the French Delegation for Territorial Development and Regional Action (DATAR). Mr. Clamadieu was born on 15 August 1958; he is a graduate of the École des Mines of Paris.	
Gilles Auffret	Rhodia - Immeuble Coeur Défense – Tour A 110, esplanade Charles de Gaulle, 92400 Courbevoie, France	No	27 October 2011	Gilles Auffret has been the CEO of Rhodia since 27 October 2011 and member of the Executive Committee of Solvay in charge of the Rhodia Sector since September 2011. He joined the Group Rhodia in 1999 as Deputy President in charge of the Polyamide Division and held the position of Chief Operating Officer of Rhodia, Member of the Group Executive Committee between 2001 and 2011. From 1982 to 1999 he held various positions within the Pechiney Group including that of Director of the Aluminum Metals Department, Member of the Board Committee of Cebal Directors. He then became Sales Director of Pechiney Aluminium Metal Department. He began his career in 1975 as an auditor at the Government Accounting Office. Then, he joined the Ministry of Industry as an Official representative for the Director General of Industry. In 1982 he was appointed Public Auditor at the Government Accounting	Gilles Auffret is a graduate of Ecole Polytechnique, Ecole Nationale d'Administration (ENA), Science Politique, and the National School for Statistics and Economic Administration (ENSAE)
Bernard de Laguiche	Solvay, rue de Ransbeek 310, B – 1120 Brussels, Belgium	No	27 October 2011	Bernard de Laguiche is Director of Rhodia since October 2011 and is Chief Financial Officer, member of the Executive Committee and Member of the Board of Directors of Solvay since March 2006. From 2002 to 2006, he was CEO of Solvay Solexis (Milan). Previously, he led the entity at the head of Corporate Planning Group (1995-2002) and was appointed to the	Bernard de Laguiche graduated in economics from the University of St. Gallen (Switzerland).

Name / Designation	Residential Address	Whether such Director is already on the Board of the Target Company	Date of Appointment	Experience	Qualification
				Executive Committee of Solvay in 1998. In 1994 he was appointed Deputy Chief Financial Officer of Solvay after holding responsibilities from Solvay Pharmaceuticals. He joined Solvay in 1987 after starting his career in Senior Auditor within the Sandoz group.	
Michel Defourny	Solvay, rue de Ransbeek 310, B – 1120 Brussels, Belgium	No	27 October 2011	Michel Defourny has been Director of Rhodia since October 2011. He joined the Solvay Group end 1987 and occupied since this date different positions at the Financial Central Direction, as well as in Chemical sector and Plastic sector (Finance Manager). In November 2001, he has been assuming the function of Head of Corporate Communications and Investor Relations. Since June 2010, he combines his function of Group Corporate Secretary with his responsibility for Communications.	Michel Defourny is Commercial engineer (ICHEC)
Solvay Participations France (Legal entity)	25, rue de Clichy, 75009 Paris, France	No	17 December 2012		

4.4.9 Based on the Statutory auditors' (PricewaterHouseCoopers, France) report on the consolidated financial statements, prepared in accordance with the IFRS, the financial information of Rhodia is as below:

(i) Audited Profit and Loss Account for the years ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

Profit and Loss Account	Year ended 31 December 2008		Year ended 31 December 2009		Year ended 31 December 2010		Year ended 31 December 2011	
	€ MM	Rs. Lacs	€ MM	Rs. Lacs	€ MM	Rs. Lacs	€ MM	Rs. Lacs
Net Sales	4,763	3,433,480	4,031	2,905,807	4,793	3,455,106	5,862	4,225,711
Other Revenue	550	396,476	446	321,506	378	272,487	367	264,557
Cost of Sales	-4,382	-3,158,830	-3,684	-2,655,667	-3,985	-2,872,647	-4,835	-3,485,382
Administrative and Selling Expenses	-482	-347,457	-504	-363,316	-536	-386,384	-608	-438,286
Research and Development Expenditure	-73	-52,623	-73	-52,623	-80	-57,669	-91	-65,599
Restructuring Costs	-40	-28,835	-33	-23,789	6	4,325	3	2,163
Other Operating Income	36	25,951	39	28,114	40	28,835	97	69,924
Other Operating Expenses	-63	-45,414	-62	-44,694	-64	-46,135	-89	-64,157
Operating Profit	**309**	**222,747**	**160**	**115,338**	**552**	**397,917**	**706**	**508,931**
Finance Income	138	99,479	87	62,715	103	74,249	114	82,179
Finance Costs	-313	-225,631	-287	-206,888	-311	-224,189	-367	-264,557
Foreign Exchange Gains/(Losses)	-3	-2,163	10	7,209	9	6,488	5	3,604
Share of Profit/(Loss) of Associates	-1	-721	0		0	0	1	0
Profit/(Loss) Before Income Tax	**130**	**93,712**	**-30**	**-21,626**	**353**	**254,465**	**459**	**330,877**
Income Tax Expense	-55	-39,648	-71	-51,181	-112	-80,737	-146	-105,246
Profit/(Loss) from Continuing Operations	75	54,065	-101	-72,807	241	173,728	313	225,631
Profit/(Loss) from Discontinued Operations	32	23,068	-31	-22,347	21	15,138	847	610,573
Net Profit/(Loss) for	**107**	**77,133**	**-132**	**-95,154**	**262**	**188,867**	**1,160**	**836,203**

the Period								
Attributable to								
Equity Holders of Rhodia S.A.	105	75,691	-132	-95,154	259	186,704	1,147	826,832
Non Controlling Interests	2	1,442	0	0	3	2,163	13	9,371

Source: Statutory Auditor's Report on the Financial Statements for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(ii) Audited Balance Sheet as on 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011:

Balance Sheet	**As on 31 December 2008**		**As on 31 December 2009**		**As on 31 December 2010**		**As on 31 December 2011**	
	€ MM	**Rs. Lacs**	**€ MM**	**Rs. Lacs**	**€ MM**	**Rs. Lacs**	**€ MM**	**Rs. Lacs**
Assets								
Property, Plant and Equipment	1,501	1,082,018	1,458	1,051,021	1,560	1,124,549	1,568	1,130,316
Goodwill	197	142,010	215	154,986	420	302,763	432	311,414
Other Intangible Assets	181	130,477	193	139,127	328	236,444	332	239,327
Investments in Associates	13	9,371	12	8,650	12	8,650	38	27,393
Other Non-Current Financial Assets	92	66,320	118	85,062	135	97,317	279	201,121
Deferred Tax Assets	171	123,268	170	122,547	168	121,105	124	89,387
Non-Current Assets	**2,155**	**1,553,464**	**2,166**	**1,561,394**	**2,623**	**1,890,829**	**2,773**	**1,998,959**
Inventories	666	480,096	475	342,411	627	451,982	685	493,793
Income Tax Receivable	12	8,650	26	18,742	29	20,905	23	16,580
Trade and Other Receivables	821	591,830	692	498,839	910	655,987	956	689,147
Derivative Financial Instruments	148	106,688	113	81,458	90	64,878	299	215,539
Other Current Financial Assets	28	20,184	100	72,087	34	24,509	217	156,428
Cash and Cash Equivalents	492	354,666	691	498,118	782	563,716	704	507,489
Assets Classified as Held for Sale	2	1,442	3	2,163	36	25,951	6	4,325
Current Assets	**2,169**	**1,563,556**	**2,100**	**1,513,817**	**2,508**	**1,807,929**	**2,890**	**2,083,300**
Total Assets	**4,324**	**3,117,020**	**4,266**	**3,075,210**	**5,131**	**3,698,758**	**5,663**	**4,082,258**
Equity/(Deficit) and Liabilities								
Share Capital	1,213	874,409	1,213	874,409	105	75,691	106	76,412
Additional Paid-in Capital	138	99,479	138	99,479	1,290	929,916	1,336	963,076
Other Reserves	86	61,994	213	153,544	303	218,422	325	234,281
Deficit	-1,812	-1,306,207	-2,299	-1,657,269	-2,006	-1,446,055	-944	-680,497
Equity Deficit Attributable to Equity Holders of Rhodia S.A.	***-375***	***-270,324***	***-735***	***-529,836***	***-308***	***-222,026***	***823***	***593,272***
Minority Interests	19	13,696	16	11,534	20	14,417	34	24,509
Total Equity Deficit	***-356***	***-256,628***	***-719***	***-518,302***	***-288***	***-207,609***	***857***	***617,781***
Borrowings	1,612	1,162,034	1,655	1,193,032	1,672	1,205,286	865	623,548
Retirement Benefits and Similar Obligations	1,155	832,599	1,459	1,051,742	1,419	1,022,907	1,320	951,542
Provisions	279	201,121	370	266,720	425	306,368	349	251,582
Deferred Tax Liabilities	38	27,393	28	20,184	62	44,694	40	28,835
Other Non-Current Liabilities	33	23,789	36	25,951	27	19,463	76	54,786
Non-Current Liabilities	***3,117***	***2,246,936***	***3,548***	***2,557,629***	***3,605***	***2,598,718***	***2,650***	***1,910,292***
Borrowings	219	157,869	165	118,943	338	243,652	448	322,948
Derivative Financial Instruments	123	88,666	115	82,899	94	67,761	268	193,192
Retirement Benefits and Similar Obligations	93	67,040	94	67,761	91	65,599	77	55,507
Provisions	137	98,759	160	115,338	132	95,154	178	128,314
Income Tax Payable	19	13,696	16	11,534	40	28,835	26	18,742

Trade and Other Payables	972	700,681	887	639,407	1,113	802,323	1,159	835,483
Liabilities Associated with Assets Classified as Held for Sale	0	0	0	0	6	4,325	0	0
Current Liabilities	***1,563***	***1,126,712***	***1,437***	***1,035,883***	***1,814***	***1,307,649***	***2,156***	***1,554,185***
Total Equity/(Deficit) and Liabilities	**4,324**	**3,117,020**	**4,266**	**3,075,210**	**5,131**	**3,698,758**	**5,663**	**4,082,258**

Source: Statutory Auditor's Report on the Financial Statements for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(iii) Other Financial Data for the years ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011:

Other Financial Data	**Year ended 31 December 2008**		**Year ended 31 December 2009**		**Year ended 31 December 2010**		**Year ended 31 December 2011**	
	€	**Rs.**	**€**	**Rs.**	**€**	**Rs.**	**€**	**Rs.**
Dividend (%)	0%	0%	25%	25%	50%	50%	NA	NA
Book Value Per Share (1)	-3.7	-2,663	-7.6	-5,263	-2.8	-2,020	8.1	5,806
Earnings Per Share(2)	1.03	746	-13.2	-952	2.52	1,817	10.78	7,770
Return on Net Worth (%) (3)	Not Meaningful	Not Meaningful	Not Meaningful	Not Meaningful	Not Meaningful	Not Meaningful	139.4%	139.4%

Source: Statutory Auditor's Report on the Financial Statements for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(1) Book Value Per Share computed as the Total Shareholder's Equity (Net Worth) attributable to Equity Holders of Rhodia S.A. / number of equity shares outstanding at the end of the year
(2) Earnings Per Share calculated as Net Income / (Loss) for the year / number of equity shares outstanding at the end of the year
(3) Return on Shareholder's Equity (Net Worth) calculated as Net Income / (Loss) attributable to Equity Holders of Rhodia S.A. for the year / Shareholder's Equity (Net Worth) as at the end of the year

(The reporting currency for the above financial data is Euro (€). For the purpose of convenience the same is converted into Rupees where applicable at one € = Rs. 72.0856 being the exchange rate as on 15 February 2013; Source: www.rbi.org.in)

4.4.10 The significant accounting policies of Rhodia, as per the financial statements for the period January 1, 2011 to 31 December 2011, are as under:

Rhodia, together with all its subsidiaries are referred to as the "Rhodia Group".

Principal accounting methods

Accounting standards

The Rhodia Group's consolidated financial statements for the year ended December 31, 2011 were prepared in accordance with IFRS (International Financial Reporting Standards), as adopted by the European Union and applicable as from December 31, 2011. These standards include international accounting standards (IAS and IFRS) and Interpretation Committee interpretations (SIC and IFRIC).

These consolidated financial statements are also consistent with the IFRS issued by the IASB (International Accounting Standards Board) and applicable as from December 31, 2011.

Basis of preparation for the consolidated financial statements

The consolidated financial statements are presented in euros, the functional and presentation currency of the parent company. Amounts are rounded up to the nearest million.

The Rhodia Groups's consolidated financial statements were prepared on a historical cost basis, with the exception of derivatives and financial assets held for trading or classified as available for sale, which are measured at fair value. Non-current assets and groups of assets held for sale are measured at the lower of their net carrying amount and fair value, less costs to sell.

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 methods and the amounts shown in the financial statements.

Standards, interpretations and amendments applicable as from 2011

IFRS 3 revised *Business Combinations* was applied for all the acquisitions which occurred within 2011.
No other standards, interpretations and amendments to standards adopted by the European Union and applicable as from 2011 had significant impact on the consolidated financial statements.

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

According to the Rhodia Group, the other standards, interpretations and amendments already adopted by the European Union but not yet applicable to the year ended December 31, 2011 will have no significant impact on the consolidated financial statements.

Consolidation principles

Subsidiaries

Subsidiaries are those companies over which Rhodia exercises control directly or indirectly, i.e. it has the power to govern the financial and operating policies so as to obtain benefits from their activities. Rhodia 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 Rhodia and its subsidiaries are taken into consideration.

Special purpose entities that are, in substance, controlled by Rhodia Group and in which the Rhodia does not have an equity investment are considered as subsidiaries. Rhodia may, under trade receivable securitization programs, use special purpose entities such as dedicated mutual funds.

Joint ventures

The companies over which Rhodia exercises a joint control in accordance with contractual arrangements are proportionately consolidated. The consolidated financial statements include the Rhodia Group's share in the assets, liabilities, income and expenses of these companies.

Associates

Associates are those companies over which Rhodia exercises significant influence, but not control, with generally an investment representing between 20% and 50% of voting rights. They are initially recognized at cost under the equity method. The carrying amount of the investment is then increased (decreased) to recognize the share of the profit (loss) of the associate after acquisition.

When a change is recognized directly in the other comprehensive income of the associate, the Rhodia recognizes its share directly in its other comprehensive income.

In the event of impairment, the Rhodia Group determines the recoverable amount of its net investment in the associate and recognizes an impairment loss should its equity carrying value exceed such amount.

Changes of control / significant influence

Subsidiaries, joint ventures and associates are included in the financial statements as from the date of obtaining control or significant influence. They are excluded from the financial statements as from the date of losing control or significant influence.

In case of loss of significant influence or joint-control, Rhodia recognizes in profit or loss the difference between the the fair value of any retained investment and any proceeds from disposing of the part interest in the associate or jointly-controlled entity; and the carrying amount of the investment at the date when significant influence or joint-controlled is lost.

Transactions eliminated in the consolidated financial statements

Transactions between subsidiaries are fully eliminated. Transactions with joint ventures are eliminated to the extent of the investment reflected in the consolidated financial statements.
Unrealized gains arising from intra-Group transactions are eliminated in the same way as unrealized losses unless they represent an impairment loss. Unrealized gains and losses arising from transactions between the Rhodia Group and its joint ventures or associates are eliminated in proportion to the Rhodia Group's investment in these entities.

Translation of the foreign currency transactions and financial statements of foreign companies

Translation of foreign currency transactions

The functional currency of the Rhodia Group's entities is generally the local currency. Foreign currency transactions are translated in their functional currency using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency are translated at the closing rate. The corresponding exchange differences are recognized in finance income or costs.

The exchange differences relating to loans and borrowings with a foreign subsidiary, which, in substance, form part of the net investment in the subsidiary, are recognized directly in equity, until the disposal of the net investment when they are recognized in profit or loss.

Translation of the financial statements of foreign entities

The financial statements of the Rhodia Group's foreign entities, whose functional currency is not the euro, are translated as follows:

- Assets and liabilities (including goodwill and fair value adjustments on the date of acquisition) are translated at the official closing rates;
- Income and expenses are translated at the average rate for the period which, excluding major exchange rate fluctuations, is considered as similar to the exchange rates at the date of the transactions;
- All resulting exchange differences are recognized directly in equity.

In 2011, the economy of Venezuela continued to be qualified as hyperinflationary. Insofar as the Rhodia's investments and activities in this country are insignificant, the accounting practices for hyperinflationary economies set forth in IAS 29 *Financial Reporting in Hyperinflationary Economies* were not adopted at December 31, 2011.

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, Rhodia was granted carbon dioxide (CO2) emission allowances for some of its installations. Rhodia is also involved in Clean Development Mechanism (CDM) and Joint Implementation (JI) projects placed under the authority of the United Nations Framework Convention on Climate Change (UNFCCC) under the Kyoto protocol.

Under these projects, Rhodia has deployed facilities in order to reduce greenhouse gas emissions at the relevant sites in return for Certified Emission Reductions (CER) or Emission Reduction Units (ERU).

Treatment of European Union Allowances (EUA)

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

In the absence of specific IFRS guidance, Rhodia recognizes emission allowances using the following method:

Initial recognition: the allocated emission allowances, measured at market value at January 1, are recognized as other intangible assets in consideration of a government grant recognized in liabilities;

Subsequent recognition: the grant is recognized in the income statement on a straight-line basis over the year (in the absence of seasonal discharges). In addition, a liability corresponding to the allowances to be surrendered is recognized for the actual gas emissions, with the related expense being recognized in the income statement. This liability is measured at the initial value of allowances allocated or purchased and, where necessary, at market value up to the number of allowances missing at the closing date over the number of allowances to be surrendered. Excess allowances maintained in assets are tested for impairment annually and more frequently should there be indications of impairment;

Allowances surrendered for the emissions for the period: at the effective date of surrender, the intangible asset and the corresponding liability are derecognized;
Sales of allowances: the gains or losses arising on the sale of allowances are recognized in the income statement under cost of sales.

Treatment of Certified Emission Reductions (CER)

Under the CDM projects, Rhodia 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, Rhodia receives Certified Emission Rights (CER) which are freely transferable. As part of the development of Rhodia Energy Services and to organize the sale of the CERs arising from the two projects, Rhodia has implemented Orbeo Climate Care, the subsidiary in charge of these projects.

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

In order to manage exposure to future CER price fluctuations, Rhodia 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*, Otherwise, they represent off-balance sheet commitments.

Treatment of Orbeo Climate Care's activities

In addition to selling CERs on behalf of the two shareholders, the Orbeo Climate Care subsidiary 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-Rhodia transactions:

- in net sales or cost of sales for the "industrial" component, where Orbeo Climate Care sells the CERs generated by Rhodia;
- in "other operating income" or "other operating expenses" for the "trading" component, where Orbeo Climate Care purchases / sells CERs and EUAs;
- in "other operating income and expenses" for the "Origination" component.

The margin calls relating to the derivative instruments contracted by Orbeo Climate Care are recognized in Other current financial assets in respect of guarantee deposits paid, and in Borrowings in respect of guarantee deposits received. Cash flow movements arising from these margin calls have been isolated in a separate line in the Consolidated Statements of Cash Flows under Net cash flow from operating activities.

Property, plant and equipment

Initial recognition

The property, plant and equipment owned by Rhodia 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 Rhodia;

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 interim interest 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.

Subsequent expenditure

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

The carrying amount of replaced items is derecognized.

Repair and maintenance costs are recognized in the income statement as incurred.

On account of its industrial activity, Rhodia 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.

Depreciation

Land is not depreciated. Other items of property, plant and equipment are depreciated using the straight-line method over the estimated useful life. The estimated useful lives are as follows:

Buildings	10 – 40 years
Plant and equipment:	
Machinery and equipment	5 – 15 years
Other equipment	3 – 15 years
Vehicles	4 – 20 years
Furniture	10 – 15 years

The residual values and useful lives are reviewed and, where necessary, adjusted annually or when there are permanent changes in operating conditions.

Dismantling costs

Dismantling and restoration costs are included in the initial cost of an item of property, plant and equipment if the Rhodia has a legal or constructive obligation to dismantle or restore.

Generally, Rhodia Group does not have any current, legal or constructive obligation to dismantle and/or restore its operating sites in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*, as such obligation is only likely to arise upon the discontinuation of a site's activities. To date, Rhodia has not therefore set aside any provisions for dismantling costs or recognized the components relating to the dismantling of its operating installations.

However, the costs of dismantling discontinued sites or installations are provided when there is a legal obligation (due to a request or injunction from the relevant authorities), or there is no technical alternative to dismantling to ensure the safety compliance of the discontinued sites or installations.

Property, plant and equipment acquired under finance leases

Leases, including those falling within the scope of IFRIC 4 *Determining whether an arrangement contains a lease*, are considered as finance leases if they transfer substantially to Rhodia all the risks and rewards inherent to the ownership of the leased assets with the characteristics of an acquisition. An asset acquired by the Rhodia Group under a finance lease is recognized at fair value at the lease inception date, or if lower, the present value of the minimum lease payments. The corresponding debt is recognized in borrowings. The recognized asset is depreciated using the method described above.

Government grants

Government grants which cover totally or partially the cost of an item of property, plant and equipment are deducted from the acquisition cost and transferred on a systematic basis to the income statement over the useful life of the assets.

Goodwill and business combinations

The acquisition method is used to account for the acquisition of subsidiaries, joint ventures and investments in associates. Goodwill is the excess of the consideration transferred over the share acquired by the Rhodia in the fair value of the entity's net identifiable assets at the acquisition date. The consideration transferred is measured at fair value. It 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. The identifiable assets acquired and liabilities assumed in a business combination are initially measured at their acquisition-date fair values. If the fair value of the Rhodia Group's interest in the net assets of the acquired subsidiary exceeds the cost of the acquisition, the difference is recognized directly in profit or loss. The identification and measurement of acquired assets and liabilities are finalized within a period of one year as from the acquisition date. Acquisition costs are expensed in the period.

Goodwill is tested for impairment annually or more frequently when events or changes in circumstances indicate a possible impairment

Other intangible assets

Research and development

Research expenditure is expensed as incurred.

Development expenditure arising from the application of research findings to a plan or design for the production of new or substantially improved products and processes is recognized as an intangible asset when the Rhodia Group can demonstrate:

- its intention and financial and technical ability to complete the development of the asset;
- how the intangible asset will generate probable future economic benefits for the Rhodia Group; and
- the cost of the asset can be reliably measured.

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

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

Other intangible assets

Other intangible assets are carried at cost in the balance sheet including, where necessary, the interim interest accrued during the development period, less accumulated depreciation and impairment losses. They mainly concern patents, trademarks and software.

The expenditure incurred by the Rhodia Group for the development of software intended for its own use is capitalized when the economic benefits expected to flow from the use of the software over one year exceeds its cost.
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 with finite useful lives are amortized using the straight-line method over their expected period of use. Amortization methods and useful lives are reviewed periodically. The estimated useful lives are as follows:
Patents and trademarks: 25 years on average;
Software: 3 to 5 years;
Development expenditure: 5 to 15 years.

Impairment of property, plant and equipment, goodwill and other intangible assets

Impairment is tested annually and more frequently if there are indications of a loss in value for goodwill, intangible assets in the course of development, and only if there is an indication of a loss in value for items of property, plant and equipment and intangible assets with finite useful lives.

To test impairment, assets are grouped in cash-generating units (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 groups of assets. Goodwill is tested for groups of CGUs that benefit from the synergies resulting from the business combinations that gave rise to the goodwill.

These tests consist in comparing the carrying amount of the assets with their recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from a CGU or group of CGUs. The discount rate used reflects the current market assessments of the time value of money and the risks specific to the asset, CGUs or groups of CGUs tested. In absence of a rate specific to the asset tested, the rate used is calculated using the average cost of capital.

The discount rates are post-tax rates applied to post-tax cash flows. Their use results in the calculation of recoverable amounts identical to those obtained by applying pre-tax rates to pre-tax cash flows, as required by IAS 36.

An impairment loss is recognized in the income statement where the carrying amount of a CGU or group of CGUs exceeds its recoverable amount. The impairment loss is first recognized for the goodwill allocated to the CGU or groups of CGUs tested and then to the other assets of the CGU or group of CGUs on a pro rata basis to their carrying amount.

This allocation should not reduce the carrying amount of an individual asset below the higher of its fair value, value in use or zero.

Impairment losses recognized for goodwill cannot be reversed, contrary to the impairment of property, plant and equipment and other intangible assets. For the reversal of an impairment loss, the carrying amount of the asset should not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. After recognition of an impairment loss or a reversal of an impairment loss, the subsequent depreciation (amortization) charge is calculated to allocate the asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Non-derivative financial assets

Initial recognition

Purchases and sales of financial assets are recognized at the date of transaction on which Rhodia is committed to the purchase or sale of the assets.

A financial asset is derecognized once the Rhodia Group’s contractual rights to receive the future cash flows from the asset have expired or the Rhodia Group has transferred the financial asset to a third party without retaining control or substantially all the risks and rewards.

At initial recognition, the financial assets are carried in the balance sheet at fair value plus the transaction costs directly attributable to the acquisition or issue of the asset (except for the class of financial assets measured at fair value through profit or loss for which such transaction costs are recognized in profit or loss).

A financial asset is classified as current when the cash flows expected to flow from the instrument mature within one year.

Subsequent recognition

At initial recognition, Rhodia 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.

Financial assets at fair value through profit or loss

These are financial assets classified as held for trading that the Rhodia Group has acquired principally for the purpose of selling in the near term. They are measured at fair value and subsequent changes in fair value are recognized in profit or loss.

Financial assets at fair value on option through profit or loss include cash and cash equivalents.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in a regulated market. They are measured at amortized cost.

This category includes operating receivables, deposits and guarantees and loans. These assets are classified in the balance sheet as non-current financial assets or other current financial assets if the repayment schedule is less than one year (at origination) and the asset does not meet the definition of a cash equivalent. Operating receivables are classified in the balance sheet as trade and other receivables.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that Rhodia has the positive intention and ability to hold to maturity. They are measured at amortized cost.

Available-for-sale financial assets

These are non-derivative financial assets that are designated as available-for-sale or not classified under another category. They are measured at fair value, with subsequent changes in fair value recognized directly in other comprehensive income.

This category includes, among others, non-consolidated investments.

Impairment of financial assets (excluding financial assets at fair value through profit and loss)

A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and such events have a negative impact on the estimated future cash flows of the financial asset or group of financial assets.

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

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

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

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

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined by using the weighted average cost or first-in, first-out (FIFO) method. Inventories having a similar nature are measured using the same cost formula.

Finished goods and work-in-progress are measured at the cost of production which takes into account, in addition to the cost of raw materials and supplies, the costs incurred in bringing the inventories to their present location and condition and an allocation of overheads excluding administrative overheads. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Non-current assets and liabilities held for sale

Non-current assets (or groups of assets and liabilities) held for sale are classified separately in the balance sheet under Assets held for sale and Liabilities associated with assets held for sale and are measured at the lower of net carrying amount and fair value less costs to sell.

They are no longer depreciated (amortized) when classified in this category.

Current and deferred tax

Current tax is the amount of income taxes payable in respect of the taxable profit for a period. It also includes the adjustments in current tax for previous periods.

Deferred taxes are calculated by tax entity using the balance sheet liability method, for the temporary differences between the carrying amount of assets and liabilities and their tax base, as well as for the carryforward of unused tax losses and tax credits to the extent that it is probable that taxable profits will be sufficient to recover future tax payables.

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.

The measurement of deferred tax assets and liabilities is based on how the Group expects to recover or settle the carrying amount of the assets and liabilities, by using, under the liability method, tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized or maintained in assets only where it is probable that the tax entity will have future taxable income to which the asset can be allocated.

Deferred tax assets and liabilities are offset for each tax entity when permitted by law.

Cash and cash equivalents

Cash and cash equivalents comprise cash funds, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognized at the fair value of the amount required to settle the associated obligation, net of related costs. Subsequently (insofar as they are not designated as liabilities at fair value through profit or loss), these financial liabilities are recognized at amortized cost using the effective interest rate method

This heading also includes the “debt” component of compound financial instruments. In 2010 and until December 15, 2011 the compound financial instruments issued by the Rhodia Group comprised bonds convertible or exchangeable for new or existing shares (OCEANE). An OCEANE is a compound financial instrument which grants the bondholder the option to convert and/or exchange a bond for a fixed number of Rhodia shares. On initial recognition, the total fair value of the compound instrument was allocated between its “debt” and “equity” components. The fair value of the “debt” component was calculated by discounting future flows at the interest rate obtained by Rhodia for a similar bond with no conversion or exchange option. The “equity” component corresponded to the difference between the total fair value of the compound instrument and the fair value of the “debt” component. The value allocated to the conversion option has remained the same over the term of the bond. The “debt” component was subsequently measured at amortized cost using the effective interest rate method. Issue costs were allocated proportionately to the “debt” and “equity” components.

As at December 15, 2011 Solvay demanded the anticipated reimbursement of the OCEANE in accordance with the Article 4.8.5 of the “Note d’information” (published as at April 23, 2011). The reimbursement of the debt has been handled as a financial debt reimbursement.

In the balance sheet, non-derivative financial liabilities are classified under “Borrowings” and “Trade and other payables” (with the distinction made between the current and non-current portions).

Risk management and derivatives

The Rhodia Group uses derivatives (interest rate swaps and options, currency futures, commodity options and swaps and energy purchase and sale contracts) to hedge its exposure to foreign exchange, interest rate and commodity risk arising from its operating, financing and investing activities. Derivatives are initially recognized at fair value and subsequently remeasured at fair value on each balance sheet date. Changes in fair value are recognized in the income statement under financial income or expenses for derivative financial instruments hedging financial items, and under other operating income or expenses for instruments hedging operating items, except in certain cases when hedge accounting is applicable:

- **Cash flow hedges**: the change in the fair value of the effective portion of the derivative is recognized directly in equity. It is reclassified to profit or loss under a heading corresponding to the hedged item when the item is recognized in profit or loss or the Rhodia no longer expects the hedged transaction to be realized. The change in the value of the ineffective portion of the derivative is recognized directly in financial income or expenses for hedges of financial items, and in other operating income or other operating expenses for hedges of operating items. When the expected transaction gives rise to the recognition of a non-financial asset or liability, the cumulative changes in the fair value of the hedging instrument previously recognized in equity are included in the initial measurement of the asset or liability;
- **Fair value hedge**: the change in the fair value of the derivative is recognized in profit or loss under the same heading as the change in fair value of the hedged item for the portion attributable to the hedged risk.

Provisions for post-employment benefits

The Rhodia Group’s employees are offered various post-employment benefits as a result of legislation applicable in certain countries and the contractual agreements entered into by the Rhodia with its employees. These benefits are classified under defined contribution or defined benefit plans.

Defined contribution plans

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

Defined benefit plans

Defined benefit plans concern all plans other than defined contribution plans. Rhodia is required to provide for the benefits to be paid to active employees and pay those for former employees. Actuarial and/or investment risks fall, in substance, upon the Rhodia Group.
These plans mainly concern:

- retirement benefits: pension plans, termination benefits, other retirement obligations and supplemental benefits;
- medical plans.

Taking into account projected final salaries (projected unit credit method) on an individual basis, post-employment benefits are measured by applying a method using assumptions involving the discount rate, expected long-term return on plan assets specific to each country, life expectancy, turnover, wages, annuity revaluation, medical cost inflation and discounting of sums payable. The assumptions specific to each plan take into account the local economic and demographic contexts.

The amount recorded under post-employment benefits corresponds to the difference between the present value of future obligations and the fair value of the plan assets intended to hedge them, less, where necessary, any unamortized past service cost. If this calculation gives rise to a net commitment, an obligation is recorded in liabilities. If the measurement of the net obligation gives rise to a surplus for the Rhodia, the asset recognized for this surplus is limited to the net total of any unrecognized past service cost and the present value of any future plan refunds or any reduction in future contributions to the plan.

Rhodia has adopted the policy of recognizing the actuarial gains and losses on commitments or assets relating to postemployment benefits and arising from experience adjustments and/or changes in actuarial assumptions directly in equity in the period in which they occur in consideration for the increase or decrease in the obligation. They are presented in the statement of comprehensive income.

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

The amendment or introduction of a new post-employment benefit plan may increase the present value of the defined benefit obligation for services rendered in previous periods, otherwise known as past service cost. This past service cost is recognized in profit or loss on a straight-line basis over the average period until the corresponding benefits are vested by employees. The benefits vested upon adoption or amendment of the plan are immediately recognized in profit or loss.

The actuarial calculations of post-employment benefits are performed by independent actuaries.

Share-based payment

Rhodia has set up various compensation plans for employees offering free shares, preferential stock subscription and stock purchase and subscription options.

The fair value of services rendered by employees in consideration for the granting of shares or options represents an expense. This expense is recognized on a straight-line basis in the income statement over the vesting periods relating to these shares or options 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 shares or options on the grant date. Where appropriate, the cost of the non-transferability of shares by the holder, determined using observable market data on the grant date and the specific market characteristics of the Rhodia share, is taken into account.

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

Provisions

A provision is recognized when Rhodia has a legal or constructive obligation as a result of a past event, which can be reliably measured, and whose settlement is expected to result in an outflow of economic resources for Rhodia.

Provisions are discounted in order to take into account market assessments of the time value of money using risk free inflated rates and specific to the relevant geographical areas. Changes to estimated future cash flows are recognized in other operating expenses in the income statement. The interest expense (reverse discounting) and the changes in discount rates are recognized as finance items in the income statement.

Environmental liabilities

Rhodia periodically analyzes all its environmental risks and the corresponding provisions. Rhodia 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.

Restructuring

Restructuring comprises all measures designed to permanently adapt structures, production and employees to economic changes. A provision for restructuring is recognized when the Rhodia Group has approved a detailed formal plan and has either started to implement the plan, or announced its main features to the public.

Net sales and other revenue

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 Rhodia's know-how.

Other revenue primarily includes commodity and utility trading transactions and other revenue deemed as incidental by the Rhodia 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.

Restructuring costs

Restructuring costs include severance pay, compensation for the early termination of operating leases and all exit costs arising from restructurings, including impairment losses recognized on discontinued assets due to the closure of a site or operation. They are recognized net of reductions in employee benefits already accrued, in case of loss of these benefits by employees.

Other operating income and other operating expenses

Other operating income (other operating expenses) mainly comprise:

- the gains and losses on disposal of non-current assets where they do not relate to operations sold or for sale which are disclosed under Profit or loss from discontinued operations in the income statement;
- in addition to "Orbeo Climate Care's trading activities", positive (negative) changes in fair value of derivative instruments not designated for the hedging of operating items, and positive (negative) changes in fair value corresponding to the ineffective portion of the derivative for hedges of operating items;
- other material operating income (operating expenses) resulting from unusual events and likely to distort the analysis and comparability of the Rhodia Group's performance.

Operating profit or loss

Operating profit or loss corresponds to all income and expenses not arising from financing activities, associates, discontinued operations and income tax.

Finance income and costs

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

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

Net foreign exchange gains or losses 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*.

Income tax expense

Tax expense or tax income for the period includes current tax and deferred tax. Tax is recognized in profit or loss unless it relates to items that are directly recognized in other comprehensive income or in equity, in which case tax is recognized respectively in other comprehensive income or equity.

Discontinued operations

A discontinued operation is a component of Rhodia that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. An operation is classified as discontinued at the time of its sale or beforehand if the operation satisfies the criteria for classification as held for sale.

The net profit or loss from operations sold or for sale and, where necessary, disposal gains or losses and impairment losses subsequent to the measurement of assets at fair value less costs to sell, are disclosed in the income statement under "Profit or loss from discontinued operations".

When a component of the operation is classified in discontinued operations, the comparative income statements are restated as if the component had been classified in discontinued operations at the beginning of each previous comparative period.

Segment information

An operating segment is a component of the Rhodia 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 Rhodia Rhodia's chief operating decision maker is the Executive Committee.

4.4.11 As per the report issued by the statutory auditors as at 31 December 2011, there are contingent liabilities (off-balance sheet commitments) up to an amount of €137 million.

4.4.12 *Reasons for the fall/ rise in total income and profit after tax in the relevant years*

Fiscal 2011 compared to Fiscal 2010

- Net sales increased from €4,793 million to €5,862 million (an increase of +22%)
- Net Profit from sale of discontinued operations amounted to €847 Million, which was a key reason for the increase in Net Profit for 2011 increasing to €1,160 million in 2011 compared to € 262 million in 2010

Fiscal 2010 compared to Fiscal 2009

- Net sales increased +30% in 2010 due to 14% increase in volumes across various markets over the year and progressive increase in selling prices due to renewed inflation of raw materials and energy prices. Throughout 2010, favorable effect due to increased selling price was 9.5% compared to 2009.
- Profit on sale of discontinued operations (€267 million) led to a net profit of €262 million in 2010 as

compared to a loss of €132 million in 2009

Fiscal 2009 compared to Fiscal 2008

- Rhodia witnessed a 15% drop in sales in 2009 as compared to 2008 primarily due to a 12.5% contraction in volumes as compared to 2008
- Loss on sale of discontinued operations to the tune of €31 million and 26.7% decline in recurring EBITDA led to a net loss of €132 million in 2009 as compared to a net profit of €109 million in 2008

4.4.13 As on the date of the Second Corrigendum, Rhodia has 2 (two) subsidiaries/ companies promoted in India, being (i) Rhodia Polymers and Specialities India Private Limited, and (ii) Rhodia Specialty Chemicals India Limited. Rhodia has one joint venture in India in which Rhodia holds at least 50% of the shares, being Hindustan Gum and Chemicals Limited. The details of Rhodia Specialty Chemicals India Limited have already been provided in this Draft Letter of Offer. The details of the Indian companies promoted by Rhodia, none of which is a sick industrial company as on the date of the Second Corrigendum, for the last year based on audited financials are as under:

Name of the Company	Rhodia Polymers and Specialities India Private Limited
Date of Incorporation	31 January 2011
Nature of Business	Manufacturing and marketing of chemicals meant for Engineering Plastics
	Financial Performance
Year Ended	**Year Ended 31 December 2011**
Equity capital (Rs. Lacs)	143
Total Reserves (excluding revaluation reserves) (Rs. Lacs)	2,137
Total Income (Rs. Lacs)	4,899
Loss After Tax (Rs. Lacs)	-169
Earnings Per Shares (Rs.)	-178.44
Net Asset Value (Rs. Lacs)	2,280

Name of the Company	Hindustan Gum and Chemicals Limited			
Date of Incorporation	15 February 1962			
Nature of Business	Manufacturing and marketing of chemicals			
	Financial Performance			
Year Ended	**31 March 2009**	**31 March 2010**	**31 March 2011**	**31 March 2012**
Equity capital (Rs. Lacs)	90	90	90	90
Total Reserves (excluding revaluation reserves) (Rs. Lacs)	14,496	15,679	19,555	65,390
Total Income (Rs. Lacs)	45,218	35,924	77,676	289,423
Profit After Tax (Rs. Lacs)	1,691	3,258	5,531	67,281
Earnings Per Shares (Rs.)	360	188	615	7,476
Net Asset Value (Rs. Lacs)	14,586	15,769	19,645	65,480

4.4.14 As at the date of the Second Corrigendum, Rhodia does not directly own any Shares in the Target Company.

4.5 Details of the PACs - Rhodia UK

4.5.1 Rhodia UK is a limited liability company formed and registered on 18 July 1892, under the laws of England and Wales. Rhodia UK is registered in the commercial and companies register of England and Wales under number 36833, with its registered office located at Oak House, Reeds Crescent, Watford, Hertfordshire, WD24 4QP, United Kingdom.

4.5.2 Rhodia UK belongs to the Solvay Group. The promoter and person in control of Rhodia UK are (i) Rhodia, (ii) Solvay and (iii) Acquirer.

4.5.3 The principal business of Rhodia UK is chemicals and chemical substances and products.

Rhodia UK has complied with the filing requirements under Chapter II of the 1997 Regulations except for certain delays disclosed in the status of compliance with the provisions of Chapter II of the 1997 Regulations and annexed to this Draft Letter of Offer as Annexure I.

4.5.4 At the date of the Second Corrigendum, the outstanding share capital of Rhodia UK is £ 33,304,391 (Rs.

2,788,243,615) fully paid up and divided into 133,217,565 ordinary shares of 25 p. (Rs. 20.93) each.

4.5.5 The shareholding pattern of Rhodia UK as on the date of the Second Corrigendum is as under:

Sl. No.	Shareholder's category	No. of shares held	Percentage of shares held
1.	Promoters (Rhodia Holdings Limited)	133,217,565	100%
2.	FII/ Mutual-Funds/ FIs/Banks	-	-
3.	Public / Others	-	-
	Total Paid Up Capital	**£ 33,304,391**	**100%**

4.5.6 The shares of Rhodia UK are not listed for trading on any stock exchange.

4.5.7 As on the date of the Second Corrigendum, the Managing Director of Rhodia UK is Mr. Robert William Tyler. Brief particulars of the Board of Directors are as under:

Name / Designation	Residential Address	Whether such Director is already on the Board of the Target Company	Date of Appointment	Experience	Qualification
Robert William Tyler (Managing Director)	58 Thrupp Lane Stroud Gloucestershire GL5 2ER	No	7 February 2001	42 years' experience in the pharmaceuticals and chemicals industry. Responsibilities have included commercial operations, raw materials purchasing and human resources. Most recently serving as UK country managing director, VP Europe (supervising activities in Italy, Spain and Poland and global facilities director	Bachelor of Science – Chemistry
Jean-Francois Berthiaume (Site director)	122 Knightlow Road, Birmingham, B17 8QA	No	8 August 2012	Held positions as process engineer, shift supervisor, technical manager, engineering manager, operations manager and site director or a number of chemical manufacturing facilities in Canada, US and UK.	Bachelor of Science – Chemical Engineering
Brian Downward (Global Oilfield Business Director)	Bryony Chapel Close Leigh Sinton Worcestershire Wr13 5BP	No	7 June 2006	27 years' experience with Albright & Wilson and Rhodia in a wide variety of commercial and business development roles both in manufacturing and service companies. Most recently in global business development and management roles for the oil and gas markets supplied by Novecare.	Bachelor of Science (Hons.)
Tom Dutton (HSE Director)	104 West Malvern Road Malvern Worcestershire WR14 4NB	No	11 February 2008	8 years' experience working at the Oldbury manufacturing site, served as Oldbury site HSE manager for the next 14 years, following which in 2006 he was appointed as manager in charge of all HSE matters for the UK.	Bachelor of Engineering, MICHEME
John Anthony Hamnett	82 Pereira Road Harborne Birmingham B17 9JN	No	11 February 2008	20 years total experience on Albright & Wilson and Rhodia manufacturing site. 11 of these years spent in operational management roles, latterly the position of site director at the largest UK manufacturing site.	Bachelor of Engineering, MICHEME

Barry Milner (Site Director)	37 Peterhouse drive Otley Leeds West Yorkshire LS21 1DS	No	11 February 2008	39 years' experience in chemical manufacturing industry within technical service, Qc and R&D. Last 16 years of this experience have been in operational management most recently as site director for leeds and Halifax locations.	Chartered Chemist
Alison Murphy (Finance Director)	Wightwick Mill Bridgnorth Road Wolverhampton West Midlands WV6 8BD	No	1 June 2007	8 years' experience working in large accountancy practice completing complex audits. Since then 15 years working in finance for Albright & Wilson and then Rhodia in a variety of finance roles. Most recently head of finance for UK and company secretary	Chartered Accountant

4.5.8 Based on the statutory audited financial statements, prepared in accordance with UK Accounting Standards Regulations, the financial information of Rhodia UK on a stand-alone basis are set out in the table below:

(i) Audited Profit and Loss Account for the years ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011:

Profit & Loss Account	**Year Ended 31 December 2008**		**Year Ended 31 December 2009**		**Year Ended 31 December 2010**		**Year Ended 31 December 2011**	
	£'000	**Rs. Lacs**	**£'000**	**Rs. Lacs**	**£'000**	**Rs. Lacs**	**£'000**	**Rs. Lacs**
Turnover								
Continuing operations	122,716	102,738	82,709	69,244	110,863	92,815	112,564	94,239
Acquired Operations	0	0	3,595	3,010	0	0	0	0
Discontinued operations	7,953	6,658	0	0	0	0	0	0
Total Turnover	***130,669***	***109,396***	***86,304***	***72,254***	***110,863***	***92,815***	***112,564***	***94,239***
Cost of sales								
Continuing operations	-93,991	-78,689	-73,905	-61,873	-90,741	-75,968	-97,873	-81,939
Acquired Operations	0	0	-3,299	-2,762	0	0	0	0
Discontinued operations	-8,094	-6,776	0	0	0	0	0	0
Total Cost of Sales	***-102,085***	***-85,466***	***-77,204***	***-64,635***	***-90,741***	***-75,968***	***-97,873***	***-81,939***
Gross profit	**28,584**	**23,931**	**9,100**	**7,619**	**20,122**	**16,846**	**14,691**	**12,299**
Net Operating expense	-29,424	-24,634	-18,298	-15,319	-26,965	-22,575	-48,901	-40,940
Operating (loss) / Gain								
Continuing Operations	3,736	3,128	-9,282	-7,771	-6,843	-5,729	-34,210	-28,641
Acquired Operations	-4,576	-3,831	84	70	0	0	0	0
Discontinued Operations	-840	-703	-9,198	-7,701	-6,843	-5,729	-34,210	-28,641
(Loss) / profit on sale of fixed assets	436	365	747	625	86	72	-87	-73
Income from shares in group undertakings	4,404	3,687	5,952	4,983	590	494	547	458
Interest payable and similar charges	-20,250	-16,953	-10,440	-8,740	-4,878	-4,084	-5,483	-4,590
Interest receivable and similar charges	13,624	11,406	5,786	4,844	537	450	32	27
Other finance (expense)	2,023	1,694	-13,614	-11,398	-8,750	-7,326	-5,969	-4,997
(Loss) on ordinary activities before taxation	**-603**	**-505**	**-20,767**	**-17,386**	**-19,258**	**-16,123**	**-45,170**	**-37,816**
Tax credit / (charge) on ordinary activities	-34	-28	-97	-81	-59	-49	295	247
Loss for the financial year	**-637**	**-533**	**-20,864**	**-17,467**	**-19,317**	**-16,172**	**-44,875**	**-37,569**

Source: Statutory auditor's report on the stand alone financial statements for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(ii) Audited Balance Sheet for the years ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011:

Balance Sheet	**As on 31 December 2008**		**As on 31 December 2009**		**As on 31 December 2010**		**As on 31 December 2011**	
	£'000	**Rs. Lacs**	**£'000**	**Rs. Lacs**	**£'000**	**Rs. Lacs**	**£'000**	**Rs. Lacs**
Fixed assets								
Intangible assets	32,663	27,345	35,062	29,354	33,497	28,044	5,268	4,410
Tangible assets	36,247	30,346	38,906	32,572	37,479	31,377	40,952	34,285
Investments	2,434	2,038	2,350	1,967	5,768	4,829	5,768	4,829
Total Fixed Assets	***71,344***	***59,729***	***76,318***	***63,893***	***76,744***	***64,250***	***51,988***	***43,524***
Current assets								

Balance Sheet	As on 31 December 2008		As on 31 December 2009		As on 31 December 2010		As on 31 December 2011	
	£'000	Rs. Lacs	£'000	Rs. Lacs	£'000	Rs. Lacs	£'000	Rs. Lacs
Stocks	12,549	10,506	9,412	7,880	10,015	8,385	13,354	11,180
Debtors	288,272	241,341	307,879	257,756	35,336	29,583	44,781	37,491
Cash at bank and in hand	192	161	277	232	747	625	415	347
Total Current Assets	***301,013***	***252,008***	***317,568***	***265,868***	***46,098***	***38,593***	***58,550***	***49,018***
Creditors: amounts falling due within one year	-248,282	-207,862	-294,238	-246,336	-44,686	-37,411	-85,017	-71,176
Net current assets	***52,731***	***44,146***	***23,330***	***19,532***	***1,412***	***1,182***	***-26,467***	***-22,158***
Total assets less current liabilities	**124,075**	**103,876**	**99,648**	**83,425**	**78,156**	**65,432**	**25,521**	**21,366**
Creditors: amounts falling due after more than one year	-133,518	-111,781	-135,919	-113,791	-137,494	-115,110	-141,554	-118,509
Provisions for liabilities and charges	-51,537	-43,147	-47,583	-39,836	-49,775	-41,672	-44,075	-36,900
Net liabilities excluding pension liability	***-60,980***	***-51,052***	***-83,854***	***-70,203***	***-109,113***	***-91,349***	***-160,108***	***-134,042***
Pension liability	-93,223	-78,046	-238,842	-199,959	-210,338	-176,095	-268,389	-224,695
Net liabilities	**-154,203**	**-129,099**	**-322,696**	**-270,161**	**-319,451**	**-267,444**	**-428,497**	**-358,738**
Capital and reserves								
Called-up share capital	33,304	27,882	33,304	27,882	33,304	27,882	33,304	27,882
Share premium account	9,048	7,575	9,048	7,575	9,048	7,575	9,048	7,575
Revaluation reserve	604	506	604	506	604	506	604	506
Other reserves	353	296	353	296	353	296	353	296
Profit and loss account	-197,512	-165,357	-366,005	-306,419	-362,760	-303,703	-471,806	-394,996
Total shareholders' deficit	**-154,203**	**-129,099**	**-322,696**	**-270,161**	**-319,451**	**-267,444**	**-428,497**	**-358,738**

Source: Statutory auditor's report on the stand alone financial statements for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(iii) Other Financial Data for the year ending 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011:

Other Financial Data	Year ended 31 December 2008		Year ended 31 December 2009		Year ended 31 December 2010		Year ended 31 December 2011	
	£	Rs.	£	Rs.	£	Rs.	£	Rs.
Dividend (%)	0%	0%	0%	0%	0%	0%	0%	0%
Book Value Per Share (1)	-1.16	-97.29	-2.43	-203.18	-2.4	-201.14	-3.22	-269.67
Earnings Per Share(2)	0.00	-0.40	-0.16	-13.11	-0.15	-12.14	0.34	-28.20
Return on Net Worth (%)(3)	Not Meaningful	Not Meaningful	Not Meaningful	Not Meaningful	Not Meaningful	Not Meaningful	Not Meaningful	Not Meaningful

Source: Statutory auditors' report on the stand alone financial statements for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

(1)Book value per share computed as the Total Shareholder's Equity (Net Worth other than Revaluation Reserve) / number of equity shares outstanding at the end of the year

(2)Earning per share calculated as Net Income / (Loss) for the period / number of equity shares outstanding at the end of the year

(3)Return on Shareholder's Equity (Net Worth) calculated as Net Income / (Loss) for the period / Total Shareholder's Equity (Net Worth) as at the end of the year; metric not meaningful as Net Worth of Rhodia UK has been negative during the period

(The reporting currency for the above financial data is Pound Sterling (£). For the purpose of convenience the same is converted into Rupees where applicable at one £ = Rs. 83.72 being the exchange rate as on 15 February 2013; Source: www.rbi.org.in)

4.5.9 The significant accounting policies of Rhodia UK, as per the financial statements for the period 1 January 2011 to 31 December 2011, are as under:

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting
The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Going concern
The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report.

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £428,497,000 which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Rhodia SA, the Company's ultimate parent. Rhodia SA has indicated that far at least 12 months from the date of approval of thesefinancial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the Company to continue in operational existence far the foreseeable future by meeting its liabilities as they fall due far payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Exemption from preparing consolidated accounts

In accordance with S400 of the Companies Act 2006, the Company has taken advantage of the exemption from the requirement to prepare group accounts because its results are consolidated in the accounts of its parent company Rhodia SA, incorporated in France.

Cash flow statement

The Company is a wholly owned subsidiary of Rhodia SA and is included in the consolidated financial statements of Rhodia SA, which are publicly available. Accordingly, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard Number 1 (revised 1996).

Related party disclosures

The Company bas taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', which requires the disclosure of the details of transactions between the reporting entity and any related parties, on the grounds that it is a wholly owned subsidiary of a group headed by Rhodia SA, a company incorporated in France whose accounts are publicly available, and since September 2011 a wholly owned subsidiary of Solvay SA, a company incorporated in Belgium, whose accounts are publicly available.

Turnover

Turnover represents the invoiced value of goods and services, excluding value added tax, supplied in the normal course of business. Revenue is generally recognised on despatch of goods except where bill and hold arrangements are in place with customers. The Company advises the customer when predetermined quantities of stock have been manufactured and are ready for collection or delivery. The Company then invoices the customer and title passes to the customer although the stock may leave the site at a different time, when collected or called off by the customer.

Research and development

Under a contract signed in 2006, all fundamental research and related development projects undertaken in the UK are funded by the group research and development centre in Paris. From 2008 the majority of research and development work has been undertaken by laboratories based in France and Asia-Pacific. All other research and development expenditure is charged to the profit and loss account in the year it is incurred.

Impairment of assets

The Company' fixed assets are reviewed at each balance sheet date to determine whether events or changes in circumstances exist that indicate that their carrying amount may not be recoverable. If such an indication exists, the fixed asset's recoverable amount is estimated. The recoverable amount is the higher of a fixed asset's net realisable value and its value in use. An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount.

Cash at bank and in hand

Cash at bank and in hand comprises cash in hand and short term deposits with maturities of three months or less from the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Intangible fixed assets

Goodwill, being the difference between the fair value of the purchase consideration and the fair value of the assets acquired, has been capitalised in the accounts and then amortised on a straight line basis over its estimated useful life, not exceeding 20 years.

Customer relationships relating to the acquisition of the business in 2009 were valued by an external valuer and capitalised in the accounts. They are amortised on a straight line basis over their estimated useful life, not exceeding 15 years.

Development costs associated with REACH registration are capitalised as incurred.

Marketing rights are amortised on a straight line basis over their estimated useful life of 10 years.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Except for freehold land and assets under construction, the cost less estimated residual value of tangible fixed assets is depreciated over the expected useful life of each fixed asset on a straight-line basis as follows:

Freehold buildings	40 years
Leasehold land and buildings	40 years or lease term if shorter
Plant and equipment	5 to 15 years

No depreciation is provided until assets are put into commercial use.

Investments

Fixed asset investments are shown at cost less provision for impairment in value.

Leases

Assets held under finance leases are initially reported at the fair value of the asset and treated as tangible fixed assets, with an equivalent liability categorized as appropriate under creditors due within or after more the one year. Depreciation is provided so as to write off the fair value less residual value of the assets over the shorter of their lease term and their estimated economic lives. The interest element of future lease rentals, calculated on a reducing balance basis, is charged to the profit and loss account as interest payable over the period of the lease. The rental costs arising from operating leases are charged to the profit and loss account on a straight-line basis.

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises purchase cost of goods on a first-in, first-out basis, direct labour and those overheads related to manufacture based on normal levels of production. Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event bas taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS 19. Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling using actual exchange rates prevailing at the date of each transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at the year end, or where appropriate, at the rate contained in a related forward exchange contract. All exchange differences are included in the profit and loss account.

Pensions

The Company's pension obligations are financed by payments to group funded defined schemes. As principal employer and largest member of the scheme, Rhodia UK Limited accounts for the value of the schemes assets and liabilities as a defined benefit scheme in accordance with FRS 17.

The UK defined benefit scheme is valued triennially using the Project Unit Method of valuation and the funding payments are assessed in accordance with the advice of an independent professionally qualified actuary. In accordance with FRS 17, current and past service costs, adjusted for settlements and curtailments, are charged to operating profit and the expected return on net assets less interest on scheme liabilities is charged or credited to finance income. Actuarial gains and losses are recognised through the Statement of Recognised Gains and Losses.

Environmental liabilities

The Company is exposed to environmental liabilities relating to its past operations principally in respect of site remediation costs. Provisions are made for estimated remediation costs for both operating and non-operating plants when the directors determine that it is probable that a liability exists and when the cost can be estimated within a reasonable range of possible outcomes.

Revaluation reserve

Surpluses arising on the revaluation of tangible fixed assets are initially credited to a non-distributable reserve known as the revaluation reserve. On the disposal of a revalued fixed asset, any remaining revaluation surplus corresponding to the item is also transferred to the profit and loss account below the profit for the financial year.

Provisions

Provisions are recognised in the balance sheet when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and that obligation can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects the risks specific to the liability.

Interest receivable and similar income

Interest receivable and similar income comprises interest receivable on funds invested, calculated using the effective interest rate.

Interest payable and similar charges

Interest payable and similar charges comprises interest payable on borrowings, calculated using the effective interest rate.

4.5.10 As per the report issued by the statutory auditors, there are no contingent liabilities as on December 31, 2011

4.5.11 As on the date of the Second Corrigendum, Rhodia UK has 1 (one) subsidiary in India, being Rhodia Specialty Chemicals India Limited. The details of Rhodia Specialty Chemicals India Limited have already been provided in this Draft Letter of Offer.

4.5.12 As at the date of the Second Corrigendum, Rhodia UK directly owns 2,461,974 Shares in the Target Company.

5. DISCLOSURE IN TERMS OF REGULATION 21(2)

5.1. If, pursuant to the Offer, the public shareholding falls below the minimum level required as per the Listing Agreement, then in terms of regulation 21(2) of the 1997 Regulations, the Acquirer undertakes to take the necessary steps to facilitate compliance of the Target Company with the requirements of the Listing Agreement, by adopting one of the methods specified therein within the applicable time period. Notwithstanding the preceding sentence, the Acquirer may, at any time following the completion of the Offer, evaluate the option to delist the Target Company. Any decision to delist, however, will depend on a number of factors, including, but not limited to, the public shareholding in the Target Company, financial position of the Acquirer, prevailing price of the Shares of the Target Company, the prevailing regulatory environment for delisting, market conditions and other financial and regulatory requirements that are generally applicable to delisting. As of date, no decision has been taken in this regard by the Acquirer.

6. BACKGROUND OF THE TARGET COMPANY - RHODIA SPECIALTY CHEMICALS INDIA LIMITED

6.1 The Target Company is a public limited company incorporated under the Companies Act, 1956 and has its registered office at “A” Wing, 4th Floor, Phoenix House, 462 Senapati Bapat Marg, Lower Parel - West, Mumbai - 400013; Tel No.: +91 22 6663 7100; Fax: +91 22 2495 2834. The Target Company was originally incorporated as ‘Albright, Morarji and Pandit Limited’ on 25 September 1965. The name of the Target Company was changed to ‘Albright & Wilson Chemicals India Limited’ on 5 June 1997 and was subsequently changed to ‘Rhodia Specialty Chemicals India Limited’ on 12 May 2011.

6.2 The Target Company is engaged in the business of manufacture and sale of industrial chemicals including sulphuric acid, linear alkyl benzene sulphonic acid, and surfactants. The Target Company employs approximately 176 employees and had a net sales of Rs.247 crores (as on 31 December 2011). Major customers of the Target Company include Hindustan Unilever Limited, Procter & Gamble Limited and Godrej Industries Limited.

6.3 The Target Company has one plant at Roha (MIDC Industrial Estate, Dhatav, Dist. Raigad, Maharashtra), located 140 km south-east of Mumbai, producing surfactants for the home care, personal care and agrochemical markets.

6.4 The share capital structure of the Target Company as on the date of the Second Corrigendum is as under:

Paid up Equity Shares of Target company	No. of Shares/voting rights	% of Shares/voting rights
Fully paid up equity shares	3,375,600	100
Partly paid up equity shares	0	0
Total paid up equity shares	3,375,600	100
Total voting rights in Target company	3,375,600	100

6.5 Details of the changes in share capital of the Target Company since incorporation and status of compliance with applicable SEBI regulations / other statutory requirements, are as under:

Date of Allotment	No. of Equity Shares	% of Equity Shares	Face Value (Rs.)	Share Capital Allotted	Cumulative Share capital (Rs.)	Cumulative paid up Share capital (%)	Mode of allotment	Identity of Allottees (promoters / ex-promoters / others)	Status of Compliance
7 November 1965	20	0.00%	50	1,000	1,000	0.00%	Physical	Subscribers to the Memorandum (9 equity shares were	FEMA/ RBI: Complied 1997 Regulations:

Date of Allotment	No. of Equity Shares	% of Equity Shares	Face Value (Rs.)	Share Capital Allotted	Cumulative Share capital (Rs.)	Cumulative paid up Share capital (%)	Mode of allotment	Identity of Allottees (promoters / ex-promoters / others)	Status of Compliance
								allotted to A&W Limited London (***Rhodia UK***)	Not Applicable
24 December 1965	52,000	7.70%	50	2,600,000	2,601,000	7.70%	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not Applicable
24 December 1965	37,500	5.55%	50	1,875,000	4,476,000	13.25%	Physical	The Dharamsi Morarji Chemical Company Limited (***DM Chemical***) (Ex-Promoters)	1997 Regulations: Not Applicable
24 December 1965	4,500	0.67%		225,000	4,701,000	13.92%	Physical	Sitaram Pandit & Others (***Pandits***) (Indian Promoters)	1997 Regulations: Not Applicable
7 April 1966	19,251	2.85%	50	962,550	5,663,550	16.77%	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not Applicable
7 April 1966	9,498	1.40%	50	474,900	6,138,450	18.17%	Physical	DM Chemical (Ex-Promoters)	1997 Regulations: Not Applicable
7 April 1966	1,138	0.16%	50	56,900	6,195,350	18.33%	Physical	Pandits (Indian Promoters)	1997 Regulations: Not Applicable
5 July 1966	1,940	0.28%	50	97,000	6,292,350	18.61%	Physical	DM Chemical (Ex-Promoters)	1997 Regulations: Not Applicable
5 July 1966	360	0.05%	50	18,000	6,310,350	18.66%	Physical	Pandits (Indian Promoters)	1997 Regulations: Not Applicable
8 October 1966	21,000	3.11%	50	1,050,000	7,360,350	21.77%	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not Applicable
2 December 1966	52,793	7.82%	50	2,639,650	10,000,000	29.59%	Physical	Public (Others)	1997 Regulations: Not Applicable
25 October 1972	36,904	5.47%	50	1,845,200	11,845,200	35.06%	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not

Date of Allotment	No. of Equity Shares	% of Equity Shares	Face Value (Rs.)	Share Capital Allotted	Cumulative Share capital (Rs.)	Cumulative paid up Share capital (%)	Mode of allotment	Identity of Allottees (promoters / ex-promoters / others)	Status of Compliance
									Applicable
25 October 1972	43,096	6.38%	50	2,154,800	14,000,000	41.44%	Physical	DM Chemical (Ex-Promoters) / Pandits (Indian Promoters) / Public (Others)	1997 Regulations: Not Applicable
18 January 1977	55,902	8.28%	50	2,795,100	16,795,100	49.72%	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not Applicable
18 January 1977	84,098	12.46%	50	4,204,900	21,000,000	62.18%	Physical	DM Chemical (Ex-Promoters) / Pandits (Indian Promoters) / Public (Others)	1997 Regulations: Not Applicable
22 May 1979	55,902	8.28%	50	2,795,100	23,795,100	70.46%	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not Applicable
22 May 1979	84,098	12.47%	50	4,204,900	28,000,000	82.93%	Physical	DM Chemical (Ex-Promoters) / Pandits (Indian Promoters) / Public (Others)	1997 Regulations: Not Applicable
Total: 560,000 equity shares, of Rs. 50/- each with a cumulative share capital of Rs. 28,000,000/-									
Shares split into face value of Rs. 10/- each from face value of Rs. 50/- on 22 July 1987									
Total: 2,800,000 Shares, of Rs. 10/- each post Share split, with a cumulative share capital of Rs. 28,000,000/-									
28 January 1994	223,608	6.63%	10	2,236,080	30,236,080	89.56%	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not Applicable
28 January 1994	351,992	10.44%	10	3,519,920	33,756,000	100%	Physical	DM Chemical (Ex-Promoters) / Pandits (Indian Promoters) / A&W UK (Foreign Promoters) / Public (Others)	1997 Regulations: Not Applicable

6.6 The Shares are listed for trading on the BSE. As per the information available in the public domain and as confirmed by the Target Company, the Shares have never been suspended from trading on the BSE and no penal/ punitive actions have been taken against the Target Company by the BSE.

6.7 The Target Company does not have any outstanding convertible instruments.

6.8 The promoters, the major shareholders and the Target Company have complied with the applicable provisions of Chapter II of the 1997 Regulations, subject to paragraphs 6.10 and 6.11 below.

The status of compliance with the provisions of Chapter II of the 1997 Regulations is annexed to this Draft Letter of Offer as Annexure I.

6.9 The promoters and the Target Company have complied with the applicable provisions of the Listing Agreement.

6.10 Although Pandit Vasant Pratap, Ranjit Pandit and Pandit Ranjit Vasant are listed as Promoters of the Target Company, they have not made any filings under regulations 6(3) and 8(2) of the 1997 Regulations. Pandit Vasant Pratap, Ranjit Pandit and Pandit Ranjit Vasant hold in aggregate only 31,686 Shares representing 0.94% of the paid up equity share capital of the Target Company.

6.11 On 6 January 2003, the Target Company, along with Rhodia UK, Albright & Wilson Asia Pacific (Holdings) Pte. Ltd., ISPG Limited and Heritage Management Inc. made an application to SEBI for delayed filing of disclosures under the SEBI Regularisation Scheme, 2002 and a regularisation payment was made to SEBI. The delay in filings is provided in the status of compliance with the provisions of Chapter II of the 1997 Regulations annexed to this Draft Letter of Offer as Annexure I.

6.12 Brief particulars of the Board of Directors of the Target Company as on the date of the Second Corrigendum are as under:

Name / Designation	Residential Address	Date of Appointment	Experience	Qualification
Mr. Manoj Khullar (Managing Director)	B-171 Ramprastha, Ghaziabad, 201011, Uttar Pradesh	1 January 2013	Mr. Khullar has a work experience over 19 years. He has vast experience in the areas of technical, manufacturing and marketing. Before joining Target Company, he was working with Jubilant Life Sciences Limited as a Growth Unit Head (Nutritional Intermediates) for 7 years	B.E.(Chemical Engineering), MBA
Mr. Suresh Narsappa Talwar (Chairman)	10 Shiv Shanti Bhawan 146 Maharshi Karve Road Churchgate Reclamation Mumbai - 400 020	31 October 2012	He is a Solicitor and Advocate. Well known Corporate Lawyer and a partner of Talwar Thakore and Associates, a well-known firm dealing with Corporate matters. Before setting up Talwar Thakore and Associates, he was with another well-known law firm, Crawford Bayley & Co. as Partner. He has a rich experience in corporate matters. He is on the Board of many companies including MNCs. He is Chairman of Indian subsidiary of German MNC Merck Limited.	Bachelor of Commerce from Mumbai University Law Graduate from Mumbai University
Mr. Michel Maurice Ybert (Director)	16, Ridley Park Singapore 248488	13 February 2004	He is the President of Rhodia Asia Pacific Pte Ltd, and in charge of Asia Pacific operations of Rhodia. He has 37 years of industrial experience. He has worked for many Companies in different capacities. He has been working with Rhodia Group of Companies since 2003. He has wide experience in areas of operations, marketing, finance and legal.	HEC Graduate
Mr. Chen Pu (Alternate Director)	51, Hill View Avenue 07-02 Singapore 669565	13 February 2013	He is the General Manager of Novecare of Rhodia Asia Pacific and in charge of all operations of Novecare business. He has been working with Rhodia Group since 1985. He has 23 years of industrial Experience. He has been working with Rhodia Group in various capacities.	Post Graduate in Chemistry and MBA
Mr. Ian Edward Brown (Director)	6, Greenleaf Grove Singapore 279491	30 January 2009	He is working as Finance Vice President of Rhodia Asia Pacific. He has 20 Years of Industrial Experience. He has been	ACMA (Member of Chartered Institute

Name / Designation	Residential Address	Date of Appointment	Experience	Qualification
			working with Rhodia Group of Companies in various capacities since 1999.	of Management Accountants)
Ms. Quitterie Florence Marie Du-pontreue-de-Pelleport (Alternate Director)	5 Rue Angelique Verien 92200 Neuilly Sur Seine, France	13 February 2013	Worked for 8 years as lawyer with international law firms. Working with Rhodia Group as Vice President and General Counsel in charge of legal affairs of Rhodia Asia Pacific.	Masters Degree in Corporate Law, Post Graduate Degree in Corporate and Tax Law
Mr. Sanjeev Subroto Mukharjee (Director)	8A, Seaface Park, Bhulabhai Desai Road Mumbai 400 026	15 July 1998	He is the Managing Director of Magic Eye Private Limited which is a manufacturer and exporter of Small Leather Products – Wallets, Handbags, Office equipment, Gift items, Luggage etc.	B.A. Engineering from Cambridge University UK. Chartered Engineer UK Member – Institution of Production Engineers
Mr. Ranjit Vasant Pandit (Director)	Flat No.1, Darbhanga Mansion 12 Carmichael Road Mumbai 400 026	30 January 2009	He is the Managing Director of General Atlantic. General Atlantic is a leading private equity firm with over $ 1 billion invested in India and $15 billion worldwide. Prior to joining General Atlantic, he worked with Mckinsey & Company. He joined the firm in the US in 1980 and served in Cleveland and New York prior to transferring to India in 1993. He is one of the co-founders of Mckinsey & Company's India practice. He led the practice for 11 years; as Managing Director between 1997 –2005 and as Chairman between 2005 -2007.	Engineering Graduate (Electrical) from Mumbai University MBA from Wharton School, University of Pennsylvania
Mr. Yogesh Arvind Thar (Director)	5, Maheshwar Prakash No.2 Cottage Lane, Santacruz West Mumbai 400 054	15 June 2009	Partner of Bansi S. Mehta & Co Bansi S. Mehta & Co. is a well-known firm in India and dealing in accounting and tax matters. Mr. Yogesh Thar is a tax expert and advising corporates on tax matters. He is the Chairman of Audit Committee. He is also the Chairman of Remuneration Committee.	Graduate in Commerce Chartered Accountant
Mr. Prakash Raman (Additional Director)	Sowbhagya 13/2, Old No 109, 4th Street, Karpagam Avenue, Chennai 600028, Tamil Nadu	13 February 2013	Country Manager for the Solvay Group in India and also Managing Director of Solvay Specialities India Pvt. Ltd. He has experience of working in consumer industry, Brand building and Industrial business segments during his stint at DuPont and Asian Paints. He is a certified Six sigma Black Belt resource and a qualified environmental auditor.	B. E. (Chemicals), MBA in marketing and finance
Mr. Pierre Frank Marie Yves Valentine (Additional Director)	62 Trevose Cresent, 02-01 Trevose Park, Singapore 298063	13 February 2013	Currently Vice President – General Manager Novecare Asia Pacific. More than 10 years' experience in the Home & Personal Care market at various positions including sales , marketing and global key account management of big MNCs companies such as L'Oreal and Unilever	MS – Finance & Marketing MS –Chemical Engineering
Mr. Lin Guo (Alternate Director)	RM 1002, No.65, Luoxiu, Rd. Minhang District, Shanghai 200237 China	13 February 2013	Experience in the chemical market more than 10 years.	Ph. D. in Chemistry

6.13 There are no mergers/ demergers/ spin-offs involving the Target Company during the last 3 years.

6.14 The Target Company was originally incorporated as 'Albright, Morarji and Pandit Limited' on 25 September 1965. The name of the Target Company was changed to 'Albright & Wilson Chemicals India Limited' on 5 June 1997 and was subsequently changed to 'Rhodia Specialty Chemicals India Limited' on 12 May 2011.

6.15 Based on the financial statements, audited by BSR & Company, and prepared in accordance with the Companies Act, 1956 and the Indian GAAP, the financial information of Target Company is as under:

Profit & Loss Statement	**Year ended 31 December 2008**	**Year ended 31 December 2009**	**Year ended 31 December 2010**	**Year ended 31 December 2011**
	(Rs. Lacs)	**(Rs. Lacs)**	**(Rs. Lacs)**	**(Rs. Lacs)**
Income from operations	14,354	9,513	16,109	25,078
Other income	1,416	446	694	377
Total income	**15,770**	**9,959**	**16,803**	**25,456**
Total expenditure	**13,525**	**11,557**	**16,054**	**24,794**
Profit before depreciation interest and tax	*2,245*	*-1,598*	*749*	*661*
Depreciation	255	521	799	782
Interest	28	185	319	446
Profit before tax	*1,962*	*-2,304*	*-369*	*-567*
Provision for tax	-587	247	0	0
Profit after tax	**1,375**	**-2,057**	**-369**	**-567**
Balance Sheet Statement	**As on 31 December 2008**	**As on 31 December 2009**	**As on 31 December 2010**	**As on 31 December 2011**
	Rs. Lacs	**Rs. Lacs**	**Rs. Lacs**	**Rs. Lacs**
Sources of funds				
Paid up share capital	338	338	338	338
Reserves and surplus (excluding revaluation reserves)	6,541	4,484	4,115	3,549
Net Worth	6,879	4,821	4,453	3,886
Secured loans	0	673	1,556	1,560
Unsecured loans	100	2,400	2,715	3,500
Total	**6,979**	**7,895**	**8,724**	**8,946**
Uses of funds				
Net fixed assets	5,932	6,601	5,936	5,538
Investments	0	0	0	0
Net current assets	1,047	1,293	2,788	3,408
Total miscellaneous expenditure not written off	0	0	0	0
Total	**6,979**	**7,895**	**8,724**	**8,946**
Other Financial Data	**Year ended 31 December 2008**	**Year ended 31 December 2009**	**Year ended 31 December 2010**	**Year ended 31 December 2011**
Dividend (%) (1)	15%	0%	0%	0%
Earnings Per Share (Rs.) (2)	40.73	-60.94	-10.92	-16.79
Return On Net Worth (%)(3)	20.0%	-42.7%	-8.3%	-14.56
Book Value Per Share (Rs.) (4)	204	143	132	115

Source: Annual Reports of the Target Company for the years ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011

***Note**:*

(1) Dividend (%) = Dividend paid / No. of shares outstanding at year end / Par value per share

(2) Earnings Per Share = Profit/Loss for the period / No. of shares outstanding

(3) Return on Net Worth(%) = Profit /loss for the period / Net Worth at the end of the period

(4) Book Value Per Share = Net Worth at the end of the period / No. of shares outstanding

6.16 The reasons for the rise/fall in total income and profit after tax in the relevant years are as below:

Year 2011 compared to Year 2010

- Income from sales, processing charges and other income during the year amounted to Rs. 25,456 Lacs as compared to Rs. 16,803 Lacs in the 2011.
- The Company incurred a loss before tax of Rs. 567 Lacs as against a loss of Rs. 369 Lacs during 2011 mainly due to interest of Rs. 446 Lacs in 2011 as compared with Rs. 318 Lacs in 2010 and foreign exchange loss of Rs. 219 Lacs in 2011 as compared to gain of Rs. 58 Lacs In 2010.
- The Company also incurred cost of Rs. 113 Lacs in 2011 as compared to income of Rs.198 Lacs in 2010 on account of maintaining Ambernath factory.

Year 2010 compared to Year 2009

- Income from sales, processing charges and other income during 2010 amounted to Rs. 16,803 Lacs as compared to Rs. 9,959 Lacs in 2009. This was due to additional surfactant capacity that was operational as from June 2009.
- The Target Company incurred a loss before tax of Rs. 369 Lacs in 2010 as against a loss of Rs. 2,304 Lacs in the 2009. The loss during 2010 was mainly due to depreciation of Rs. 799 Lacs which includedrelating to the new Surfactant plant situated at Roha and interest of Rs. 319 Lacs.

Fiscal 2009 compared to 2008

- Income from sales, processing charges and other income during 2009 witnessed a sharp drop as compared to 2008 mainly due to shut down of operations at Ambarnath Plant since July 2008.
- The Target Company incurred a loss before tax of Rs. 2,304 Lacs in 2009 as against a profit of Rs. 1,962 Lacs in 2008. This was largely due to Voluntary Retirement Compensation paid to Ambarnath Plant employees, depreciation of Rs. 521 Lacs relating to the new Surfactant plant situated at Roha and interest of Rs. 185 Lacs.

6.17 The Target Company has the following contingent liabilities not provided for as per the audited financial statement for the year ended 31 December 2011:

Particulars	**As on 31 December 2011**
	(Rs. Lacs)
Excise matters in respect of: • Matters relating to undervaluation of assessable value • Non-payment of duty on clearance of goods meant for export by the customer • Availment of modvat credit	175.09 58.15 7.84 **241.07**
Customs matters in respect of matters relating to differential custom duty rate on product	223.01
Income tax (including fringe benefit tax) matters • In respect of matters such as addition to the value of closing stock under the provisions of Section 145 A of the Income Tax Act,1961, disallowances of certain expenditure as revenue expenditure, etc. in respect of which the Target Company is in appeal with the first/higher appellate authority • In respect of matters where the Target Company has received favourable order/partial relief from the first appellate authority but the Income Tax Department is pursuing further with the higher appellate authority	452.61 15.95
Sales Tax – matters relating to certain sales considered as exempt sales and sales tax on discounts given to customers	1.74
Demands for property tax	-
Employee related matters: • Matters pending with the Labour Court for the reinstatement of services of certain ex-employees • Matters pending with the Assistant Labour Commissioner for the permanent employment of casual workers	8 Not ascertainable
Matters pending with the High Court/Civil Court relating to counter claim/claim against the Target Company for the alleged breach of marketing arrangement/non-payment for supplies made respectively	79.91
Bank Guarantees • In respect of differential custom duty on products	39.02

• VAT Registration under Section 84 of Uttarakhand VAT act and Central Sales Tax Act • Under section 33A of Water (P&CP) Act 1974 and u/s 31A of the Air(P&CP) Act	.50 1
Service Tax	14.55

Note: Future ultimate outflow of resources embodying economic benefits in respect of matters stated above is uncertain as it depends on the final outcome of judgements/decisions on the matters involved.
(*Source: FY 2011 Annual Report*)

6.18 The Target Company has not been prohibited by SEBI from dealing in securities, in terms of directions issued under Section 11B of the SEBI Act, or any other regulations framed there under. The Target Company has confirmed that no action has been taken against them by SEBI under SEBI Act or any other SEBI regulations.

6.19 The pre-Offer and post-Offer shareholding pattern of the Target Company is as under:

Shareholders' category	**Shareholding & voting rights prior to the date of the Public Announcement (as on 2 September 2011*)**		**Shares /voting rights agreed to be acquired which triggered off the 1997 Regulations**		**Shares/voting rights to be acquired in open offer (Assuming full acceptances)**		**Shareholding / voting rights after the acquisition and offer.**	
	(A)		**(B)**		**(C)**		**(A)+(B)+(C)=(D)**	
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
(1) Promoter group								
Rhodia UK	2,461,974	72.93	NIL	NIL	NIL	NIL	2,461,974	72.93
(2) Acquirer / PAC								
(a) Solvay Participations France (Acquirer)	NIL	NIL	NIL	NIL	913,626	27.07	913,626	27.07
(b) Solvay S.A. (PAC)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(c) Solvay Finance France (PAC)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(d) Rhodia	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total of (1) and (2)	**2,461,974**	**72.93**	NIL	NIL	NIL	NIL	**3,375,600**	**100**
(3) Promoters other than (1) above	31,686	0.94	NIL	NIL	NIL	NIL	NIL	NIL
Pandit Vasant Pratap**	22,840	0.68	NIL	NIL	NIL	NIL	NIL	NIL
Ranjit Pandit**	4,568	0.14	NIL	NIL	NIL	NIL	NIL	NIL
Pandit Ranjit Vasant**	4,278	0.13	NIL	NIL	NIL	NIL	NIL	NIL
(4) Public* **								
(a) Institutions								
Mutual Funds/UTI	50	0	NIL	NIL	NIL	NIL	NIL	NIL
Financial Institutions/Banks	100,070	2.96	NIL	NIL	NIL	NIL	NIL	NIL
Foreign Venture Capital Investors	225,507	6.69	NIL	NIL	NIL	NIL	NIL	NIL
Total Institutions - 4(a)	325,627	9.65	NIL	NIL	NIL	NIL	NIL	NIL
(b) Non-Institutions								
Bodies Corporate	49,212	1.45	NIL	NIL	NIL	NIL	NIL	NIL
Individuals								
Individual shareholders holding nominal share capital up to Rs. 1 Lac	367,498	10.89	NIL	NIL	NIL	NIL	NIL	NIL
Individual shareholders holding nominal share capital in excess of Rs. 1 Lac	123,606	3.66	NIL	NIL	NIL	NIL	NIL	NIL
NRIs	4,276	0.13	NIL	NIL	NIL	NIL	NIL	NIL
Clearing Members	4,014	0.12	NIL	NIL	NIL	NIL	NIL	NIL
Directors & their Relatives & Friends	7,707	0.23	NIL	NIL	NIL	NIL	NIL	NIL
Total Non-Institutions -	556,313	16.48	NIL	NIL	NIL	NIL	NIL	NIL

4(b)									
Total (4)(a+b)	**881,940**	**26.13**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	
Total (3) + (4)	**913,626**	**27.07**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	
GRAND TOTAL (1+2+3+4)	**3,375,600**	**100**	**NIL**	**NIL**	**NIL**	**NIL**	**3,375,600**	**100**	

** As per the latest information available with the Target Company before the date of the Public Announcement.*
*** While Pandit Vasant Pratap, Ranjit Pandit and Pandit Ranjit Vasant are listed as Promoters of the Target Company, they are not acting in concert with the Acquirer since they were not a party to the Global Offer and are Eligible Persons for the Offer.*
**** Total number of Public shareholders as on December 31, 2012 was 2,247.*
Note: The Offer is being made to all Eligible Persons for the Offer.

6.20 The details of the change in the shareholding of Rhodia UK in the Target Company are as under: –

Date of Allotment	**No. and % of Shares issued**	**Mode of Allotment**	**Identity of Allottees (Promoters / Ex-Promoters / Others)**	**Status of Compliance**
7 November 1965	45 (9 shares of Rs. 50 were allotted to Albright & Wilson Limited, London (***Rhodia UK***))	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not applicable
24 December 1965	260,000 (7.70%) (52,000 equity shares of Rs.50 each)	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not applicable
7 April 1966	96,255 (2.85%) (19,251 shares of Rs.50 each)	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not applicable
8 October 1966	105,000 (3.11%) (21,000 shares of Rs.50 each)	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not applicable
25 October 1972	184,520 (5.47%) (36,904 shares of Rs.50 each)	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not applicable
22 October 1973	(86,800) (17,360 shares of Rs.50) was sold by Rhodia UK to DM Chemical	Physical	DM Chemical (Ex-Promoters)	1997 Regulations: Not applicable
18 January 1977	279,510 (8.28%) (55,902 shares of Rs.50 each)	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not applicable
22 May 1979	279,510 (8.28%) (55,902 shares of Rs.50 each)	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not applicable
28 January 1994	223,608 (6.63%)	Physical	Rhodia UK (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Not applicable
28 August 1996	1,115,520 shares purchased from DM Chemical by Rhodia UK, in the name of Albright & Wilson Asia Pacific Holdings Pte Limited, Singapore	Physical	Albright & Wilson Asia Pacific Holdings Pte, Limited, Singapore	FEMA/ RBI: Complied 1997 Regulations: Not applicable
8 June 2000	4,806 shares were purchased under open offer by ISPG Limited on behalf of Rhodia.	Physical	ISPG Limited (Foreign Promoters)	FEMA/ RBI: Complied 1997 Regulations: Complied
Total	**2,461,974 (72.93%) shares**			

There has been no change to Rhodia UK's shareholding in the Target Company subsequent to the above.

6.21 As on the date of the Second Corrigendum, the following pending legal cases and notices were issued by and against the Target Company:

Sr. No.	Suit No. / Case No. / Appeal No.	Dated	Plaintiffs / Petitioners / Complainant / Applicant	Defendant / Respondent	Name and Address of the Court / Tribunal	Amount of Consideration	Brief Description of the case
List of Customs, Excise and Service Tax cases							
1.	Order No.F.No. V/Adj(SCN)15-195/R-VII/ M-III/2001/2453	11 November 2001 Period: November 1996 to April 1998	Target Company	Commissioner of Central Excise (Appeals)	Customs, Excise & Service Tax Appellate Tribunal (CESTAT) (***Tribunal***)	Amount: Rs. 29.08 Lacs Penalty: Rs. 29.08 Lacs	Excise duty was demanded on clearance of STTP meant for export. The Target Company is contesting the matter before Tribunal
2.	C.Ex/R-II/K-IV/SCN/Audit Albright/06/62	29 August 2006 Period: January 1999 to June 1999	Target Company	Deputy Commissioner of Central Excise	Commissioner of Central Excise (Appeals)	Amount: Rs. 3.92 Lacs Penalty: Rs. 3.92 Lacs	Target Company used to give Sulphuric acid on loan basis at Roha to DMCC Ltd. and in return sulphuric acid was given by DMCC Ltd. at Ambarnath to the Target Company, to avoid the transportation cost from Roha to Ambarnath. The loan transaction was at a uniform value for the purpose of central excise. Excise duty was demanded due to revision in price. Supplementary invoice was demanded and supplementary invoice was raised. Show cause notice is contested by the Target Company. The Deputy Commissioner has confirmed the demand with penalty. The Target Company filed an appeal before the Commissioner of Central Excise (Appeals).
3.	Order No. F.No. C.Ex./R II/K-IV /AWCIL/ SCN/st/2003/6	17 February 2004 Period: April 1999to August 1999	Target Company	Commissioner of Central Excise (Appeals)	Tribunal	Amount: Rs. 0.07 Lacs Penalty: Rs. 0.24 Lacs	Service tax claimed on agency commission and disputed by the Target Company. The matter is pending before the Tribunal.
4.	Order No: VSK/ 28 to 37/tu-1/09	20 November 2009 Period: 2004 / 2005 / 2006	Target Company	Commissioner of Central Excise (Appeals)	Tribunal	Amount: Rs. 21.53 Lacs Penalty: Rs. 21.53 Lacs	Excise duty demanded on loading and levelling charges incurred for Gypsum sale. The matter is disputed by the Target Company and the same is pending before the Tribunal
5.	File No: F No. V/Adj/(SCN)15-55/M-VII/2001/650	26 February 2001 Period : February 2000 to January 2001	Target Company	Assistant Commissioner of Central Excise (Alibag Divison)	Assistant Commissioner of Central Excise (Alibag Divison)	Rs. 8.31 Lacs	Alleged undervaluation of sulphuric acid cleared to Ambarnath unit. Department alleged that sulphuric acid cleared to Ambarnath for captive consumption was valued lower than the cost of production plus 10% / 15% notional profit margin.
6.	File No: F.No.V(IIA)/	26 March 2003	Target Company	Assistant Commission	Assistant Commissioner	Rs. 18.09 Lacs	Alleged undervaluation of S. Acid cleared to Ambarnath unit.

	ABG4-30/02-03/504	Period: April 2002 to December 2002		er of Central Excise (Alibag Divison)	of Central Excise (Alibag Divison)		Department has alleged that the sulphuric acid cleared to Ambarnath for captive consumption was valued lower than the cost of production plus 10% / 15% notional profit margin.
7.	V(11A)-ABG/4-8/03/04/555	29 April 2005 Period: August 2003 to August 2004	Target Company	Commissioner of Central Excise (Appeals)	Tribunal	Amount: Rs. 29.07 Lacs Penalty: Rs. 36.93 Lacs Additional Penalty: Rs. 2.00 Lacs	Undervaluation of AOS (N): Processed AOS Needles for HLL. While the Target Company's selling price was Rs.66,000/-, the product cleared to HLL was at around Rs.51,000/-. Excise duty was demanded at selling price. Differential duty was paid based on cost certificates received from HLL. Commissioner (Appeals) has rejected the appeal filed by the Target Company. The Target Company filed its appeal before the Tribunal.
8.	File No: F.No,V/ADJ (SCN)/15-50/ RGD/07-08/9757	10 August 2007 Period:29 November 2006	Target Company	Additional Commissioner of Central Excise (New Panvel)	Additional Commissioner of Central Excise (New Panvel)	Rs. 24.07 Lacs	The Target Company received sales tax incentive from the Government of Maharashtra. As per the incentive, the sales tax collected by the Target Company could be retained in the Target Company's business. The amount to be paid to Government after 10 years in quarterly instalments over the next 5 years. If the amount is prepaid the Target Company was to get discount. When the Target Company repaid the amount, it received discount of Rs.280 Lacs. Central Excise Department issued show cause notice demanded excise duty on the said discount amount. The Target Company has replied to the show-cause notice.
9.	File No: F.No.Cus/ALB-PNB/FA-BE/2006/110 Alibag	21 May 2009 Period: 2008 - 2009 (January 2009 to March 2009)	Target Company	Assistant Commissioner of Customs (Alibag)	Asst. Commissioner of Customs (Alibag)	Rs. 5.07 Lacs	The Target Company imported sulphur as 'impure' and availed reduction in customs duty. Duty was paid on provisional basis. Based on the lab report, sulphur was considered as 'refined'. Hence differential duty was demanded.
10.	Order No: F No.C.Ex./R-II/K-IV/Albright/GTA/7	15 December 2008 Period: January 2005 to March 2008	Target Company	Commissioner of Central Excise (Appeals)	Tribunal	Amount: Rs. 62,197 Penalty: Rs. 62,197	Service tax credit on GTA for outward transportation was availed by the Target Company and this was denied. During this period, the service tax was Cenvatable. Hence disputed by the Target Company.
11.	Order No: S.C.NO.F.No V (11A)/ADJ/ABG/15-55/09-10/976	22 March 2010 Period: April 2007 to December 2009	Target Company	Assistant Commissioner of Central Excise	The matter is rejected by the Commissioner (Appeals). The Company is in the process of filing an	Amount: Rs. 3.08 Lacs Penalty: Rs. 3.08 Lacs	The Target Company availed Cenvat credit on service tax on canteen service. This was denied by the Department. The Target Company is contesting the issue. The matter is pending before the Tribunal.

					appeal before the Tribunal		
12.	Order No: S.C.No F.No. (11A)/ADJ/ABG/15-57/09-10/1045	25 March 2010 Period: April 2007 to December 2009	Target Company	Assistant Commissioner of Central Excise	The matter is rejected by the Commissioner (Appeals). The Target Company is in the process of filing an appeal before the Tribunal	Amount: Rs. 1.70 Lacs Penalty: Rs. 1.70 Lacs	The Target Company availed Cenvat credit on service tax on Canteen service. This was denied by the Department. The Target Company is contesting the issue. The matter is pending before the Tribunal.
13.	Order No : F.No.V(IIA)/ Adj/ABG/SCN/15-01//10-11/1506	30 April 2010 Period: April 2007 to September 2009	Target Company	Assistant Commissioner of Central Excise	The matter is rejected by the Commissioner (Appeals). The Target Company is in the process of filing an appeal before the Tribunal	Amount: Rs. 0.15 Lacs Penalty: Rs. 0.15 Lacs	Service tax demanded on Goods Transport Agency Service. The Target Company is contesting the issue. The matter is pending before Tribunal.
14.	File No:F.No.Cus/ ALB-PNB/FA-BE/2006/706	4 March 2010 Period: September 2009	Target Company	Assistant Commissioner of Customs (Alibag)	Assistant Commissioner of Customs (Alibag)	Rs. 6.44 Lacs	The Target Company imported sulphur as 'impure' and availed reduction in customs duty. Duty was paid on provisional basis. Based on the lab report, sulphur was considered as 'refined'. Hence differential duty was demanded. The Target Company is contesting the matter.
15.	File No: F.No.V(IIA)-ABG/4-21/04-05/3426	6 December 2004 Period: January 2000 to April 2002	Target Company	Additional Commissioner of Central Excise (Raigad)	Additional Commissioner of Central Excise (Raigad)	Rs, 13.54 Lacs	Alleged undervaluation of sulphuric acid cleared to DMCC on loan. Department alleged that sulphuric acid given on loan to DMCC should be valued at cost of production plus 15% / 10% as notional profit margin. This case has to be reheard by Additional/Joint Commissioner of Central Excise, Raigad as per order dated 16 August 2006 of Bombay High Court in Writ Petition No. 3920 of 2006.
16.	File No: C.Ex/R-II/K-IV/SCN/Audit Albright/ 06/62	29 August 2006 Period: January 1999 to June 1999	Target Company	Assistant Commissioner of Central Excise	Commissioner of Central Excise (Appeals)	Rs. 3.92 Lacs	The Target Company used to give sulphuric acid on loan basis at Roha to DMCC Ltd. and in return sulphuric acid was given by DMCC Ltd. at Ambarnath to the Target Company to avoid the transportation cost from Roha to Ambarnath. The loan transaction was at a uniform value for the purpose of central excise. Excise duty was demanded due to revision in price. Supplementary invoice was demanded and supplementary invoice was raised. Show cause notice was contested by the Target Company and the Deputy Commissioner has confirmed the demand with penalty. The Target Company filed an appeal before the Commissioner of Central Excise (Appeals). The Commissioner (Appeals), vide

							his order dated 20 November 2009, remanded the case back to the Adjudicating Authority viz. Assistant Commissioner, Central Excise, Kalyan IV Division.
17.	File No: F.No. VIII/1-103/ABG-CUS/FA/PNP/Gr.D/10/18	21 April 2011 Period : 2007 to 2008	Target Company	Assistant Commissioner of Customs	Commissioner of Customs (Appeals), Mumbai Zone - III	Rs. 44.77 Lacs	The Target Company had imported sulphur as 'impure'. The Customs Department revised upwardly the value of import. The Target Company is asked to pay the differential duty. The Target Company is contesting the case before the Commissioner of Customs (Appeals).
18.	F.No.VIII/1-101/ABG-CUS/FA/PNP/Gr 'B'/10/236	3 May 2011 / 28 April 2011	Target Company	Assistant Commissioner of Customs	Commissioner of Customs (Appeals), Mumbai Zone III	Rs. 48.74 Lacs	The Target Company had imported sulphur as 'impure'. The Customs department revised upwardly the value of import. The Target Company was asked to pay the differential duty. The Target Company is contesting the case before the Commissioner of Customs (Appeals).
19.	F.No.VIII/1-101/ABG-CUS/FA/PNP/Gr 'B'/10/180	3 May 2011 / 28 April 2011	Target Company	Assistant Commissioner of Customs	Commissioner of Customs (Appeals), Mumbai Zone III	Rs. 55.67 Lacs	The Target Company had imported sulphur as 'impure'. The Customs department revised upwardly the value of import. The Target Company was asked to pay the differential duty. The Target Company is contesting the case before the Commissioner of Customs (Appeals).
20.	F.No.VIII/1-101/ABG-CUS/FA/PNP/Gr 'C'/10/551	10 May 2011	Target Company	Assistant Commissioner of Customs	Commissioner of Customs (Appeals), Mumbai Zone III	Rs. 7.44 Lacs	The Target Company had imported sulphur as 'impure'. The Customs department revised upwardly the value of import. The Target Company was asked to pay the differential duty. The Target Company is contesting the case before the Commissioner of Customs (Appeals).
21.	Order No:F.No.VIII/1-101/ABG-CUS/FA/PNP/Gr 'E'/10/303	2 May 2011 / 17 May 2011	Target Company	Assistant Commissioner of Customs	Commissioner of Customs (Appeals), Mumbai Zone III	Rs. 8.49 Lacs	The Target Company had imported sulphur as 'impure'. The Customs department revised upwardly the value of import. The Target Company was asked to pay the differential duty. The Target Company is contesting the case before the Commissioner of Customs (Appeals).
22.	F.No.VIII/1-101/ABG-CUS/FA/PNP/Gr 'E'/10/485	3 May 2011 / 17 May 2011	Target Company	Assistant Commissioner of Customs	Commissioner of Customs (Appeals), Mumbai Zone III	Rs. 23.48 Lacs	The Target Company had imported sulphur as 'impure'. The Customs department revised upwardly the value of import. The Target Company was asked to pay the differential duty. The Target Company is contesting the case before the Commissioner of Customs (Appeals).
23.	F.No.VIII/1-104/ABG-CUS/FA/PNP/	24 May 2011 / 23 May 2011	Target Company	Assistant Commissioner of	Commissioner of (Appeals), Mumbai Zone	Rs. 14.57 Lacs	The Target Company had imported sulphur as 'impure'. The Customs department revised

	Gr 'E'/10/602			Customs	III		upwardly the value of import. The Target Company was asked to pay the differential duty. The Target Company is contesting the case before the Commissioner of Customs (Appeals).
24.	F. No. C.Ex./RR-I/SCN/AWC/09-10	29th November 2011 Period November 2010 to March 2011	Target Company	Superintendent of Central Excise	Assistant Commissioner of Central Excise	Rs. 74,551	The Target Company availed the Cenvat credit on service tax paid for canteen services and subsequently utilised this credit for payment of excise duty. The revenue is challenging this action.
Labour disputes							
1.	IDA No.102 of 2007	13 July 2005	H. N. Asade	Target Company	Second Labour Court, Thane	Not ascertainable	Temporary workman (after termination) filed a case for reinstatement and back wages. The Company has filed a writ petition against the order of the Lower court which order the Company to pay Rs. 4,00,000 to the applicant.
2.	Complaint (ULP) 408 of 2001	15 October 2001	Manishankar Chaturvedi	Target Company	First Labour Court, Thane	Not ascertainable	The complainant was working as an Assistant Engineer (Chemicals) at Ambarnath Factory and was terminated. The complainant has claimed reinstatement and back wages on the ground that he was a workman.
Suit for Damages, Recovery Cases and Matters relating to Dishonour of Cheques							
1.	Case No. 1547 of 1995	22 September 2005	Special Chemicals	Target Company	Civil Judge, Pune	Rs. 50.00 Lacs	Special Chemicals wanted to establish a business for supply of chemicals meant for a sugar industry and approached the Target Company to discuss the prospect of supplying phosphoric acid. After conducting a survey, Special Chemicals convinced the sugar industry to purchase phosphoric acid from the Target Company. It was alleged that the Target Company would sell the phosphoric acid through Special Chemicals to the entire sugar industry. The Target Company deputed its officials to study the market and to supply phosphoric acid directly to sugar industry. Subsequently the Target Company appointed a dealer and Special Chemicals alleged that it was a breach of contract and that Special Chemicals suffered huge loss of profit and hence claimed damages.
2.	Company Petition 51 of 2006	22 December 2006	Target Company	Sangam Organics, Chennai.	Chennai High Court	Rs. 91.16 Lacs	The Target Company filed a recovery case against Sangam Organics. Sangam Organics also defaulted in repayment of loan to the Banks to which the assets have been mortgaged. The Banks filed a case for recovery by liquidating the assets of

							Sangam Organics. After paying the Bank, if any amount is left, then the Target Company shall be entitled to the amount from the assets of Sangam Organics
3.	Case No.2761 of 1996	23 August 2005	Target Company	Special Chemicals	Bombay High Court	Rs. 32.26 Lacs	Recovery of outstanding amount receivable from Special Chemicals. The matter is pending before the Bombay High Court.
4.	Case No.1482 of 2003	19 November 2003	Target Company	Gleam Cosmetics	Bombay High Court	Rs. 29.98 Lacs	The Target Company made a claim of Rs. 29,98,268 and as against that Gleam Cosmetics made a counter claim of Rs. 79,90,839. This relates to compensation for Marketing arrangement for AOS Powder.
5.	Case No.577 of 2011	5 May 2011 Period: Assessment Year 1999 to 2000	Commissioner of Income Tax - 6, Aaykar Bhavan, Mumbai	Target Company	Bombay High Court	Rs. 18.60 Lacs	With respect to Assessment Year 1999-00 (Financial Year 1998-99), disputes were raised by the Income Tax Authorities. Recently Income Tax Authorities have filed an appeal before the Hon'ble High Court, Bombay against the order of the Income Tax Appellate Tribunal (***ITAT***) which was in the Target Company's favour. The estimated tax liability is Rs. 18.6 Lacs. It may be noted, this amount has been already recovered by the Income Tax Authorities and the same is not refunded in spite of the favourable order of ITAT.
6.	ITA Appeal No.6/03/M/10	9 August 2011 Period: Assessment Year: 2006 to 2007	Commissioner of Income Tax - 6(1), Aaykar Bhavan, Mumbai	Target Company	Income Tax Appellate Tribunal	Rs. 5.57 crores	With respect to Assessment Year 2006-07 (Financial Year 2005-06), the Income Tax Authorities filed an appeal before the ITAT against the order of the Commissioner of Income Tax (***CIT***) and the estimated tax liability is Rs. 5.57 crores. Case decided in favour of the Company.

6.22 The Target Company has confirmed that it is in compliance with the Corporate Governance provisions of Clause 49 of the Listing Agreement entered with the Stock Exchanges.

6.23 The compliance officer of the Target Company is Mr. Niranjan Ketkar, Company Secretary. His contact details are: Legal Manager & Company Secretary and Compliance Officer, Rhodia Speciality Chemicals India Limited, Phoenix House, 'A' Wing, 4th Floor, 462, Senapati Bapat Marg, Lower Parel (W), Mumbai – 400 013, Tel: +91 22 66637142; Fax: +91 22 24952834; email: niranjan.ketkar@ap.rhodia.com.

7. OFFER PRICE AND FINANCIAL ARRANGEMENTS

7.1 Justification of Offer Price

7.1.1 The Shares are listed on the BSE. The annualised trading turnover during the preceding six calendar months prior to the month in which Public Announcement was made in the BSE on which the Shares are listed is as below:

Name of Stock Exchange	Total number of Shares traded during the preceding 6 calendar months prior to which Public Announcement was made	Total number of listed Shares	Annualised trading turnover (in terms of % of total listed Shares)	Trading status in terms of the 1997 Regulations
BSE	184,899	3,375,600	10.96%	Frequently Traded

(Source: BSE website: www.bseindia.com)

7.1.2 As the annualised trading on the BSE is more than 5% (five percent) of the total number of listed Shares, the Shares are frequently traded on the BSE within the meaning of explanation (i) to regulation 20(5) of the 1997 Regulations.

7.1.3 The Acquirer has determined the Offer Price for Other Shareholders in accordance with regulation 20(4) read with regulation 20(12) of the 1997 Regulations, since it is the highest of the following:

		Rs. per Share
I	Negotiated Price	NA*
IIA	Highest price paid by the Acquirer or PACs for acquisition of any Shares of the Target Company during the 26 week period preceding 4 April 2011, being the date of the Global Announcement including by way of allotment in a public or rights or preferential issue**	NA
IIB	Average of the weekly high and low of the closing prices of the equity shares of the Target Company on the BSE during the 26 weeks period preceding 4 April 2011, being the date of the Global Announcement**	196.99
IIC	Average of the daily high and low of equity shares of the Target Company on BSE during the 2 week period preceding 4 April 2011, being the date of the Global Announcement**	211.39
IIIA	Highest price paid by the Acquirer or PACs for acquisition of any equity shares of the Target Company during the 26 week period preceding 8 September 2011, being the date of the Public Announcement including by way of allotment in a public or rights or preferential issue	NA
IIIB	Average of the weekly high and low of the closing prices of the equity shares of the Target Company on the BSE during the 26 week period preceding 8 September 2011, being the date of the Public Announcement	291.86
IIIC	Average of the daily high and low of equity shares of the Target Company on BSE during the 2 week period preceding 8 September 2011, being the date of the Public Announcement	386.72

Source: www.bseindia.com
** Negotiated price is not applicable as the consideration paid by the Acquirer for acquisition of Shares of Rhodia does not attribute or allocate any specific amount for Rhodia's interest in the Target Company. No specific financial diligence was undertaken by the Acquirer or the Persons Acting in Concert with respect to the Target Company in connection with the Global Acquisition. Consequently, no valuation of the Target Company was undertaken at any time in the course of the valuation of the Rhodia business. Based on published information, the assets of the Target Company represented 0.34% of the consolidated assets of Rhodia as on 31 December 2010. In terms of turnover, the turnover of the Target Company represented 0.47% of the consolidated turnover of Rhodia as on 31 December 2010. For the year ended 31 December 2010, the Target Company had a loss after tax of Rs. 369 Lacs compared to consolidated profits of € 262 million (Rs. 188,867 Lacs) for Rhodia during the same period.*
*** Pursuant to regulation 20(12) of the Regulations, the Offer Price for an indirect acquisition or control is determined with reference to the date of the Global Announcement and the date of the PA, whichever is higher, in accordance with regulation 20(4) of the Regulations.*

7.2 **Offer Price for Original Shareholders and Other Shareholders**

7.2.1 In respect of the Original Shareholders whose Shares are tendered and accepted under the Offer, the Offer Price would be Rs. 291.86 per Share plus interest at the rate of 15% per annum from 14 July 2000 till the actual date of payment (less dividend set-off of Rs. 19.50 per Share), pursuant to the Bombay High Court Order. Assuming the payment is made by the Acquirer on 15 May 2013, the Offer Price payable to the Original Shareholders would be 834.27 per Share which includes an interest (net of dividend set-off) of Rs. 542.41 per Share on Rs. 291.86 per Share.

In respect of the Other Shareholders, the Offer Price would be Rs. 386.72 per Share.

7.2.2 The price and volume data of the Shares on the BSE during the 26 week period preceding the date of the Global Announcement

Week No.	Week Ended	High (Rs.)	Low (Rs.)	Avg. (Rs.)	Volume (Shares)
1	1 April 2011	210.00	233.45	221.73	6,208
2	25 March 2011	197.95	213.45	205.70	5,649
3	18 March 2011	192.95	198.65	195.80	3,174
4	11 March 2011	184.35	198.65	191.50	1,217
5	4 March 2011	189.35	194.40	191.88	10,656
6	25 February 2011	189.05	196.30	192.68	10,641
7	18 February 2011	183.05	190.45	186.75	7,129
8	11 February 2011	177.00	185.00	181.00	2,588
9	4 February 2011	186.00	190.00	188.00	6,342
10	28 January 2011	180.00	194.00	187.00	6,451
11	21January 2011	186.00	189.95	187.98	7,865
12	14 January 2011	185.00	192.10	188.55	533
13	7 January 2011	189.00	195.00	192.00	2,751
14	31 December2010	186.00	191.05	188.53	819
15	24 December 2010	186.60	195.45	191.03	2,034
16	17 December 2010	187.50	191.00	189.25	2,062
17	10 December 2010	191.95	200.95	196.45	10,942
18	3 December 2010	192.00	199.55	195.78	1,514
19	26 November 2010	197.75	205.15	201.45	6,280
20	19 November 2010	198.50	218.65	208.58	6,562
21	12 November 2010	201.35	211.25	206.30	1,803
22	5 November 2010	200.00	207.35	203.68	1,455
23	29 October 2010	199.15	219.00	209.08	11,248
24	22 October 2010	207.75	214.05	210.90	8,769
25	15 October 2010	209.80	226.85	218.33	27,572
26	8 October 2010	179.25	204.45	191.85	23,516
		26 weeks average		**196.99**	

(Source: http://www.bseindia.com)

7.2.3 The price and volume data of Shares on the BSE during the 2 week period preceding the date of Global Announcement

Day No.	Date	High (Rs.)	Low (Rs.)	Avg. (Rs.)	Volume (Shares)
1	1 April 2011	220.00	233.80	226.90	1,079
2	31 March 2011	218.10	232.00	225.05	191
3	30 March 2011	211.00	234.75	222.88	2,860
4	29 March 2011	209.00	218.80	213.90	414
5	28 March 2011	210.00	221.95	215.98	264
6	27 March 2011	NA	NA	NA	NA
7	26 March 2011	NA	NA	NA	NA
8	25 March 2011	205.00	219.90	212.45	1,870
9	24 March 2011	200.15	217.00	208.58	1,130
10	23 March 2011	191.10	208.00	199.55	2,258
11	22 March 2011	190.15	198.80	194.48	141
12	21 March 2011	190.35	197.95	194.15	250
13	20 March 2011	NA	NA	NA	NA
14	19 March 2011	NA	NA	NA	NA
		2 weeks average		**211.39**	

(Source: http://www.bseindia.com)

7.2.4 The price and volume data of the Shares on the BSE during the 26 week preceding the date of the Public

Announcement are set forth below:

Week No.	Week Ended	High (Rs.)	Low (Rs.)	Avg. (Rs.)	Volume (Shares)
1	7 September 2011	384.90	420.00	402.45	8,759
2	31 August 2011	367.55	372.25	369.90	2,576
3	24 August 2011	344.20	366.15	355.18	7,428
4	17 August 2011	370.85	380.00	375.43	3,435
5	10 August 2011	395.05	417.60	406.33	11,290
6	3 August 2011	357.70	413.15	385.43	16,311
7	27 July 2011	318.05	363.20	340.63	25,494
8	20 July 2011	277.30	286.05	281.68	1,928
9	13 July 2011	272.00	280.00	276.00	17,701
10	6 July 2011	267.05	274.00	270.53	6,595
11	29 June 2011	265.00	275.00	270.00	2,815
12	22 June 2011	259.25	274.65	266.95	2,482
13	15 June 2011	268.20	275.50	271.85	2,323
14	8 June 2011	265.60	270.00	267.80	259
15	1 June 2011	265.55	275.05	270.30	3,458
16	25 May 2011	254.05	270.00	262.03	1,371
17	18 May 2011	261.60	269.00	265.30	3,582
18	11 May 2011	268.90	272.00	270.45	3,153
19	4 May 2011	268.95	286.90	277.93	5,027
20	27 April 2011	288.30	294.00	291.15	5,902
21	20 April 2011	281.70	289.80	285.75	5,884
22	13 April 2011	260.35	272.70	266.53	6,602
23	6 April 2011	224.00	284.90	254.45	38,470
24	30 March 2011	208.40	215.75	212.08	6,538
25	23 March 2011	192.95	199.30	196.13	3,142
26	16 March 2011	193.50	198.65	196.08	3,695
		26 weeks average		**291.86**	

(Source: http://www.bseindia.com)

7.2.5 Average of the daily high and low of prices of Shares on the BSE during the 2 week period preceding the date of the Public Announcement: Rs. 386.72

Day No.	Date	High (Rs.)	Low (Rs.)	Avg. (Rs.)	Volume (Shares)
1	7 September 2011	408.00	428.70	418.35	1,852
2	6 September 2011	411.00	421.45	416.23	5,440
3	5 September 2011	384.00	404.10	394.05	2,477
4	4 September 2011	NA	NA	NA	NA
5	3 September 2011	NA	NA	NA	NA
6	2 September 2011	371.00	385.90	378.45	842
7	1 September 2011	NA	NA	NA	NA
8	31 August 2011	NA	NA	NA	NA
9	30 August 2011	367.05	385.00	376.03	549
10	29 August 2011	365.50	380.00	372.75	749
11	28 August 2011	NA	NA	NA	NA
12	27 August 2011	NA	NA	NA	NA
13	26 August 2011	362.00	385.00	373.50	2,699
14	25 August 2011	355.00	373.80	364.40	1,279
		2 weeks average		**386.72**	

(Source: http://www.bseindia.com)

7.2.6 In view of the above, in the opinion of the Manager to the Offer and the Acquirer and the PACs, the Offer Price is justified.

7.2.7 If the Acquirer and the PACs acquire Shares after the date of the Public Announcement up to seven (7) working days prior to the closure of the Offer at a price higher than the Offer Price, then the highest price paid for such acquisition shall be payable for all the valid acceptances received under the Offer. Further, no Shares shall be acquired during the last seven working days prior to the closure of the Offer, except those accepted in the Offer.

7.3 Interest Payment and Original Shareholders

7.3.1 The Offer Price comprising of Rs. 291.86 per Share plus interest at the rate of 15% per annum from 14 July 2000 less dividend set-off of Rs. 19.50 per Share is payable to Original Shareholders, whose Shares are tendered and accepted under the Offer. The interest calculated at the rate of 15% per annum from 14 July 2000 till the scheduled date of payment of consideration, is payable in cash (the interest amount is subject to change depending upon the actual date of payment). Such interest is payable only to Original Shareholders, i.e., those persons who were shareholders of the Target Company as on 14 March 2000 and continue to be shareholders of the Target Company till the date of the closing of the Offer (such shareholders are referred to as the "Original Shareholders"), and will be calculated on the payment consideration due on such of those Shares accepted under this Offer which are determined as forming part of their holdings as on 14 March 2000. The following examples illustrate the identification of the Original Shareholders:

(i) a shareholder who held 200 Shares on 14 March 2000 and subsequently sold 50 Shares will be considered to be an Original Shareholder only in respect of 150 Shares, provided that such Shares are tendered and accepted under the Offer;

(ii) a shareholder who held 200 Shares on 14 March 2000 and subsequently purchased 50 Shares will be considered to be an Original Shareholder only in respect of 200 Shares, provided that such Shares are tendered and accepted under the Offer; and

(iii) a shareholder who held 200 shares on 14 March 2000, and subsequently sold 50 shares and then bought 50 shares, will be considered to be an Original Shareholder only in respect of 150 shares, and if such shareholder has subsequently sold and purchased 50 more shares, he will be considered to be an Original Shareholder only in respect of 100 shares, provided that in each such case, the relevant Shares are tendered and accepted under the Offer and the principle of First In First Out (FIFO) would apply – i.e., the Shares which were acquired first would be deemed to have been sold first.

In case of shares held in demat form, buy/sell of shares will be determined based on weekend positions as provided by Depositories. This will be subject to availability of beneficiary positions for the earlier periods. The above examples illustrate the identification of the Original Shareholders:

7.3.2 As described above, only Original Shareholders whose Shares (which are determined as forming part of their holdings as on 14 March 2000) are tendered and accepted in the Offer will be eligible for interest under the Offer. Such interest will be payable only on those Shares which are held by the Original Shareholders from 14 March 2000 upto the date of closing of the Offer. Such eligibility for interest will be determined on basis of the Register of Members/ Register of Beneficial Owners as maintained by the current Registrars and Share Transfer Agents to the Company M/s Link Intime India Private Limited and as provided by the Depositories i.e. NSDL and CDSL in the following manner:

- List of Members of the Target Company as on 14 March 2000.
- Details of all the transfers / transmissions/deletions/transpositions, for shares held in physical form, that have taken place since 14 March 2000 till date of closing of the offer
- Beneficiary position data as downloaded by the Registrar & Share Transfer Agent from time to time since 14 March 2000 till date of closing of the offer, excluding for the period for which such data is not available with the Registrar.
- Details of changes, if any, of name of the Original shareholder In the case of shares held in physical form, the endorsement(s) on the face or back of the relevant share certificate(s)
- Register of Members and Register of Beneficiary Owners as on closure of the offer
- Details of dematerialization and rematerialisation requests that have been confirmed to the depositories on the date of closing of the Offer, i.e. 30 April 2013
- Details of the changes, if any, on account of consolidation of holdings in one or more folios and split of holdings in case of shares held in physical form.

7.3.3 Furthermore those shareholders who deem to be eligible for interest should also submit the following documents to enable the Registrar to the Offer to determine their eligibility for interest under the Offer, along with and within the same term of, other documents mentioned under paragraph 9 of this Letter of Offer including the Form of

Acceptance:

- Original Shareholders holding Shares in physical form will be eligible for interest if no transfers have been registered in the "Memorandum of transfers" in the share certificate submitted in original after 14 March 2000 provided as per paragraph 9.1 below.
- Original Shareholders holding Shares in demat form must submit:
  - (i) Details of folio(s) in which Shares were held in physical form OR a photocopy of share certificate, if available
  - (ii) Transaction/ holding statement obtained from Depository Participant (***DP***) since the date of dematerialization /purchase till the date of submission of the Form of Acceptance along with the delivery instruction for transferring shares to the demat escrow account opened for this open offer.
- Change of Name: Those Original Shareholders who have changed their names at any time between 14 March 2000 till the date of closing of the Offer, are advised to submit the evidence of change of name, to enable the Registrar to the Offer to determine the eligibility of such shareholders to receive interest.
- Transmission: Those Original Shareholders who have acquired title to the Shares either by transmission, due to death of the sole / any of the joint holders, or through operation of law are advised to submit documentary evidence in support of such transmission including the details of the original holder's name, number of Shares held at the time of transmission, the date of application for transmission, and in case Shares held in physical form, the folio number and in case of beneficial owners, the DP name, DP ID, beneficiary account number, to enable the Registrar to the Offer to determine the eligibility of such shareholders to receive interest.
- Transposition: Those Original Shareholders who are joint holders of Shares and have transposed their names i.e. changed the order in which their names are recorded in the share certificates or in the record maintained by the depository are advised to submit documentary evidence in support of such transportation including the details of the original holder's name, number of Shares held at the time of transportation, the date of application for transportation and the folio number to enable the Registrar to the Offer to determine the eligibility of such shareholders to receive interest.

In the event the Acquirers do not receive the above mentioned documentation from shareholders who deem to be eligible for interests, Acquirers are entitled to rely on the list of Original Shareholders determined on basis of the register of members/ shareholders register/ beneficial records as provided by the Depository(s) i.e. NSDL and CDSL described in paragraph 7.3.2 above.

Furthermore, the shareholders who are not registered on the register of members/ shareholders register/ beneficial records as provided by the Depository(s) i.e. NSDL and CDSL (***Unregistered Shareholders***) and held shares in physical form who deem to be eligible for interests, are required to provide the above mentioned documentation in order to be eligible for interests, failing to provide such documentation, they will not be considered Original Shareholders for the purpose of the Offer.

7.3.4 Once the Original Shareholders eligible to receive interest have been determined, the dividend amount of Rs. 19.50 per Share received by them plus any dividend/ interim dividend received by them on or before the date of closing of the Offer shall be set off from the consideration (comprising of Rs. 291.86 per Share plus interest at the rate of 15% per annum) payable to them. Original Shareholders of the Target Company, who intend to avail interest amounts payable under the Offer should tender their Shares, along with the relevant documents mentioned in paragraph 7.3.3 of the Letter of Offer, on or before the date of Closing of the Offer.

7.3.5 The Acquirers have appointed M/S R. D. Sarfare & Co., Chartered Accountants having their office at 305, 3rd Floor, D/8, Shan Bldg., Sion (East), Mumbai - 400037 to review the process of determining the eligibility of shareholders as per the methodology outlined above.

7.4 Financial Arrangements

7.4.1 Based on the estimate of the Shares held by the Original Shareholders as at 8 February 2013, and assuming full acceptance by the Original Shareholders, the total amount of interest payable (less dividend set-off), calculated at the rate of 15% per annum from 14 July 2000 till 15 May 2013 (i.e. the assumed date of payment of consideration), is Rs. 2,13,984,902/- (the interest amount is subject to change depending upon the actual date of payment and the number of Shares held by Original Shareholders as on the date of tendering their Shares in the Offer). The total financial resources required for the Offer, assuming full acceptance of the Offer Size at the Offer Price (which, for the avoidance of doubt, includes the separate price payable to the Original Shareholders and, assuming 15 May 2013 to be the date of payment of consideration to the Original Shareholders and Offer Price payable to Other Shareholders) will be Rs. 529,879,036/- (such maximum amount, henceforth referred to as the

Maximum Consideration). The Acquirer and the PACs have made firm arrangements to ensure that the Acquirer has the resources from its own funds to enable it to pay the Maximum Consideration.

7.4.2 In accordance with regulation 28 of the 1997 Regulations, an escrow arrangement was entered into by Acquirer, which consisted of a cash deposit in an account with Citibank N.A., a national banking association duly constituted in accordance with the laws of the United States of America, and carrying on the business of banking in India as a scheduled commercial bank, and acting through its branch office located at Dr. D.N. Road, Fort, Mumbai - 400 001, (the Escrow Bank) for an amount of Rs. 67,000,000/-. The amount of such cash deposit with the Escrow Bank has now been increased to Rs. 136,999,831.46/- (such revised amount, henceforth referred to as the ***Cash Deposit***) being not less than 25% of the Maximum Consideration and adequate to meet the requirements of regulation 28 of the 1997 Regulations.

7.4.3 The Manager to the Offer has been authorised to realize the value of the escrow arrangement consisting of the Cash Deposit, in terms of and as per the provisions contained in the 1997 Regulations

7.4.4 The Acquirer also has a cash deposit of €6,419,000/- being equivalent to Rs. 462,717,466/- (***Required Amount***) at BNP Paribas, Paris (the ***Bank***) with account number 71943Q (the ***Account***) which amount is not subject to any charges or encumbrances and may be withdrawn by the Acquirer at any time at its sole discretion. The Acquirer has represented that they will withdraw funds to the extent of the Required Amount from the Account solely for the purpose of enabling the Acquirer to satisfy full acceptance of the Offer (including payment of expenses in relation to the Offer) within the periods specified by the 1997 Regulations, provided that this representation shall not apply to funds in the Account which are in excess of the Required Amount. The Required Amount is in excess of 75% of the Maximum Consideration.

7.4.5 The Acquirer along with the PACs has adequate resources to meet the financial arrangements of the Offer in terms of the 1997 Regulations and have made firm financial arrangements to meet their obligations in full under the Offer.

7.4.6 Mr. Rajesh Sarfare, Membership No. 140399, Partner of M/s R.D. Sarafare & Co. Chartered Accountants (305, 3rd Floor, D/8, Shan Bldg., Sion (East), Mumbai - 400037 Tel: +91-22-2292 5534, Fax: +91-22-2292 5534), have confirmed by their certificate dated February 26, 2013 that the Acquirer and the PACs have sufficient financial resources to meet the financial requirements of the Offer assuming full acceptance.

7.4.7 Based on the above, the Manager to the Offer is satisfied that the Acquirer has the financial ability to implement the Offer in full and that firm arrangements for funds for payment through verifiable means are in place to fulfil the Acquirer's obligations under the Offer.

8. TERMS AND CONDITIONS OF THE OFFER

8.1 The Acquirer will acquire the Shares tendered in the Offer free from all liens, charges and encumbrances and together with the rights attached thereto, including all rights to dividend, bonus and rights offer declared, where the record date is after the Offer Closing Date, subject to the terms and conditions set out in this Draft Letter of Offer.

8.2 The Offer is not conditional on any minimum level of acceptance by the shareholders of the Target Company. During the Offer period, the Acquirer and the PACs may purchase additional Shares in accordance with the 1997 Regulations.

8.3 The Offer is subject to the Acquirer obtaining the approval of the RBI under the FEMA and the regulations made thereunder, in each case as amended from time to time, for the transfer / acquisition of Shares, if any, tendered by NRIs or erstwhile OCBs pursuant to this Offer. The Acquirer will make the requisite application(s) to the RBI to obtain its approval for the acquisition/ transfer of Shares validly tendered by NRIs or erstwhile OCBs, if any, and accepted pursuant to this Offer.

8.4 As of the date of the Second Corrigendum, as far as the Acquirer is aware, other than the above, no statutory approvals are required to acquire the Shares tendered pursuant to the Offer. If any other statutory approvals are required or become applicable, the Offer would be subject to the receipt of such other statutory approvals. In terms of regulation 27 of the 1997 Regulations, the Acquirer and the PACs will not proceed with the Offer in the event that such statutory approvals that are required are refused.

8.5 It may be noted that in case of non-receipt of any of the statutory approvals stated as above, within a reasonable time, SEBI, if satisfied that the non-receipt of the statutory approvals was not due to wilful default or negligence on the part of the Acquirer and the PACs, has a power to grant an extension of time to the Acquirer and the PACs for payment of consideration to shareholders and the Acquirer and the PACs shall pay interest for the delay, to the shareholders who have accepted the Offer, at such rates as may be specified by SEBI under regulation 22(12) of the 1997 Regulations. Further, if the delay occurs due to wilful default of the Acquirer and the PACs in obtaining the requisite statutory approvals, regulation 22(13) of the 1997 Regulations shall be applicable. The Acquirer and the PACs shall complete all procedures relating to the Offer within a period of 15 days from the Offer Closing Date.

8.6 Other Terms

8.6.1 The Offer is being made to the shareholders of the Target Company (other than Acquirer and PACs) and this Draft Letter of Offer, together with the Form of Acceptance and the Form of Withdrawal, will be mailed to the Eligible Persons for the Offer whose names appear on the register of members of the Target Company, and to the beneficial owners of the Shares of the Target Company whose names appear on the beneficial records of the respective depositories, at the close of business hours on Friday, 15 March 2013 (being the Specified Date). All the Eligible Persons for the Offer who own the Shares of the Target Company any time before April 30, 2013 (being the Offer Closing Date) are eligible to participate in the Offer.

8.6.2 All eligible owners of Shares, registered or unregistered (including the beneficial owners of dematerialised Shares) who wish to avail of and accept the Offer can submit the Form of Acceptance along with all the relevant documents at any of the collection centres mentioned below in accordance with the procedure as set out in this Draft Letter of Offer. No indemnity is required from unregistered equity shareholders.

8.6.3 Accidental omission to dispatch this Draft Letter of Offer or the non-receipt or delayed receipt of this Draft Letter of Offer will not invalidate the Offer in any way.

8.6.4 Any Shares that are the subject matter of litigation or are held in abeyance due to pending court cases, attachment / restriction from Court/ Forum/ income tax authorities / relevant statutory authorities, etc., wherein the shareholder(s) may be precluded from transferring the Shares during the pendency of the said litigation are liable to be rejected in case directions/orders of the Court / forum / income tax authorities / relevant statutory authorities etc. permitting transfer of these Shares are not received together with the Shares tendered under the Offer. This Draft Letter of Offer in some of these cases, wherever possible, would be forwarded to the relevant statutory authorities for further action at their end.

8.6.5 The acceptance of the Offer made by the Acquirer is entirely at the discretion of the shareholders of the Target Company. The Acquirer and the PACs will not be responsible in any manner for any loss of Share certificate(s) and Offer acceptance documents during transit and the shareholders of the Target Company are advised to adequately safeguard their interest in this regard.

8.6.6 Incomplete acceptances, including non-submissions of necessary enclosures, if any, are liable to be rejected. Further, in case of any lacunae and/or defect or modifications in the documents/forms submitted, the acceptance is liable to be rejected.

8.6.7 The Acquirer will acquire the Shares, free from all liens, charges and encumbrances and together with all rights attached thereto, including the right to all dividends, bonus and rights declared hereafter. Shares that are subject to any charge, lien or encumbrance are liable to be rejected.

8.6.8 The instructions and provisions contained in the Form of Acceptance and the Form of Withdrawal constitute an integral part of the terms of the Offer.

9. PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

9.1 Shareholders of the Target Company who wish to tender their Shares under the Offer should enclose the following documents duly completed so that the same are received by the Registrar to the Offer at any of their collection centres (as mentioned below) before close of business hours on the Offer Closing Date:

9.1.1 For Shares held in physical form:

Registered shareholders should enclose:

- Form of Acceptance duly completed and signed in accordance with the instructions contained therein, by all shareholders whose names appear on the Share certificates,

- Original Share certificate(s),
- Valid Share transfer deed duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with the Target Company and duly witnessed at the appropriate place.

In case of non-receipt of the aforesaid documents, but receipt of the original Share certificate(s) and transfer deed(s) duly signed, the Offer shall be deemed to be accepted.

Unregistered owners should enclose:

- Form of Acceptance duly completed and signed in accordance with the instructions contained therein,
- Original Share certificate(s),
- Original broker contract note,
- Valid Share transfer deed(s) as received from market duly stamped and executed as the proposed transferee(s) along with blank transfer form duly signed as transferor(s) by the said proposed transferee(s) and witnessed at the appropriate place. The details should be left blank. The details of the Acquirer as transferee will be filled by the Acquirer upon verification of the Form of Acceptance and the same being found valid. All other requirements for valid transfer will be precondition for acceptance.

9.1.2 For Shares held in dematerialized form:

Beneficial owners should enclose:

- Form of Acceptance duly completed and signed in accordance with the instructions contained therein, by all the beneficial owners whose names appear in the beneficiary account, as per the records of the respective DP.
- Photocopy of the delivery instruction in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by DP in favour of the special depository account (please see below) before the close of business hours on Offer Closing Date.
- Photocopy of the INTER-DEPOSITORY DELIVERY INSTRUCTION SLIP for the beneficiary holders having an account with CDSL, for the purpose of crediting their Shares in the favour of the Depository Account with NSDL
- For each delivery instruction, the beneficial owner must submit a separate Form of Acceptance.

The Registrar to the Offer has opened a special escrow depository account, details of which are as under:

DP Name	Ventura Securities Limited
DP ID	IN 303116
Client ID	10836193
Account name	LIIPL RSCIL OPEN OFFER ESCROW DEMAT ACCOUNT
Depository	National Securities Depository Limited

In case of non-receipt of the aforesaid documents, but receipt of the Shares in the special depository account, the Offer shall be deemed to be accepted.

9.1.3 Shareholders should also provide all relevant documents, which are necessary to ensure transferability of the Shares in respect of which the Form of Acceptance is being sent failing which the tender would be considered invalid and would be liable to be rejected. Such documents may include (but not be limited to):

- Duly attested death certificate and succession certificate (in case of single shareholder) in case the original shareholder has expired
- Duly attested power of attorney if any person apart from the shareholder has signed Form of Acceptance or transfer deed(s)
- No objection certificate from any lender, if the Shares in respect of which the acceptance is sent, were under any charge, lien or encumbrance
- In case of body corporate, the necessary corporate authorizations (including certified copy of corporate / board resolutions)

9.2 The Share certificate(s), Share transfer form, Form of Acceptance and other documents, if any, should be sent only to the Registrar to the Offer, at the collection centres mentioned below. **They should not be sent to the Manager to the Offer or the Acquirer or the PACs or the Target Company.** The above-mentioned documents can be sent to the collection centres (as mentioned in paragraph 9.3 below) by hand delivery on all days except Sundays and bank holidays.

9.3 All owners of Shares, registered or unregistered who wish to avail of and accept the Offer can 'hand deliver' the Form of Acceptance along with all the relevant documents at any of the below mentioned collection centres of the Registrar to the Offer in accordance with the procedure as set out in this Draft Letter of Offer. All centres mentioned herein below would be open during the Offer period on all working days (except Sundays and Bank Holidays) during business hours as shown below. Shareholders are advised to ensure that the Form of Acceptance and other documents are complete in all respects; otherwise the same are liable to be rejected.

No.	Collection Centre	Address of Collection Centre	Contact Person	Email Address	Phone No.	Fax	Mode of delivery
1	Mumbai	Link Intime India Private Ltd, C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai - 400078.	Pravin Kasare	rscil.offer@linkintime.co.in	022-25967878	022-25960329	Hand Delivery & Registered Post
3	Chennai	C/o SGS Corporate Solutions India Private Ltd., Indira Devi Complex, II Floor, No.20, Gopalakrishna Street, Pondy Bazaar, T. Nagar, Chennai- 600 017	Mrs. Solly Soy	chennai@saspartners.com	044- 2815 2672, 044-4207 0906	044- 2815 2672	Hand Delivery

Working Hours: Monday to Friday 10 AM to 5 PM, Saturday 10 AM to 1 PM; Holidays: Sundays and Bank Holidays

Shareholders who cannot hand deliver their documents at the collection centres referred to above may send the same by registered post, at their own risk, to the Registrar to the Offer at their office at Link Intime India Private Ltd, C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai - 400078, and not to any other collection centre so that the same are received before the close of business hours on the Offer Closing Date.

9.4 In case of non-receipt of this Draft Letter of Offer / Form of Acceptance / Form of Withdrawal eligible shareholders and unregistered owners (including beneficial owners) may download the same from SEBI's website www.sebi.gov.in or obtain a copy of the same by writing to the Registrar to the Offer at their office at Link Intime India Private Ltd, C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai - 400078, clearly marking the envelope "**Rhodia Specialty Chemicals India Limited - Open Offer**" by providing suitable documentary evidence of the acquisition of the Shares or make the acceptance on plain paper. Shareholders holding Shares in physical form should state their name, address, folio number, number of Shares held, distinctive numbers, number of Shares offered, bank particulars along with original Share certificate(s), duly signed and witnessed transfer form(s). Beneficial owners should state their name, address, DP name, DP ID, beneficiary account number, number of Shares held, number of Shares offered, bank particulars, photocopy of the delivery instructions in "Off-market" mode or a counterfoil of the delivery instructions in "Off-market" mode duly acknowledged by the DP in favour of the special depository account mentioned above, as may be relevant, to the collection centres before the close of business on the Offer Closing Date. The acceptance should be signed by all the shareholders as per the registration details available with the Target Company / Depositories and should be sent to the Registrar to the Offer in an envelope clearly marked "**Rhodia Specialty Chemicals India Limited - Open Offer**".

9.5 In case any person has submitted Shares in physical form for dematerialisation and such dematerialisation has not yet been effected, the concerned shareholder may apply in the Offer as per instructions mentioned above together with a photocopy of the completed dematerialisation request form acknowledged by shareholder's DP. Such shareholder(s) should ensure that the process of getting the Shares dematerialised is completed well in time so that the credit of the Shares to the special depository account is completed before the close of business hours on the Offer Closing Date, failing which such an acceptance would be rejected. A copy of delivery instructions acknowledged by the DP in favour of the special depository account should be forwarded to the collection centre where the Form of Acceptance and other documents were tendered, before the Offer Closing Date.

9.6 In case any person has lodged Shares for transfer and such transfer has not yet been effected, the concerned person may apply as per instructions to be contained in this Draft Letter of Offer, together with the acknowledgement of the lodgement of Shares for transfer. Such person(s) should also instruct the Target Company and/or its Registrar & Transfer Agents to send the transferred Share certificate(s) directly to the collection centre located at Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai - 400078. The person should ensure that the Share certificate(s) reach the designated collection centre before the close of business hours on the Offer Closing Date. No indemnity is required from unregistered equity shareholders.

9.7 While tendering Shares under the Offer, all NRIs, OCBs, FIIs and other non-resident shareholders are required to submit the RBI approvals, if any (specific or general) that they would have obtained to acquire the Shares they hold. Further, OCB shareholders, if any, are also required to submit approval from the RBI to tender their Shares in the Offer. In case the necessary RBI approvals are not submitted, the Acquirer and the PACs reserve the right to reject the Shares tendered.

9.8 **Compliance with Tax requirements**

9.8.1 For all Non-resident shareholders:

Section 195(1) of the Income Tax Act, requires any person responsible for paying to a non-resident, any sum chargeable to tax to deduct tax at source (including surcharge and education cess as applicable). Since the purchase consideration payable under the Offer would be chargeable to capital gains under section 45 of the Income Tax Act or as business profits as the case may be, tax will be deductible at source including surcharge and education cess at the applicable tax rate on the consideration payable to the shareholders who are FIIs, NRIs, Foreign Companies, OCBs, and other persons who are not resident in India.

All non-resident shareholders should certify in the Form of Acceptance whether the Shares are held by them on investment/capital account or on trade account.

9.8.2 Foreign Institutional Investors (FIIs):

Consideration payable chargeable as Capital Gains
The provisions of section 196D(2) of the Income Tax Act states that there shall be no tax deduction at source on income of an FII by way of capital gains from the transfer of securities, subject to receipt of a declaration from the FII stating as under:

- its residential status;
- that it does not have a 'permanent establishment' in India;
- the amount received by it constitutes capital gains; and
- that the consideration does not constitute business income for them and that in past similar gains, if any, have been assessed as capital gains by the tax authorities in India.

Consideration payable chargeable as Business Income
In case the consideration payable is chargeable as business income, the FII will be required to submit a Tax Clearance Certificate from the income tax authorities under the Income Tax Act indicating the amount of tax to be deducted by the Acquirer before remitting the consideration, failing which tax will be deductible at the rate, as may be applicable to the relevant category to which the shareholder belongs under the Income Tax Act, on the full consideration payable to such shareholder.

Interest payments
Any interest payment for delay in payment of consideration, if any, will not be governed by the exemption provisions under section 196D(2) of the Income Tax Act. Accordingly, the FII will be required to submit a Tax Clearance Certificate from the income tax authorities under the Income Tax Act indicating the amount of tax to be deducted by the Acquirer before remitting the interest, failing which the tax will be deductible at the rate, as may be applicable to the relevant category to which the shareholder belongs under the Income Tax Act, on the interest payable to such shareholder.

9.8.3 NRIs:

Consideration payable chargeable as Capital Gains
The provisions of section 115E of the Income Tax Act state that tax is deductible from payments to NRIs (as defined in section 115C(e) of the Income Tax Act) on transfer of shares which fall within the purview of "specified asset" as defined in section 115C(f) at the rate of 30% of the gains in case of short-term capital gains and at the rate of 10% of the gains in case of long-term capital gains. The aforesaid rate will be further increased by the education cess. Presently the primary education cess is 2% and secondary and higher education cess is 1% of the income tax. In case an NRI shareholder claims that he is governed by the provisions of section 115E of the Income Tax Act, he should submit the relevant documents in support thereof and to the satisfaction of the Acquirer. These can be documents proving that the Shares were purchased by the shareholder either from foreign remittances or from funds lying in the non-residents external (***NRE***) account or foreign currency non-repatriable (***FCNR***) account and that these Shares have been declared as such in the return of income filed by the shareholder. In case the documents are not submitted or the Acquirer is not satisfied regarding the same then the rate of tax

would be that as applicable to any other non-residents on the full consideration.

9.8.4 Foreign companies:

Consideration payable chargeable as Capital Gains
In case the consideration payable is chargeable as capital gains, tax will be deductible at source at the rate of 40% of the gains in the case of short-term capital gains, and at the rate of 20% of the gains in the case of long-term capital gains. The aforesaid rate will be further increased by the applicable surcharge and education cess. Surcharge @ 2% of the income tax would be applicable if the gross consideration exceeds Rs. 1 crore. Presently, the primary education cess is 2% and secondary and higher education cess is 1% of the income tax and surcharge.

For the purpose of determining as to whether the capital gains are short-term or long-term in nature, the Acquirer shall take action based on the information submitted by the aforementioned category of shareholders. In the case of any ambiguity, incomplete or conflicting information or if the Acquirer is not satisfied regarding the same or in the event of the information not being provided, the capital gains shall be assumed to be short-term in nature and the tax would be deducted on the full consideration payable to such shareholder.

Consideration payable chargeable as Business Income
In case the consideration payable is chargeable as business income, the shareholder will be required to submit a Tax Clearance Certificate from the income tax authorities under the Income Tax Act indicating the amount of tax to be deducted by the Acquirer before remitting the consideration, failing which the Acquirer will arrange to deduct tax at the rate, as may be applicable to the relevant category to which the shareholder belongs under the Income Tax Act on the full consideration.

9.8.5 Non-residents (other than Foreign Companies and NRIs):

Consideration payable chargeable as Capital Gains
Tax will be deductible at source at the rate of 30% of the gains in the case of short term capital gains and at the rate of 20% of the gains in the case of long-term capital gains. The rate of deduction as above will be further increased by the education cess. Presently, the primary education cess is 2% and secondary and higher education cess is 1% of the income tax. For the purpose of determining as to whether the capital gains are short-term or long-term in nature, the Acquirer shall take action based on the information submitted by the aforementioned category of shareholders. In the case of any ambiguity, incomplete or conflicting information or if the Acquirer is not satisfied regarding the same or in the event of the information not being provided, the capital gains shall be assumed to be short-term in nature and the tax deducted on the full consideration payable to such shareholder.

Consideration payable chargeable as Business Income
In case the consideration payable is chargeable as business income, the shareholder will be required to submit a Tax Clearance Certificate from the income tax authorities under the Income Tax Act indicating the amount of tax to be deducted by the Acquirer before remitting the consideration, failing which the Acquirer will arrange to deduct tax at the rate, as may be applicable to the relevant category to which the shareholder belongs under the Income Tax Act on full consideration.

9.8.6 *Interest payments*
For interest payments, if any, NRIs, Foreign Companies, OCBs and other non-resident shareholders will be required to submit a Tax Clearance Certificate from the income tax authorities under the Income Tax Act indicating the amount of tax to be deducted by the Acquirer before remitting the interest, failing which the Acquirer will arrange to deduct tax at the rate, as may be applicable to the relevant category to which the shareholder belongs under the Income Tax Act, on the interest payable to such shareholder.

9.8.7 As per the provisions of section 206AA of the Income Tax Act, any person receiving a payment on which tax is deductible should obtain and provide a PAN to the party making the payment. In the absence of a PAN, the tax deducted at source shall be at the rate specified in the relevant provisions of the Income Tax Act or the rates in force or 20%, whichever is higher.

9.8.8 In the event the aforementioned categories of non-resident shareholders require the Acquirer not to deduct tax or to deduct tax at the rate specified in the Double Taxation Avoidance Agreement (***DTAA***) entered into by the Central Government as applicable to the shareholder in terms of section 90 of the Income Tax Act, they should submit the following documents:

- a certificate of tax residency from the appropriate authority of the relevant country;
- a declaration from the shareholder, that the shareholder does not have a permanent establishment in India in

terms of the DTAA;

- a declaration that similar gains have been taxed as such by the tax authorities in India in past; and
- documentary evidence of cost of acquisition and such other documents as may be required by the Acquirer.

9.8.9 In case the documents are not submitted or the Acquirer is not satisfied regarding the same, the Acquirer shall deduct tax as aforesaid on the gross consideration. In the event the aforementioned categories of shareholders require the Acquirer not to deduct tax or to deduct tax at a rate or on a lower amount, they would need to obtain a certificate from the income tax authorities either under section 195(3) or under section 197 of the Income Tax Act, and submit the same to the Acquirer while submitting the Form of Acceptance. In the absence of any such certificate from the income tax authorities, the Acquirer will deduct tax as aforesaid, and a certificate in the prescribed form shall be issued to that effect.

9.8.10 If for any reason, the income tax authorities raise a claim on the Acquirer and seek to recover the tax on the transaction (which is actually tax liability of the shareholder) from the Acquirer, the shareholder agrees to indemnify the Acquirer for the same.

9.8.11 Resident shareholders:

No tax will be deducted at source from the consideration payable for Shares accepted in the Offer for shareholders who are resident in India. In case of resident shareholders, tax will be deducted at the applicable rates on the entire interest component, if the interest component exceeds Rs. 5,000 (Rupees five thousand). If a resident shareholder requires that no tax is to be deducted or tax is to be deducted at a lower rate than the prescribed rate, such shareholder must submit a Tax Clearance Certificate indicating the amount of tax to be deducted by the Acquirer or a self-declaration in form 15G or form 15H as may be applicable. Shareholders eligible to receive interest component exceeding Rs. 5,000 (Rupees five thousand) would be required to submit their PAN for income tax purposes. If a shareholder eligible to receive interest amount exceeding Rs. 5,000, fails to submit its PAN then the Acquirer will arrange to deduct tax at the rate of 20% or the rate applicable to that category of shareholder under the Income Tax Act, whichever is higher. Provisions relating to payment of interest and deduction of tax on interest payments will become applicable only if the Acquirer becomes liable to pay interest in the circumstances mentioned in paragraph 7.3 and paragraph 8.5 of this Draft Letter of Offer.

9.9 Securities transaction tax will not be applicable to the Shares accepted in the Offer.

9.10 The Shares are compulsorily traded in dematerialised form and the minimum marketable lot for the purposes of acceptance, for both physical and dematerialized will be one Share.

9.11 The Acquirer and the PACs shall accept a maximum of 913,626 Shares from the shareholders who have validly tendered the Shares under the Offer (i.e. Shares and /or other documents are in order in terms of the Offer) and remit the consideration in respect thereof as mentioned in paragraph 9.12 below, at the shareholder's sole risk.

9.12 Payment to those shareholders whose Share certificates and/or other documents are found valid and in order and are approved by the Acquirer will be by way of a crossed account payee cheque / demand draft / pay order or through Direct Credit (***DC***), National Electronic Funds Transfer (***NEFT***), Real Time Gross Settlement (***RTGS***), National Electronic Clearing Services (***NECS***), at specified centers where clearing houses are managed by the RBI within fifteen (15) days from the Offer Closing Date. Shareholders who opt for receiving consideration through DC / NEFT / RTGS / NECS are requested to give the authorization for the same in the Form of Acceptance and enclose a photocopy of cancelled cheque along with the Form of Acceptance. The decision regarding the acquisition (in part or full), or rejection of, the Shares tendered pursuant to the Offer and (i) any corresponding payment for the acquired Shares and/or (ii) Share certificates for any rejected Shares or Shares withdrawn, will be dispatched to the shareholders by registered post or by ordinary post as the case may be at the shareholder's sole risk (dispatches involving payment will be made by Registered Post / Speed Post at the shareholder's sole risk and all other dispatches will be made by ordinary post at the shareholder's sole risk). Shares held in dematerialized form to the extent not acquired or Shares withdrawn will be credited back to the respective beneficiary account with their respective DPs as per the details furnished by the beneficial owners in the Form of Acceptance. **It is advised that shareholders provide bank details in the Form of Acceptance, so that same can be incorporated in the cheque/demand draft/pay order.**

9.13 The Registrar to the Offer will hold the Shares/share certificates, Shares lying in credit of the special depository account, Form of Acceptance and the transfer form(s), if any, in trust on behalf of the shareholders who have accepted the Offer, until the Acquirer and the PACs complete the Offer obligations in accordance with the 1997 Regulations.

9.14 Any Shares that are the subject matter of litigation or are held in abeyance due to pending court cases / attachment order(s) / restriction from other statutory authorities, wherein the shareholder(s) may be precluded from transferring the Shares during pendency of the said litigation are liable to be rejected in case directions/orders of the Court/relevant statutory authority permitting transfer of these Shares are not received together with the Shares tendered under the Offer.

9.15 In terms of regulation 22(5A) of the 1997 Regulations, shareholders desirous of withdrawing their acceptances tendered in the Offer can do so up to three working days prior to the Offer Closing Date. The withdrawal option can be exercised by submitting the documents, including the Form of Withdrawal, as per the instructions to be contained in this Draft Letter of Offer, so as to reach the Registrar to the Offer at the collection centre where the original tender was submitted, before the last date for withdrawing acceptance from the Offer.

(a) The withdrawal option can be exercised by submitting the Form of Withdrawal, enclosed with this Draft Letter of Offer, duly signed by all the registered holders as per their specimen signature recorded with the Target Company for shareholders in case of physical holdings/ with the depository in case of electronic holdings, so as to reach the Registrar to the Offer at the collection centre where the original Form of Acceptance was submitted, on or before Thursday, 25 April 2013. The signature of the beneficial holders on the Form of Withdrawal should be attested by the DP.

(b) The withdrawal option can be exercised by submitting the Form of Withdrawal attached to this Draft Letter of Offer, duly completed together with acknowledgement slip in original / copy of the submitted Form of Acceptance in case delivered by Registered A.D.

(c) In case of non-receipt of the Form of Withdrawal , the withdrawal option can be exercised by making an acceptance on plain paper along with the following details:

i. In case of physical Shares: Name, address, distinctive numbers, folio number and number of Shares tendered, number of Shares withdrawn.

ii. In case of dematerialised Shares: Name, address, number of Shares tendered, number of Shares withdrawn, DP name, DP ID, Beneficiary Account no., and a photocopy of delivery instructions in "Off-market" mode or counterfoil of the delivery instruction in "Off-market" mode, duly acknowledged by the DP in favour of the special depository account.

(d) Shareholders who have tendered Shares in physical form and wish to partially withdraw their tenders, should also enclose valid Share transfer form(s) for the remaining Shares (i.e. Shares not withdrawn) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with the Target Company and duly witnessed at the appropriate place.

(e) The withdrawal of Shares will be available only for the Share certificates/ Shares that have been received by the Registrar to the Offer/ special depository account.

(f) The intimation of returned Shares to the shareholders will be at the address as per the records of the Target Company or the depositories as the case may be.

(g) In case of partial withdrawal of Shares tendered in physical form, if the original Share certificates are required to be split, the same will be returned on receipt of Share certificates from the Target Company.

(h) Partial withdrawal of tendered Shares can be done only by the registered shareholders / beneficial owners. In case of partial withdrawal, the earlier Form of Acceptance will stand revised to that effect.

(i) Shareholders holding Shares in dematerialised form are requested to issue the necessary standing instruction for receipt of the credit in their DP account.

9.16 Unaccepted Share certificates, transfer forms and other documents, if any, will be returned by registered post / speed post at the shareholders'/unregistered owners' sole risk to the sole/first shareholder. Shares held in dematerialised form, to the extent not accepted, will be credited back to the beneficial owners' depository account with the respective DP as per the details furnished by the beneficial owner in the Form of Acceptance or otherwise. It will be the responsibility of the shareholders to ensure that the unaccepted Shares are accepted by their respective DPs when transferred by the Registrar to the Offer. Shareholders holding Shares in dematerialised form are requested to issue the necessary standing instruction for receipt of the credit, if any, in their DP account. Shareholders should ensure that their depository account is maintained till the Offer formalities are completed.

9.17 The instructions, authorizations and provisions contained in the Form of Acceptance and Form of Withdrawal constitute an integral part of the terms of the Offer.

9.18 Morgan Stanley India Company Private Limited, the Manager to the Offer does not hold any Shares of the Target Company.

9.19 Certain financial details contained in this Draft Letter of Offer quoted in Rupees are denominated in Euros (€). The Rupee equivalent quoted in each case is calculated in accordance with the reference rate quoted on www.rbi.org.in for the date of 15 February 2013 (unless otherwise stated), namely one € = Rs. 72.0856.

10. DOCUMENTS FOR INSPECTION

The following material documents are available for inspection by the shareholders of the Target Company at the office of the Manager to the Offer at 18F / 19F, Tower 2, One Indiabulls Centre, 841, Senapati Bapat Marg, Mumbai 400 013, Contact Person: Mr. Prashant Dugar, from 10.30 a.m. to 1.00 p.m. on any day, except Saturdays, Sundays and public holidays, from the Offer Opening Date until the Offer Closing Date:

1. Copy of Certificate of Incorporation, Memorandum and Articles of Association, or equivalent constitutional documents of the Acquirer and PACs
2. Copy of the Certificate of Incorporation, and Memorandum and Articles of Association of the Target Company
3. Copy of statutory auditors' report / Annual reports on financial statements for the Acquirer and PACs for the year ended 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011
4. Copy of Audited annual reports of the Target Company for the last three years
5. Copy of the published Public Announcement, dated 8 September, 2011
6. Copies of Corrigenda to Public Announcement dated 20 October 2011, 19 February 2013 and 27 February 2013
7. Copy of order from Bombay High court dated February 13, 2013
8. Copy of Letter from SEBI dated January 8, 2013
9. Copy of Press Release dated 4 April 2011, Global Announcement in relation to the Acquirer's offer for Rhodia, which triggered the Offer
10. Copy of results of the tender offer on Rhodia published on 31 August 2011 by the French financial markets authority (AMF) - French version only
11. Copy of press release dated 31 August 2011 indicating total success of Solvay recommended tender offer for Rhodia
12. Copy of the agreement dated 5 September 2011 between the Citibank N.A., the Acquirer and Morgan Stanley India Company Private Limited, authorising Morgan Stanley India Company Private Limited to realize the value of the 100% cash deposit, in terms of the 1997 Regulations
13. Copy of Letter from Citibank, N.A. dated 7 September 2011 and February 26, 2013, confirming the amount kept in an escrow account
14. Copy of certificate from Mr. Rajesh Sarfare, Membership No. 140399, Partner of M/s R.D. Sarafare & Co. Chartered Accountants (305, 3rd Floor, D/8, Shan Bldg., Sion (East), Mumbai - 400037 confirming sufficiency of funds
15. A copy of the agreement (with subsequent amendments) entered into by the Registrar to the Offer with the DP for opening a special depository account for the purposes of the Offer
16. Copy of approval from RBI to Acquirer for acquiring Shares in the Offer
17. Confirmation letter indicating availability of Required Amount

11. DECLARATION BY THE ACQUIRER AND THE PACs

11.1. The Acquirer and the PACs represented by their respective Chairman or Board of Directors or sole shareholder, as applicable, accept responsibility for the information contained in this Draft Letter of Offer, Form of Acceptance and Form of Withdrawal and for their obligations under the 1997 Regulations.

11.2. The Acquirer and the PACs are severally and jointly responsible for fulfilment of their obligations in terms of the 1997 Regulations.

11.3. We are authorised on behalf of the Acquirer and the PACs to sign this Draft Letter of Offer.

On behalf of the Acquirer and the PACs:

-sd-

Name:
Designation:
Place:
Date:

-sd-

Name:
Designation:
Place:
Date:

-sd-

Name:
Designation:
Place:
Date:

-sd-

Name:
Designation:
Place:
Date:

-sd-

Name:
Designation:
Place:
Date:

ANNEXURE I

STATUS OF COMPLIANCE WITH THE PROVISIONS OF CHAPTER II OF THE 1997 REGULATIONS (AS APPLICABLE)

I. By the promoters / sellers / major shareholders / Acquirer, separately (as may be applicable)

1. By Rhodia UK Limited

Sl. No.	Regulation/ Sub-regulation	Due date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	**2**	**3**	**4**	**5**	**6**
1.	6(1)	20.04.1997	06.01.2003	2,088	Application filed under the SEBI Regularisation Scheme, 2002
2.	6(3)	20.04.1997	06.01.2003	2,088	Application filed under the SEBI Regularisation Scheme, 2002
3.	8(1)	21.04.1998	06.01.2003	1,722	Application filed under the SEBI Regularisation Scheme, 2002
4.	8(2)	21.04.1998	06.01.2003	1,722	Application filed under the SEBI Regularisation Scheme, 2002
5.	8(1)	21.04.1999	06.01.2003	1,357	Application filed under the SEBI Regularisation Scheme, 2002
6.	8(2)	21.04.1999	06.01.2003	1,357	Application filed under the SEBI Regularisation Scheme, 2002
7.	8(1)	21.04.2000	06.01.2003	991	Application filed under the SEBI Regularisation Scheme, 2002
8.	8(2)	21.04.2000	06.01.2003	991	Application filed under the SEBI Regularisation Scheme, 2002
9.	8(1)	21.04.2001	06.01.2003	626	Application filed under the SEBI Regularisation Scheme, 2002
10.	8(2)	21.04.2001	06.01.2003	626	Application filed under the SEBI Regularisation Scheme, 2002
11.	8(1)	21.04.2002	06.01.2003	261	Application filed under the SEBI Regularisation Scheme, 2002
12.	8(2)	21.04.2002	06.01.2003	261	Application filed under the SEBI Regularisation Scheme, 2002
13.	8(1)	21.04.2003	05.04.2003	-	
14.	8(2)	21.04.2003	05.04.2003	-	
15.	8(1)	21.04.2004	02.04.2004	-	
16.	8(2)	21.04.2004	02.04.2004	-	
17.	8(1)	21.04.2005	04.04.2005	-	
18.	8(2)	21.04.2005	04.04.2005	-	
19.	8(1)	21.04.2006	11.04.2006	-	
20.	8(2)	21.04.2006	11.04.2006	-	
21.	8(1)	21.04.2007	10.04.2007	-	
22.	8(2)	21.04.2007	10.04.2007	-	
23.	8(1)	21.04.2008	23.05.2008	33	
24.	8(2)	21.04.2008	23.05.2008	33	
25.	8(1)	21.04.2009	07.04.2009	-	
26.	8(2)	21.04.2009	07.04.2009	-	
27.	8(1)	21.04.2010	05.04.2010	-	
28.	8(2)	21.04.2010	05.04.2010	-	
29.	8(1)	21.04.2011	15.04.2011	-	
30.	8(2)	21.04.2011	15.04.2011	-	
31.	30(1)	As and when applicable	Not Applicable		Under Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers)

Sl. No.	Regulation/ Sub-regulation	Due date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	**2**	**3**	**4**	**5**	**6**
					Regulations, 2011
32.	30(2)	09.04.2012	02.04.2012		Disclosure made under Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011
33.	7(1) & (2)	As and when applicable			
34.	7(1A)&(2)	As and when applicable			
35.	8A 1	As and when applicable	**NOT**	**APPLICABLE**	
36.	8A 2	As and when applicable			
37.	8A 3	As and when applicable			

2. By Pandit Vasant Pratap

Sl. No.	Regulation/ Sub-regulation	Due date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	**2**	**3**	**4**	**5**	**6**
1.	6(1)	20.04.1997	Not Applicable		
2.	6(3)	20.04.1997	Not Filed*		
3.	8(1)	21.04.1998	Not Applicable		
4.	8(2)	21.04.1998	Not Filed*		
5.	8(1)	21.04.1999	Not Applicable		
6.	8(2)	21.04.1999	Not Filed*		
7.	8(1)	21.04.2000	Not Applicable		
8.	8(2)	21.04.2000	Not Filed*		
9.	8(1)	21.04.2001	Not Applicable		
10.	8(2)	21.04.2001	Not Filed*		
11.	8(1)	21.04.2002	Not Applicable		
12.	8(2)	21.04.2002	Not Filed*		
13.	8(1)	21.04.2003	Not Applicable		
14.	8(2)	21.04.2003	Not Filed*		
15.	8(1)	21.04.2004	Not Applicable		
16.	8(2)	21.04.2004	Not Filed*		
17.	8(1)	21.04.2005	Not Applicable		
18.	8(2)	21.04.2005	Not Filed*		
19.	8(1)	21.04.2006	Not Applicable		
20.	8(2)	21.04.2006	Not Filed*		
21.	8(1)	21.04.2007	Not Applicable		
22.	8(2)	21.04.2007	Not Filed*		
23.	8(1)	21.04.2008	Not Applicable		
24.	8(2)	21.04.2008	Not Filed*		
25.	8(1)	21.04.2009	Not Applicable		
26.	8(2)	21.04.2009	Not Filed*		
27.	8(1)	21.04.2010	Not Applicable		
28.	8(2)	21.04.2010	Not Filed*		
29.	8(1)	21.04.2011	Not Applicable		
30.	8(2)	21.04.2011	Not Filed*		

Sl. No.	Regulation/ Sub-regulation	Due date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	2	3	4	5	6
31.	30(1)	As and when applicable	Not Applicable		Under Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011
32.	30(2)	09.04.2012	Not Filed*		Under Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011
33.	7(1) & (2)	As and when applicable	Not Applicable		
34.	7(1A)&(2)	As and when applicable	Not Applicable		
35.	8A 1	As and when applicable	Not Applicable		
36.	8A 2	As and when applicable	Not Applicable		
37.	8A 3	As and when applicable	Not Applicable		

3. By Ranjit Pandit

Sl. No.	Regulation/ Sub-regulation	Due date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	2	3	4	5	6
1.	6(1)	20.04.1997	Not Applicable		
2.	6(3)	20.04.1997	Not Filed*		
3.	8(1)	21.04.1998	Not Applicable		
4.	8(2)	21.04.1998	Not Filed*		
5.	8(1)	21.04.1999	Not Applicable		
6.	8(2)	21.04.1999	Not Filed*		
7.	8(1)	21.04.2000	Not Applicable		
8.	8(2)	21.04.2000	Not Filed*		
9.	8(1)	21.04.2001	Not Applicable		
10.	8(2)	21.04.2001	Not Filed*		
11.	8(1)	21.04.2002	Not Applicable		
12.	8(2)	21.04.2002	Not Filed*		
13.	8(1)	21.04.2003	Not Applicable		
14.	8(2)	21.04.2003	Not Filed*		
15.	8(1)	21.04.2004	Not Applicable		
16.	8(2)	21.04.2004	Not Filed*		
17.	8(1)	21.04.2005	Not Applicable		
18.	8(2)	21.04.2005	Not Filed*		
19.	8(1)	21.04.2006	Not Applicable		
20.	8(2)	21.04.2006	Not Filed*		
21.	8(1)	21.04.2007	Not Applicable		
22.	8(2)	21.04.2007	Not Filed*		
23.	8(1)	21.04.2008	Not Applicable		
24.	8(2)	21.04.2008	Not Filed*		
25.	8(1)	21.04.2009	Not Applicable		

Sl. No.	Regulation/ Sub-regulation	Due date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	2	3	4	5	6
26.	8(2)	21.04.2009	Not Filed*		
27.	8(1)	21.04.2010	Not Applicable		
28.	8(2)	21.04.2010	Not Filed*		
29.	8(1)	21.04.2011	Not Applicable		
30.	8(2)	21.04.2011	Not Filed*		
31.	30(1)	As and when applicable	Not Applicable		Under Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011
32.	30(2)	09.04.2012	Not Filed*		Under Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011
33.	7(1) & (2)	As and when applicable	Not Applicable		
34.	7(1A)&(2)	As and when applicable	Not Applicable		
35.	8A 1	As and when applicable	Not Applicable		
36.	8A 2	As and when applicable	Not Applicable		
37.	8A 3	As and when applicable	Not Applicable		

4. **By Pandit Ranjit Vasant**

Sl. No.	Regulation/ Sub-regulation	Due date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	2	3	4	5	6
1.	6(1)	20.04.1997	Not Applicable		
2.	6(3)	20.04.1997	Not Filed*		
3.	8(1)	21.04.1998	Not Applicable		
4.	8(2)	21.04.1998	Not Filed*		
5.	8(1)	21.04.1999	Not Applicable		
6.	8(2)	21.04.1999	Not Filed*		
7.	8(1)	21.04.2000	Not Applicable		
8.	8(2)	21.04.2000	Not Filed*		
9.	8(1)	21.04.2001	Not Applicable		
10.	8(2)	21.04.2001	Not Filed*		
11.	8(1)	21.04.2002	Not Applicable		
12.	8(2)	21.04.2002	Not Filed*		
13.	8(1)	21.04.2003	Not Applicable		
14.	8(2)	21.04.2003	Not Filed*		
15.	8(1)	21.04.2004	Not Applicable		
16.	8(2)	21.04.2004	Not Filed*		
17.	8(1)	21.04.2005	Not Applicable		
18.	8(2)	21.04.2005	Not Filed*		
19.	8(1)	21.04.2006	Not Applicable		
20.	8(2)	21.04.2006	Not Filed*		

Sl. No.	Regulation/ Sub-regulation	Due date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	2	3	4	5	6
21.	8(1)	21.04.2007	Not Applicable		
22.	8(2)	21.04.2007	Not Filed*		
23.	8(1)	21.04.2008	Not Applicable		
24.	8(2)	21.04.2008	Not Filed*		
25.	8(1)	21.04.2009	Not Applicable		
26.	8(2)	21.04.2009	Not Filed*		
27.	8(1)	21.04.2010	Not Applicable		
28.	8(2)	21.04.2010	Not Filed*		
29.	8(1)	21.04.2011	Not Applicable		
30.	8(2)	21.04.2011	Not Filed*		
31.	30(1)	As and when applicable	Not Applicable		Under Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011
32.	30(2)	09.04.2012	Not Filed*		Under Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011
33.	7(1) & (2)	As and when applicable	Not Applicable		
34.	7(1A)&(2)	As and when applicable	Not Applicable		
35.	8A 1	As and when applicable	Not Applicable		
36.	8A 2	As and when applicable	Not Applicable		
37.	8A 3	As and when applicable	Not Applicable		

* Although Pandit Vasant Pratap, Ranjit Pandit and Pandit Ranjit Vasant are listed as Promoters of the Target Company, they have not made any filings under regulations 6(3) and 8(2) of the 1997 Regulations. Pandit Vasant Pratap, Ranjit Pandit and Pandit Ranjit Vasant hold in aggregate only 31,686 Shares representing 0.94% of the paid up equity share capital of the Target Company.

5. By the Acquirer and PACs*

Sl. No.	Regulation/ Sub-regulation	Due date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	2	3	4	5	6
1.	7(1) & (2)	09.09.2011	08.09.2011#		
2.	7(1A)&(2)	As and when applicable	Not Applicable		
3.	8A 1	As and when applicable	Not Applicable		
4.	8A 2	As and when applicable	Not Applicable		
5.	8A 3	As and when applicable	Not Applicable		

* Not applicable to Rhodia; Compliance by Rhodia UK is covered under Annexure I – Paragraph I. 1 above
# The Acquirer, Solvay and Solvay Finance have not directly acquired any Shares and, therefore, are not strictly required to make this disclosure under the 1997 Regulations. However, the disclosure has been made by way of abundant caution.

6. By the PAC - Rhodia UK

Please refer to Annexure I – Paragraph I. 1 above.

II. By the Target Company

Sl. No.	Regulation/ Sub-regulation	Due date for compliance as mentioned in the regulation	Actual date of compliance	Delay, if any (in no. of days) Col. 4- Col. 3	Remarks
1	**2**	**3**	**4**	**5**	**6**
1.	6(2)	20.05.1997	06.01.2003	2,058	Application filed under the SEBI Regularisation Scheme, 2002
2.	6(4)	20.05.1997	06.01.2003	2,058	Application filed under the SEBI Regularisation Scheme, 2002
3.	8(3)	30.04.1998	06.01.2003	1,713	Application filed under the SEBI Regularisation Scheme, 2002
4.	8(3)	30.04.1999	06.01.2003	1,348	Application filed under the SEBI Regularisation Scheme, 2002
5.	8(3)	30.04.2000	06.01.2003	982	Application filed under the SEBI Regularisation Scheme, 2002
6.	8(3)	30.04.2001	06.01.2003	617	Application filed under the SEBI Regularisation Scheme, 2002
7.	8(3)	30.04.2002	06.01.2003	252	Application filed under the SEBI Regularisation Scheme, 2002
8.	8(3)	30.04.2003	16.04.2003	-	
9.	8(3)	30.04.2004	12.04.2004	-	
10.	8(3)	30.04.2005	04.04.2005	-	
11.	8(3)	30.04.2006	20.04.2006	-	
12.	8(3)	30.04.2007	11.04.2007	-	
13.	8(3)	30.04.2008	28.05.2008	29	
14.	8(3)	30.04.2009	09.04.2009	-	
15.	8(3)	30.04.2010	12.04.2010	-	Shares held by ISPG Limited were transferred to Rhodia UK as interse transfer amongst promoters
16.	8(3)	30.04.2011	15.04.2011	-	Shares held by Albright & Wilson Asia Pacific Holdings Pte Limited were transferred to Rhodia UK as interse transfer amongst promoters
17.	7(3)	15.09.2011	12.09.2011	-	
18.	30(1)	As and when applicable	Not Applicable		Under Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011
19.	30(2)	As and when applicable	Not Applicable		Under Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011
20.	8A	As and when applicable	Not Applicable		

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

(Please send this Form with enclosures to the Registrar to the Offer at its address given overleaf)

FORM OF ACCEPTANCE CUM ACKNOWLEDGEMENT

(To be filled in by the Shareholder)

Folio No. / DP ID / Client ID	Sr. No.	No. of Shares held

OFFER SCHEDULE	
Opens on	Thursday, 11 April 2013
Closes on	Tuesday, 30 April 2013

From:
Name: ____
Address: ____
____
____PIN ________________

Tel No.: ____________________ Fax No.: ____________________ E-mail: ____________________

Status: ☐ Resident ☐ Non-Resident (☑ whichever is applicable)

Category: ☐ Original Shareholder ☐ Other Shareholder (☑ whichever is applicable)
(Please refer to Instructions)

To,
Rhodia Specialty Chemicals India Limited – Open Offer
C/o Link Intime India Private Limited
C-13 Pannalal Silk Mills Compound
LBS Marg, Bhandup West,
Mumbai - 400078

Dear Sir/Madam,

SUB: Open Offer to acquire up to 913,626 equity shares of Rs. 10/- each (*Share*) representing 27.07% of the issued, subscribed and paid-up equity share capital of Rhodia Specialty Chemicals India Limited ("*RSCIL" or "Target Company*") (*the Offer*) at a price of Rs. 834.27 per Share for the Original Shareholders (computed as per Paragraph 7.2.1 of the Letter of Offer which assumes that the payment is made on 15 May 2013) and Rs.386.72 per Share for the Other Shareholders.

I/We refer to the Public Announcement dated 8 September 2011, the Corrigenda and the Letter of Offer (***Letter of Offer***) for acquiring the Shares held by me/us in RSCIL.

I/We, the undersigned, have read the Letter of Offer and understood its contents including the terms and conditions as mentioned therein.

FOR SHARES HELD IN PHYSICAL FORM
(*please refer to instruction 3.II.*)

I/We hold the following Shares in physical form and accept the Offer and enclose the original share certificate(s) and duly signed share transfer deed(s) in respect of my/our Shares as detailed below:

Ledger Folio No: ______________ No. of share certificates: ______________ No. of Shares: ______________

Sr. No.	Ledger Folio No.	Certificate No.	Distinctive Nos.		No. of Shares
			From	To	
1.					

2.					
3.					
Total No. of Shares					

(In case of insufficient space, please use an additional sheet and authenticate the same)

I/We confirm that the Offer is hereby accepted by me/us and that the Shares which are being tendered herewith by me/us under this Offer are free from liens, charges and encumbrances of any kind whatsoever and are also not the subject matter of litigation where under the transfer of Shares may be prohibited during the pendency of such litigation.

I/We note and understand that the original share certificate(s) and valid share transfer deed(s) will be held in trust by the Registrar to the Offer, until payment of the consideration or the unaccepted Shares are dispatched / returned.

I/We also note and understand that the Acquirer will pay the Offer Price only after verification of documents and signatures.

I/We are enclosing:

☐ Original share certificate(s)
☐ Share transfer deed(s)
☐ Original broker contract note (in case of unregistered shareholders holding shares in physical form)
(☑ whichever is applicable)

FOR SHARES HELD IN DEMATERIALISED FORM
(*please refer to instruction 3.I.*)

I/We hold the following Shares in dematerialised form (***Demat Form***) and accept the Offer and enclose a photocopy of the Depository Delivery Instruction(s) Slip (***DDIS***) duly acknowledged by the depository participant (***DP***) in respect of my/our Shares as detailed below:

DP Name	DP ID	Client ID	Name of Beneficiary	Total No. of Shares

I/We have done an off-market transaction for crediting the Shares to the special escrow depository account (***Depository Account***) with Ventura Securities Limited, opened with National Securities Depository Limited (***NSDL***), as "LIIPL RSCIL OPEN OFFER ESCROW DEMAT ACCOUNT" **whose particulars are:**

DP Name: Ventura Securities Limited	**DP ID: IN303116**	**Client ID: 10836193**

Shareholders having their beneficiary account with CDSL have to use an inter-depository delivery instruction slip for the purpose of crediting their Shares in favour of the Depository Account with NSDL.

I/We are enclosing:

☐ a duly acknowledged DDIS from my / our account with NSDL.
☐ an inter depository delivery instruction from my /our account with CDSL.
(☑ whichever is applicable)

I/We confirm that the Shares which are being tendered herewith by me/us under this Offer, are free from liens, charges, encumbrances, attachments, orders or any other impediment of any kind whatsoever.

I/We note and understand that for the Shares in physical form, the original share certificate(s) and the valid share transfer deed(s) will be held in trust for me/us by the Registrar to the Offer until the Acquirer makes payment of the purchase consideration as mentioned in the Letter of Offer or the until the unaccepted Shares are dispatched / returned.

I/We note and understand that the Shares in Demat Form would lie in the Depository Account i.e. "LIIPL RSCIL OPEN OFFER ESCROW DEMAT ACCOUNT" until the Acquirer makes payment of the purchase consideration as mentioned in the Letter of Offer.

I/We also note and understand that the Acquirer will pay the consideration only after verification of the documents.

I/We confirm that in case of non-receipt of the aforesaid documents, but receipt of the Shares in the Depository Account, the Acquirer may deem the Offer to have been accepted by me/us.

I/We authorize the Acquirer:

- to acquire the all Shares so tendered by me/us or such lesser number of Shares, which it may decide to accept, in consultation with the Manager to the Offer and in terms of the Letter of Offer;
- to return to me/us, the share certificate(s) and in the case of Shares in Demat Form to credit such Shares to my/our depository account, to the extent that the Shares tendered by me/us are not found valid / accepted, in each case at my/our sole risk, specifying the reasons thereof.
- to return to me/us share certificate(s) and in the case of Shares in Demat Form to credit such Shares to my/our depository account, if the Shares so tendered are withdrawn by me/us (in terms of and subject to the Letter of Offer), in each case at my/our sole risk.
- to split/consolidate the share certificates comprising the Shares that are not acquired or accepted and the Acquirer/Registrar to the Offer is hereby authorized to do all such things and execute such documents as may be found necessary and expedient for the purpose.

I/We authorise the Acquirer or the Manager to the Offer or the Registrar to the Offer to send by registered post / speed post / ordinary post (as described in the Letter of Offer), crossed account payee cheque / demand draft as purchase consideration to the sole/first holder at the address mentioned above, or to make payment to the sole/first holder electronically as mentioned below.

The Permanent Account Number allotted under the Income Tax Act, 1961 is as under:

	Full name(s) of the holder	**Permanent Account Number**
First/Sole Holder		
Joint Holder 1		
Joint Holder 2		

So as to avoid fraudulent encashment in transit, the shareholder(s) holding Shares in physical form should provide details of bank account of the first / sole shareholder and the consideration payment will be drawn accordingly. For Shares that are tendered in electronic form, the bank particulars as recorded with the DP and stated below will be printed on the cheque, demand draft. Shareholders are advised to update their Bank Account details including Account Number, MICR code and other demographic details with their DP to ensure the payment is credited correctly to their Bank Account.

Please indicate the preferred mode of receiving the payment consideration. (☑ whichever is applicable)

(1) Electronic Mode: ☐ (2) Physical Mode: ☐

(*if yes, please also enclose a photo-copy of a cheque drawn on the account in which payment will be made)*

Name of Bank	
Branch Address and PIN Code	
Type of Account	☐ Savings / ☐ Current / ☐ NRE / ☐ NRO / ☐ Others (☑ whichever is applicable)
Account Number	
9 Digit MICR Code	
IFSC Code (for RTGS / NEFT / NECS / ECS transfers)	

Documents enclosed with the Form of Acceptance are stated below

For Original Shareholders holding shares in demat mode (please refer Paragraph 7. 3 of Letter of Offer):

I/We have enclosed the following documents:

☐ Transaction/ holding statement obtained from Depository Participant (***DP***) since the date of dematerialization / purchase till the date of submission of the Form of Acceptance along with the delivery instruction for transferring shares to the demat escrow account opened for this open offer.

☐ Documentary evidence for Change of Name recorded with the company / registrar.

- ☐ Documentary evidence for shares acquired through Transmission
- ☐ Documentary evidence for Transposition, i.e. changed the order of the names recorded with the company / registrar
- ☐ Details of folio(s) in which Shares were held in physical form , Original folio no __________ OR
- ☐ A photocopy of original share certificate

(☑ whichever is applicable)

For NRIs/OCBs/ other non-resident shareholders:

I/We have enclosed the following documents:

☐ Tax clearance certificate or no-objection certificate or certificate for deduction of tax at lower rate certificate (***Tax Clearance Certificate***) from the income tax authorities

☐ Previous RBI approvals for acquiring/holding the Shares hereby tendered in the Offer

☐ For OCBs only, approval from the RBI to tender their Shares in the Offer

☐ Self-attested copy of Permanent Account Number (***PAN***) Card

☐ Form OAC of the current year / latest year

☐ Documentary evidence of the cost and mode of acquisition of the Shares being tendered

(☑ whichever is applicable)

I/We confirm that the Shares are held by me/us as ☐ Long Term Capital Asset OR ☐ Short Term Capital Asset. (☑ whichever is applicable)

I/We certify that the Shares are held by me/us on ☐ Investment/Capital Account OR ☐ Trade Account. (☑ whichever is applicable)

In case of any ambiguity, incomplete or conflicting information or if the Acquirer is not satisfied regarding the same or in the event of the information not being provided, the capital gains shall be assumed to be short term in nature and tax would be deducted on the full consideration.

In case the Shares are held in capital account or trade account, kindly enclose a tax residence certificate issued by the tax authorities of the country of which you are a tax resident and also a certificate stating that you are a tax resident of your country of residence and that you do not have a '**permanent establishment**' in India in terms of the Double Tax Avoidance Agreement (***DTAA***) entered into between India and your country of residence and your mode and cost of acquisition.

Further, while tendering Shares under the Offer, NRIs/Foreign companies/OCBs/other non-resident shareholders will be required to submit the following:

- Previous RBI Approvals (specific or general) that you may have obtained for acquiring Shares hereby tendered in the Offer. In case of previous RBI Approvals not being submitted, the Acquirer reserves the right to reject such Shares tendered;
- Tax Clearance Certificate from the income tax authorities, indicating the amount of tax to be deducted by the Acquirer under the Income Tax Act before remitting the consideration. In case the Tax Clearance Certificate is not submitted, tax will be

deductible at the rate, as may be applicable to the category of the Shareholder under the Income Tax Act, on the entire consideration amount payable to such Shareholder.

In order to avail of the benefit of lower rate of tax deduction under the DTAA, if any, at the sole discretion of the Acquirer, kindly enclose a tax residence certificate issued by the tax authorities of the country of which you are a tax resident and documentary evidence of the cost of acquisition of the shares tendered.

For FIIs:

I/We have enclosed the following documents:

☐ Tax Clearance Certificate from the income tax authorities
☐ Previous RBI approvals for holding the Shares hereby tendered in the Offer
☐ Self-attested copy of PAN Card
☐ SEBI Registration Letter for FIIs
☐ Documentary evidence of cost of acquisition of shares tendered
☐ Declaration regarding tax residence, permanent establishment in India, treatment of the consideration by tax authorities in the past

(☑ whichever is applicable)

I/We certify that the Shares of RSCIL are held by me/us on ☐ Investment/Capital Account OR ☐ Trade Account. (☑ whichever is applicable)

In case the Shares are held on trade account, kindly enclose a certificate stating that you are a tax resident of your country of residence/Incorporation and that you do not have a '**permanent establishment**' in India in terms of the DTAA entered into between India and your country of residence and documentary evidence of the cost of acquisition of the shares being tendered.

In order to avail the benefit of lower rate of tax deduction under the DTAA, if any, at the sole discretion of the Acquirer, kindly enclose a tax residence issued by the tax authorities of the country of which you are a tax resident and the documentary evidence of the cost of acquisition of the shares being tendered.

For Resident shareholders:

I/We have enclosed the following documents:

☐ Self-attested copy of Permanent Account Number (***PAN***) Card
☐ Tax Clearance Certificate from the income tax authorities
☐ Self-declaration in Form 15 G / Form 15 H

(☑ whichever is applicable)

Yours faithfully,

Signed and Delivered	Full name(s) of the holder	Signature(s)
First/Sole Holder		
Joint Holder 1		
Joint Holder 2		

Note: In case of joint holders, all holders must sign. In case of bodies corporate, it must affix the corporate seal and also attach the necessary corporate resolutions.

*** Enclosures, as applicable:**

☐ Duly attested Power of Attorney
☐ Death Certificate / Succession Certificate
☐ Self-attested copy of PAN Card
☐ Tax Clearance Certificate from the income tax authorities
☐ Documentary evidence for Change of Name
☐ Previous RBI approval(s)

☐ Form OAC of the current / latest year	☐ SEBI Registration certificate
☐ Bankers certificate certifying inward remittance	☐ No objection certificate from lender
☐ Corporate authorization in case of body corporate / FIIs along with corporate / board resolutions and specimen signatures of authorised signatories	☐Transaction/ holding statement obtained from Depository Participant since the date of dematerialization / purchase till the date of submission of the Form of Acceptance along with the delivery instruction for transferring shares to the demat escrow account opened for this open offer.

(☑ whichever is applicable)

Note: All future correspondence, if any, in connection with this Offer, should be addressed to Registrar to the Offer:
Rhodia Specialty Chemicals India Limited – Open Offer, Link Intime India Private Limited, C-13 Pannalal Silk Mills Compound, LBS Marg, Bhandup West, Mumbai - 400078, Tel No.: +91-22-25967878, Fax No.: +91-22-25960329, Email: pravin.kasare@linkintime.co.in, Contact Person: Pravin Kasare

INSTRUCTIONS

NO SHARES / FORMS SHOULD BE SENT TO THE ACQUIRER OR TO THE PERSONS ACTING IN CONCERT OR TO THE MANAGER TO THE OFFER OR TO RHODIA SPECIALTY CHEMICALS INDIA LIMITED.

1. Original Shareholders refers to Shareholders of the Target Company who were holding the Shares as on 14 March 2000 and continue to hold the Shares as on date of tendering their Shares in the Offer, and in respect of whom the procedure for identification is set out in the Letter of Offer. Other Shareholders refers to All shareholders of the Target Company other than Original Shareholders, Acquirer and PACs
2. In the case of Shares in Demat Form, the shareholders are advised to ensure that their Shares are credited into the Depository Account, before the closure of the Offer. The Form of Acceptance cum Acknowledgement of such Shares in Demat Form not credited into the Depository Account, before the closure of the Offer will be rejected.
3. Shareholders should enclose the following :

   I. **<u>Shareholders holding Shares in Demat Form:</u>**

   <u>Beneficial owners should enclose</u>

   - Form of Acceptance-cum-Acknowledgement duly completed and signed in accordance with the instructions contained therein, as per the records of the DP.
   - Photocopy of the DDIS in "Off-Market" mode or counterfoil of the DDIS in "Off-market" mode, duly acknowledged by the DP /
     Photocopy of the INTER-DEPOSITORY DELIVERY INSTRUCTION SLIP for the beneficiary holders having an account with CDSL, for the purpose of crediting their Shares in the favour of the Depository Account with NSDL
   - For each DDIS, the beneficial owner should submit separate Form of Acceptance

   In case of non-receipt of the aforesaid documents, but receipt of the Shares in the Depository Account, the Offer shall be deemed to be accepted.

   II. **<u>Shareholders holding Shares in physical form:</u>**

   <u>Registered shareholders should enclose:</u>

   - **Form of Acceptance-cum-Acknowledgement** duly completed and signed in accordance with the instructions contained therein, by all the shareholders whose names appear on the share certificates.
   - **Original share certificate(s)**
   - **Valid share transfer deed(s)** duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with RSCIL and duly witnessed at the appropriate place. A blank share transfer deed is enclosed along with this Letter of Offer.

   In case of registered shareholder - non-receipt of the aforesaid documents, but receipt of the share certificates along with the duly completed transfer form, the Offer shall be deemed to be accepted

   <u>Unregistered shareholders should enclose:</u>

   - **Form of Acceptance-cum-Acknowledgement** duly completed and signed in accordance with the instructions contained therein.
   - **Original share certificate(s)**
   - **Original broker contract note**
   - **Valid share transfer deed(s)** as received from the market, duly stamped and executed as the proposed transferee(s) along with blank transfer form duly signed as transferor(s) by the said proposed transferee(s) and witnessed at the appropriate place. The details should be left blank. The details of the Acquirer as transferee will be filled by the Acquirer upon verification of the Form of Acceptance and the same being found valid. All other requirements for valid transfer will be precondition for acceptance.
4. All shareholders are required to provide their PAN No. in the Form of Acceptance.
5. In case of Shares held in joint names, names should be filled up in the same order in the Form of Acceptance-cum-Acknowledgement and in the share transfer deed(s) as the order in which they hold Shares, and should be duly witnessed. This order cannot be changed or altered nor can any new name be added for the purpose of accepting the Offer.
6. Attestation, where required (thumb impressions, signature difference, etc.) should be done by a Magistrate, Notary Public or Special Executive Magistrate or a similar authority holding a Public Office and authorized to use the seal of his office or a member of a recognized stock exchange under their seal of office and membership number or manager of the transferor's bank.
7. All the shareholders should provide all relevant documents, which are necessary to ensure transferability of the Shares in respect of which the acceptance is being sent. Such documents may include (but not be limited to):
   - Duly attested death certificate and succession certificate/ probate/ letter of administration (in case of single Shareholder) in case the original Shareholder is no more;
   - Duly attested power of attorney if any person apart from the Shareholder has signed the Form of Acceptance-cum-Acknowledgement and/or share transfer deed(s);
   - No objection certificate from any shareholder/lender, if the Shares in respect of which the acceptance is sent, were under any charge, lien or encumbrance;

- In case of body corporate, the necessary corporate authorization, including certified copy of corporate / board resolutions;
- Any other relevant documentation. Please specify below:
  (i) __________________________________;
  (ii) ____________________________________;
  (iii) ____________________________________

8. Non-resident shareholders should enclose a copy of the permission received from RBI for the Shares acquired/held by them in RSCIL. If, the Shares are held under general permission of the Reserve Bank of India, the non-resident shareholder should state that the Shares are held under general permission and whether on repatriable basis or non-repatriable basis.
9. Non-resident shareholders should enclose the Tax Clearance Certificate from the income tax authorities under the Income Tax Act, indicating the tax to be deducted by the Acquirer, if any, before remittance of consideration. Otherwise tax will deducted at the rate as may be applicable to the category of shareholder under the Income Tax Act on the entire consideration payable by the Acquirer to such shareholder.
10. NRIs, OCBs and foreign shareholders are required to furnish Bankers Certificates certifying inward remittance of funds for acquisition of Shares of RSCIL.
11. FIIs are requested to enclose the SEBI Registration Letter; OCBs are requested to enclose Form OAC of the current / latest year. (In case of OCBs, submit approval from the RBI to tender their Shares in the Offer)
12. Applicants who cannot hand deliver their documents, at the collection centres, may send their documents only by Registered Post, at their own risk, to the Registrars at **Rhodia Specialty Chemicals India Limited - Open Offer, Link Intime India Private Limited**, C-13 Pannalal Silk Mills Compound, LBS Marg, Bhandup West, Mumbai - 400078, Tel No.: +91-22-25967878, Fax No.: +91-22-25960329, Email: pravin.kasare@linkintime.co.in, Contact Person: Pravin Kasare, so as to reach the Registrars on or before the closure of the Offer.
13. Table featuring details of the collection centres is given below.

---TEAR ALONG THIS LINE---

ACKNOWLEDGEMENT SLIP

Rhodia Specialty Chemicals India Limited - Open Offer

LINK INTIME INDIA PRIVATE LIMITED,

C-13 PANNALAL SILK MILLS COMPOUND, LBS MARG, BHANDUP WEST MUMBAI-400078

Contact person: Pravin Kasare

FOLIO NO. / DPID _____________________ Client ID _____________________ Sr. No. _____________________

Received from Mr./ Ms. ____

Form of Acceptance along with (Please put tick mark in the box, whichever is applicable)

☐ Physical Form: __________________ number of certificates for __________________ number of Shares along with share transfer deed.

☐ Demat Form: Copy of DDIS /

Signature of official and Date of Receipt	Stamp of Collection Centre

Inter-Depository Delivery Instruction Slip(as applicable)
___________________ number of Shares

Details of the collection centres of the Registrar

No.	Collection Centre	Address of Collection Centre	Contact Person	Email Address	Phone No.	Fax	Mode of delivery
1	Mumbai	Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai - 400078.	Pravin Kasare	pravin.kasare@linkintime.co.in	022-25967878	022-25960329	Hand Delivery & Registered Post
2	Chennai	C/o SGS Corporate Solutions India Pvt. Ltd., Indira Devi Complex, II Floor, No.20, Gopalakrishna Street, Pondy Bazaar, T. Nagar, Chennai- 600 017	Mrs. Solly Soy	chennai@saspartners.com	044 - 2815 2672, 044 - 4207 0906	044 - 2815 2672	Hand Delivery

All of the centres mentioned herein below will be open as follows:

Business hours:
Monday to Friday: 10 a.m. to 5 p.m.
Saturday: 10 a.m. to 1 p.m.

Holidays: Sundays and Bank Holidays

--TEAR ALONG THIS LINE--

All queries in this regard to be addressed to the Registrar to the Offer
at the following address quoting your Reference Folio No. / DPID / Client Id
Rhodia Specialty Chemicals India Limited - Open Offer
Link Intime India Private Limited
C-13 Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West), Mumbai - 400078.
Tel No.: +91-22-25967878
Fax No.: +91-22-25960329
Contact Person: Pravin Kasare

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

(Please send this Form with enclosures to the Registrar to the Offer at its address given overleaf)

FORM OF WITHDRAWAL

(*To be filled in by the Shareholder*)

From:

Name: ____________________________________

Address: ____________________________________

____

____________________ PIN ___________

OFFER SCHEDULE	
Opens On	Thursday, 11 April 2013
Last Date of Withdrawal	Thursday, 25 April 2013
Closes On	Tuesday, 30 April 2013

Tel No.: _____________________ Fax No.: _____________________ E-mail: _____________________

THIS FORM SHOULD BE USED BY THE SHAREHOLDERS ONLY FOR EXERCISING THE WITHDRAWAL OPTION AS PROIVDED IN THE LETTER OF OFFER.

To,

Rhodia Specialty Chemicals India Limited – Open Offer

C/o Link Intime India Private Limited

C-13 Pannalal Silk Mills Compound

LBS Marg, Bhandup (West), Mumbai - 400078

Dear Sir,

SUB: Open Offer to acquire up to 913,626 equity shares of Rs. 10/- each (Share) representing 27.07% of the issued, subscribed and paid-up equity share capital of Rhodia Specialty Chemicals India Limited ("RSCIL" or "Target Company") (the Offer) at a price of Rs. 834.27 per Share for the Original Shareholders (computed as per Paragraph 7.2.1 of the Letter of Offer which assumes that the payment is made on 15 May 2013) and Rs.386.72 per Share for the Other Shareholders.

Withdrawal of the Shares tendered in the Offer

I/We refer to the Public Announcement dated 8 September 2011, Corrigenda and the Letter of Offer (***Letter of Offer***) for acquiring the Shares held by me/us in RSCIL.

I/We, the undersigned, have read the Letter of Offer and understood its contents and unconditionally accept the terms and conditions and procedure as mentioned therein.

I/We, the undersigned, have read the procedure for withdrawal of Shares tendered by me/us in the Offer as mentioned in the Letter of Offer and unconditionally agree to the terms and conditions mentioned therein.

I/We hereby consent unconditionally and irrevocably to withdraw my/our Shares from the Offer and I/We further authorise the Acquirer to return to me/us, the tendered share certificate(s)/ Share(s) at my/our sole risk.

I/We note that upon withdrawal of my/our Shares from the Offer, no claim or liability shall lie against the Acquirer/PAC/Manager to the Offer/ Registrar to the Offer.

I/We note that this Form of Withdrawal should reach the Registrar to the Offer at any of the collection centers mentioned in the Letter of Offer or below as per the mode of delivery indicated therein on or before the last date of withdrawal i.e., no later than 5:00 p.m. on Thursday, 25 April 2013.

I/We note that the Acquirer/PAC/Manager to the Offer/Registrar to the Offer shall not be liable for any postal delay/loss in transit of the Shares held in physical form and also for the delay in non-receipt of Shares held in Demat Form in the Depository Account due to inaccurate/incomplete particulars/instructions.

I/We also note and understand that the Acquirer will return the original share certificate(s), share transfer deed(s) and Shares only on completion of verification of the documents, signatures and beneficiary position as available from the DP from time to time.

The particulars of the tendered Share(s) that I/We wish to withdraw are detailed below:

FOR SHARES IN PHYSICAL FORM:

Sr. No.	Ledger Folio No.	Certificate No.	Distinctive Nos.		No. of Shares
			From	To	
		TENDERED			
1.					
2.					
3.					
		WITHDRAWN			
4.					
5.					
6.					
Total No. of Shares					

(In case of insufficient space, please use an additional sheet and authenticate the same)

FOR SHARES IN DEMAT FORM:

I/We hold the following Shares in Demat Form and have tendered the Shares in the Offer and had done an off-market transaction for crediting the Shares to the Depository Account **"LIIPL RSCIL OPEN OFFER ESCROW DEMAT ACCOUNT"** as per the following particulars:

Depository: NSDL

DP Name: Ventura Securities Limited	**DP ID: IN303116**	**Client ID: 10836193**

Please find enclosed a photocopy of the DDIS duly acknowledged by the DP.

Please find enclosed a photocopy of the DDIS duly acknowledged by DP for signature verification. The particulars of the account from which my/our Shares have been tendered that I/We wish to withdraw, are as detailed below:

DP Name	DP ID	Client ID	No of Shares Tendered
Name of the Beneficiary		**No of Shares to be withdrawn***	

I/We note that the Shares will be credited back only to that depository account, from which the Shares have been tendered and necessary standing instructions have been issued in this regard.

I/We confirm that the particulars given above are true and correct.

In case of Shares in Demat Form, I/We confirm that the signatures have been verified by the DP as per their records and the same have been duly attested.

Yours faithfully,
Signed and delivered

	Full name(s) of the holders	Signature(s)	Verified and attested by us. Please affix the stamp of DP (in case of Shares in Demat Form) / Bank (in case of Shares in physical form)
First / Sole Holder			
Joint Holder 1			
Joint Holder 2			

Note: In case of joint holders, all holders must sign. In case of a body corporate, it must affix the seal and also attach necessary corporate/ board resolutions.

Date:
Place:

INSTRUCTIONS

1. **Shareholders are advised to ensure that the Form of Withdrawal should reach the Registrar to the Offer at any of the collection centers mentioned in the Letter of Offer as per the mode of delivery indicated therein on or before the last date of withdrawal i.e. no later than 5:00 p.m. on Thursday, 25 April 2013.** Any receipt of Form of Withdrawal post Thursday, 25 April 2013, would not be accepted / considered for withdrawal from the Offer.
2. Shareholders should enclose the following:-
   I. **Shareholders holding Shares in Demat Form:**
   - Duly signed and completed Form of Withdrawal.
   - Acknowledgement slip in original/ Copy of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.
   - Photocopy of the DDIS in "Off-market" mode or counterfoil of the DDIS in "Off-market" mode, duly acknowledged by the DP.

   II. **Shareholders holding Shares in physical form:**
   Registered holders should enclose:
   - Duly signed and completed Form of Withdrawal.
   - Acknowledgement slip in original/ Copy of the submitted Form of Acceptance-cum-Acknowledgement in case delivered by Registered A.D.
   - In case of partial withdrawal, valid share transfer deed(s) for the remaining Shares (i.e. Shares not withdrawn) duly signed as transferors by all registered shareholders (in case of joint holdings) in the same order and as per specimen signatures registered with RSCIL and duly witnessed at the appropriate place.

   Unregistered owners should enclose:
   - Duly signed and completed Form of Withdrawal.
   - Acknowledgement slip in original/ Copy of the submitted Form of Acceptance-cum-Acknowledgement/ plain paper application submitted in case delivered by Registered A.D.
3. The withdrawal of Shares will be available only for the Share certificates/the Shares that have been received by the Registrar to the Offer/ Depository Account.
4. The intimation of returned Shares to the shareholders will be at the address as per the records of RSCIL/ depository as the case may be.
5. The Form of Withdrawal should be sent only to the Registrar to the Offer.
6. Request for withdrawal from unregistered shareholders can be considered to the extent the Shares tendered and received are found to be valid.
7. Separate request for withdrawal should be submitted for each Folio / DP ID / Client ID
8. In case of partial withdrawal of Shares tendered in physical form, if the original share certificates are required to be split, the same will be returned on receipt of share certificates from the Target Company. The facility of partial withdrawal is available only to registered shareholders.
9. Shareholders holding Shares in Demat Form are requested to issue the necessary standing instruction for receipt of the credit in their account with the DP.
10. The Form of Withdrawal and other related documents should be submitted at any of the collection centers of **Link Intime India Private Limited** as stated below.
11. Applicants who cannot hand deliver their documents at the collection centers, may send their documents only by Registered Post, at their own risk, to the Registrar to the Offer at **Rhodia Specialty Chemicals India Limited - Open Offer, Link Intime India Private Limited**, C-13 Pannalal Silk Mills Compound, LBS Marg, Bhandup (West), Mumbai - 400078, Tel No.: +91-22-25967878, Fax No.: +91-22-25960329. Email: pravin.kasare@linkintime.co.in Contact Person: Pravin Kasare, so as to reach the Registrars on or before the last date of withdrawal i.e. **no later than 5:00 p.m. on** Thursday, 25 April 2013.
12. **Table featuring details of collection centers is given below.**

THIS PORTION HAS BEEN INTENTIONALLY LEFT BLANK

---TEAR ALONG THIS LINE---

Rhodia Specialty Chemicals India Limited - Open Offer

LINK INTIME INDIA PRIVATE LIMITED,
C-13 PANNALAL SILK MILLS COMPOUND, LBS MARG, BHANDUP WEST MUMBAI-400078
Contact person: Pravin Kasare

FOLIO NO. / DPID / Client ID _____________________ Sr. No. _____________________ **Acknowledgement Slip**

Received from Mr./ Ms. ____

Form of Withdrawal along with Acknowledgement / DDIS / Copy of Form of Acceptance

☐ **For Shares in Physical Form:**

No. of Shares tendered___________ / Withdrawal request for ___________Shares

Fresh Transfer Form for ___________ Shares (in case of partial withdrawal)

_____________________ number of Shares along with share transfer deed.

☐ **For Shares in Demat Form:**

No. of Shares tendered___________ / Withdrawal request for ___________Shares

Signature of official and Date of Receipt	Stamp of Collection Centre

Details of collection centre of the Registrar

	Collection Centre	Address of Collection Centre	Contact Person	Email Address	Phone No.	Fax	Mode of delivery
1	Mumbai	Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (W), Mumbai - 400078.	Pravin Kasare	pravin.kasare@linkintime.co.in	022-25967878	022-25960329	Hand Delivery & Registered Post
2	Chennai	C/o SGS Corporate Solutions India Pvt. Ltd., Indira Devi Complex, II Floor, No.20, Gopalakrishna Street, Pondy Bazaar, T. Nagar, Chennai- 600 017	Mrs. Solly Soy	chennai@saspartners.com	044 - 2815 2672, 044 - 4207 0906	044 - 2815 2672	Hand Delivery

Collection timings for all the locations mentioned above will be 10 a.m. to 5 p.m. Monday to Friday and Saturday 10 a.m. to 1 p.m. (except Sundays and Bank Holidays).

All of the centres mentioned herein below will be open as follows:

Business hours:
Monday to Friday: 10 a.m. to 5 p.m.
Saturday: 10 a.m. to 1 p.m.

Holidays: Sundays and Bank Holidays

---TEAR ALONG THIS LINE---

Note: All future correspondence, if any, in connection with this Offer, should be addressed to Registrar to the Offer:
Link Intime India Private Limited,
Unit: Rhodia Specialty – Open Offer
C-13 Pannalal Silk Mills Compound, LBS Marg,
Bhandup (West), Mumbai - 400078,
Tel No.: +91-22-25967878,
Fax No.: +91-22-25960329.
Contact Person: Pravin Kasare