2012 REFERENCE DOCUMENT

INCLUDING ANNUAL FINANCIAL REPORT

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2012 REFERENCE DOCUMENT

INCLUDING ANNUAL FINANCIAL REPORT

This document is a free translation of the French language reference document that was filed with the *Autorité des marchés financiers* (the "AMF") on 27 March 2013. It has not been approved by the AMF. This translation has been prepared solely for the information and convenience of English-speaking readers. No assurances are given as to the accuracy or completeness of this translation, and ARKEMA assumes no responsibility with respect to this translation or any misstatement or omission that may be contained therein. In the event of any ambiguity or discrepancy between this translation and the French reference document, the French reference document shall prevail.

In accordance with the General Regulation of the *Autorité des marchés financiers*, notably article 212-13, the French language version of this document was filed with the Autorité des marchés financiers on 27 March 2013 with number D. 13-0229. This document may only be used in connection with a financial operation if it is completed by a prospectus which has received the visa of the *Autorité des marches financiers*. This document has been prepared by the issuer under the responsibility of its signatories.

Pursuant to article 28 of European Commission (EC) rule n°809/2004, this reference document incorporates by reference the following information:

- the consolidated financial statements for the year ended 31 December 2011 included in chapter 20 of the reference document granted visa n° D.12-0280 by the *Autorité des marchés financiers* on 4 April 2012, as well as the statutory auditors' reports related thereto; and
- the consolidated financial statements for the year ended 31 December 2010 included in chapter 20 of the reference document granted visa n° D.11-0203 by the *Autorité des marchés financiers* on 31 March 2011, as well as the statutory auditors' reports related thereto; and
- a comparative analysis of the 2011 consolidated financial statements and the 2009 consolidated financial statements included in chapter 9 of the reference document granted visa n° D.12-0280 by the *Autorité des marchés financiers* on 4 April 2012.

Parts not included in these documents are either not relevant for investors, or covered elsewhere in this reference document.

ARKEMA

INNOVATIVE CHEMISTRY

ARKEMA 2012 HIGHLIGHTS

A global chemical company and France's leading chemical producer, Arkema, specialty chemicals, innovative chemistry.

- Leading positions in its main businesses
- Global and balanced geographic presence
- Recognized technology know-how
- Innovation culture
- Committed and experienced teams
- Strong pipeline of organic growth projects

KEY MILESTONES

October 2004
Creation of Arkema group

May 18, 2006
Stock market listing

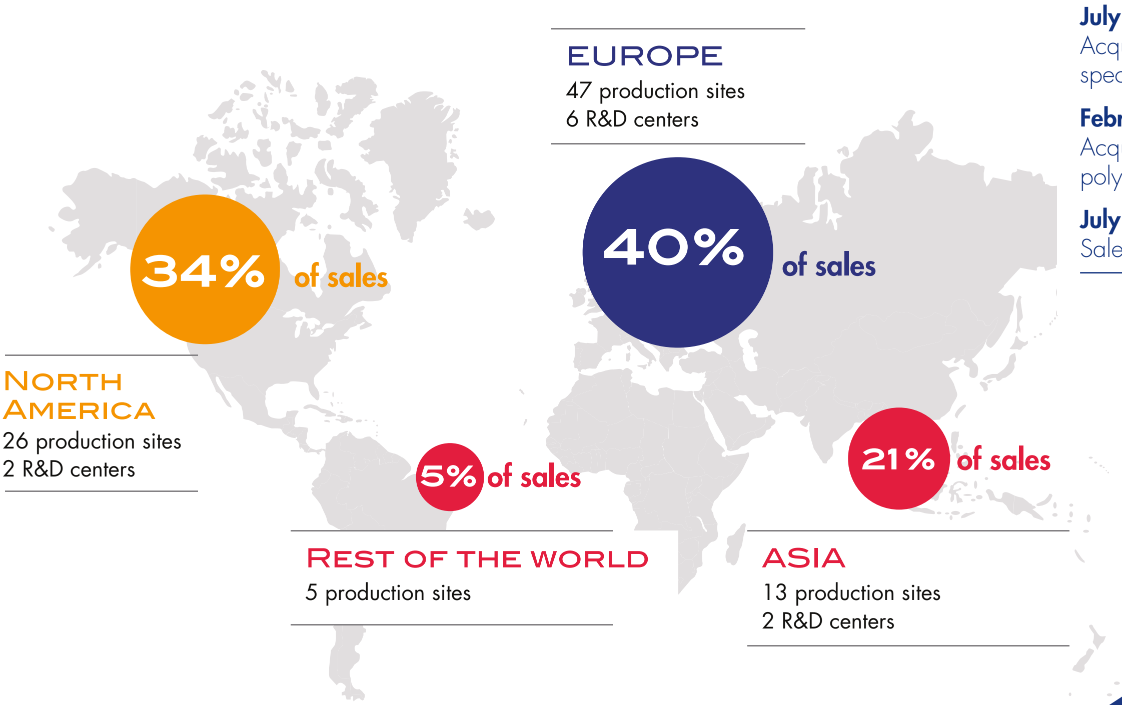
October 2007
Acquisition of Coatex

January 2010
Acquisition of acrylic assets in North America

July 2011
Acquisition of Total's specialty resins

February 2012
Acquisition in specialty polyamides in China

July 2012
Sale of vinyl activities



10 research centers

13,925 employees

91 production sites

Presence in **40** countries

39% gearing

€6.4 bn Sales

€996 m EBITDA

€438 m capex

2012 **HIGHLIGHTS**

February
ACQUISITION

Bio-sourced specialty polyamides
Acquisition of Chinese companies Hipro Polymers (polyamides 10) and Casda Biomaterials (sebacic acid from castor oil)

April
EMPLOYEE SHARE OWNERSHIP

Successful third share capital increase operation reserved for employees totalling €29 m

April
FINANCING

Bond issue
€230 m bond issue with a 30 April 2020 maturity and a 3.85% annual interest rate

June
INVESTMENT

Lacq 2014
Inauguration of project to secure supply of sulfur materials at the Lacq site (France) for next 30 years

July
DIVESTMENT

Closing of vinyl activities sale

July
GEOGRAPHICAL EXPANSION

PVDF Kynar® in China
Start-up of 50% capacity expansion at Changshu

October
ACQUISITION

Brazil
Acquisition of an additives and acrylic emulsions site

October
FINANCING

Bond issue
Additional €250 m tranche to the original bond of April 2012 with an annual yield slightly below 3%

October
DIVESTMENT

Sale of tin stabilizer business

October
GEOGRAPHICAL EXPANSION

Thiochemicals in Malaysia
Start of the construction of thiochemicals and bio-methionine platforms at Kerteh in partnership with CJ CheilJedang

GROUP'S **BUSINESS SEGMENTS**

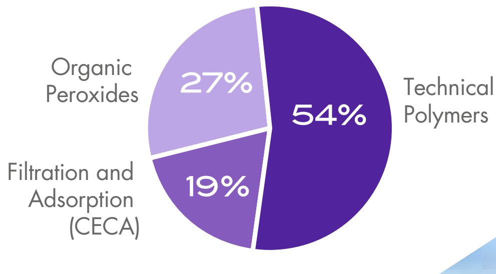
HIGH PERFORMANCE MATERIALS

33%
of Group sales

High added value and innovative solutions

- Products with exceptional properties and performances
- High-growth niche markets
- Strong innovation capacity
- Close proximity with customers

2012 sales breakdown by BU



Leadership positions in main product lines

Specialty polyamides (10, 11 and 12)	**N°1**
Fluoropolymers (PVDF)	**N°1**
Organic peroxides	**N°2**
Filtration and adsorption	

DIVERSIFIED END MARKETS

Automotive
Industrial coatings
Oil & gas
Electronics
New energies (photovoltaic, lithium-ion batteries)
Consumer goods (cosmetics, sport, packaging, etc.)

STRATEGIC DRIVERS

- Leverage megatrends in sustainable development through innovation in lightweight materials, new energies and renewable raw materials
- Execute on Hipro-Casda business development
- Strengthen leadership position in PVDF
- Reinforce portfolio of specialty polymers through bolt-on acquisitions and breakthrough technological projects
- Expand in high growth countries (Middle-East, India, Brazil, etc.)

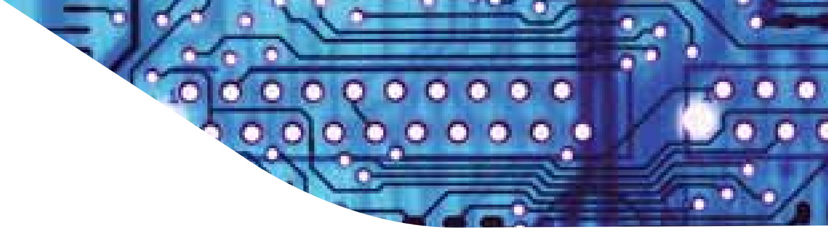
2016 AMBITION

38%
of Group sales

18%
EBITDA margin

MAJOR CURRENT PROJECTS

- Capacity expansion at Hipro in China (x3)
- PVDF expansion in China
- High-temperature polyamides
- New capacity in molecular sieves



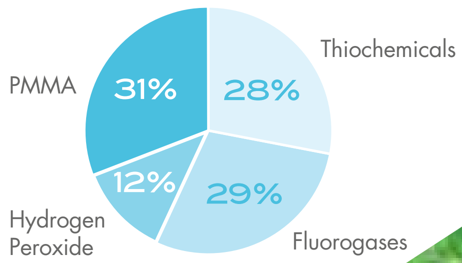
INDUSTRIAL SPECIALTIES

33%
of Group sales

Global and integrated industrial niches

- Unique know-how in industrial and complex processes
- Global markets with strong growth outlook

2012 sales breakdown by BU



Leadership positions in main product lines

Thiochemicals (sulfur chemistry)	**N°1**
Fluorogases	**N°2**
PMMA	**N°2**
Hydrogen Peroxide	**N°3**

DIVERSIFIED END MARKETS

Oil & gas
Animal nutrition
Refrigeration, air conditioning
Visual communication, signs & displays
Automotive
Paper
Electronics

STRATEGIC DRIVERS

- Reinforce global industrial footprint
- Secure strategic supplies of raw materials
- Expand in higher growth countries
- Develop new applications through innovation (sulfur derivatives for soil fumigation, new generation of fluorogases, glass replacement by lightweight materials, etc.)

2016 AMBITION

30%
of Group sales

17%
EBITDA margin

MAJOR CURRENT PROJECTS

- Construction of Thiochemicals platform at Kerteh in Malaysia
- Investment to secure sulfur supply (Lacq 2014 project)
- Investment to move Jarrie site to next generation of electrolysis (membrane technology)

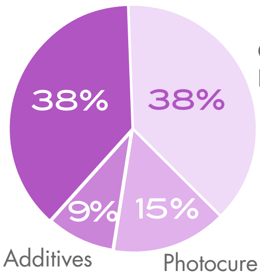
COATING SOLUTIONS

Solutions for decorative paints, industrial coatings and high-growth acrylic applications

- Comprehensive offer of solutions for paints and industrial coatings
- Strong acrylic downstream integration
- Strong innovation capacity

34%
of Group sales

2012 sales breakdown by BU



Leadership positions in main product lines

Acrylics	N°4
Coating resins	N°3
Photocure resins (Sartomer)	N°2
Rheological additives (Coatex)	

DIVERSIFIED END MARKETS

Decorative paints
Industrial coatings
Adhesives and sealants
Water treatment
Oil & gas
Consumer goods (baby diapers)

STRATEGIC DRIVERS

- Increase downstream integration
- Further acquisition synergies in coating resins
- Expand in Asia and Latin America
- Bolt-on acquisition of new acrylic specialties
- Benefit from US decorative paints recovery

2016 AMBITION

32%
of Group sales

15%
EBITDA margin

MAJOR CURRENT PROJECTS

- US$ 110 m investment plan in acrylics in US (Clear Lake and Bayport expansions)
- New emulsion unit at Changshu (China)
- Leverage Brazilian acquisition in coating resins and rheological additives

MAIN
END MARKETS

22%
CONSUMER GOODS

Health, hygiene and beauty
Wellness (air-conditioning, home)
Sports and leisure
Textile
Paper and packaging
Communication signs and displays

13%
INDUSTRIAL COATINGS

Metal, marine coatings, etc.
Sealants
Adhesives
Ink, graphic arts

12%
DECORATIVE PAINTS

New housing and renovation

6% North America
5% Europe
1% Asia and Rest of the world

7%
TRANSPORTATION

Parts for cars (fuel lines) and trucks (braking systems)
Automotive air-conditioning

3% North America
2% Europe
2% Asia and Rest of the world

6%
ENERGY

Oil & gas
Renewable energies
Energy storage

6%
CONSTRUCTION

Architecture
Civil engineering
Concrete additives

4%
NUTRITION

Animal nutrition

3%
ELECTRONICS

Electric cable
Optical fibers
Printed boards
LED TV

A CLEAR **STRATEGY**

2016 **AMBITION**

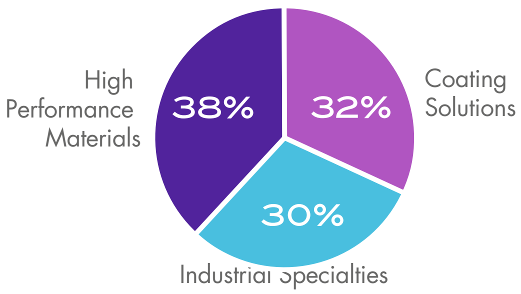
« Become a world leader in specialty chemicals and advanced materials »

2016 TARGETS

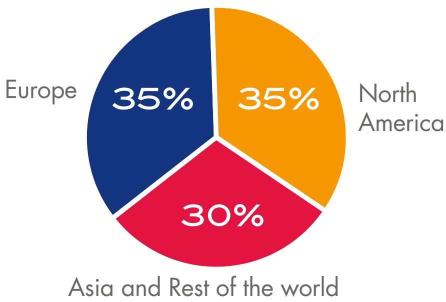
€8 bn	16%	<40%
Sales	EBITDA margin	Gearing

- **Selective growth strategy** focused on organic growth and portfolio management
- Portfolio increasingly focused on **specialties**
- Very **balanced** geographic presence
- Bolt-on **acquisitions** in High Performance Materials and acrylic downstream representing **€1 billion** additional sales
- **Divestments** of non-core businesses (representing around **€400 m** sales)

Sales by segment
(2016e)



Sales by region
(2016e)



2016 TARGETS : A CLEAR ROADMAP

- Accelerate expansion in **High Performance Materials** through innovation in sustainability and bolt-on acquisitions
- Reinforce presence in **high growth countries** with a more balanced approach between China, India, Middle East and Brazil
- Increase further **acrylic downstream** integration
- Secure access to **strategic raw materials**

INNOVATION AT THE HEART
OF ARKEMA'S STRATEGY

10
R&D centers

1,200
researchers

~€150 m
budget

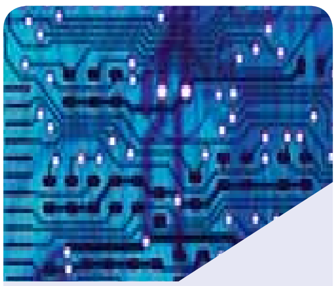
2.3%
of sales

CHANGSHU
New center opened beginning 2013 in China

INNOVATIVE SOLUTIONS FOR TOMORROW'S CHALLENGES

New energies	Apolhya® Solar for photovoltaic modules
Energy storage	PVDF Kynar® for lithium-ion batteries
Energy savings	Kynar Aquatec® for cool roof
Population growth	Bio-methionine for animal nutrition
Bio-sourced materials	Polyamides 10 and 11 derived from castor oil

Creation of joint research laboratories with CEA dedicated to **micro-electronics** and **organic electronics**



Block copolymers to boost technologies performances for the etching of printed boards

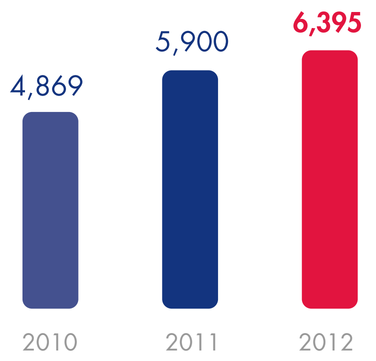
Celocor®, opaque polymers to partly replace titanium dioxide (TiO_2) in waterborne paints

Altuglas® ShieldUp new lightweight and ultra-tough acrylic glass to substitute glass in car

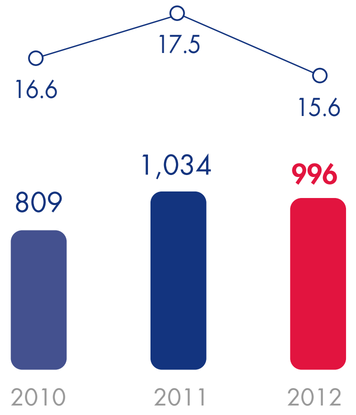
KEY FIGURES

The mentioned figures have been restated in line with standard IFRS 5. They exclude the vinyl activities divested early July 2012 for the 2012, 2011 and 2010 income statement items and for the 2012 and 2011 balance sheet items.

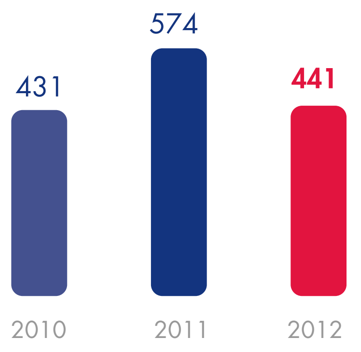
SALES *(in millions of euros)*



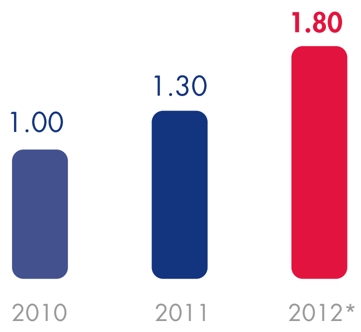
EBITDA *(in millions of euros)*
EBITDA MARGIN *(in %)*



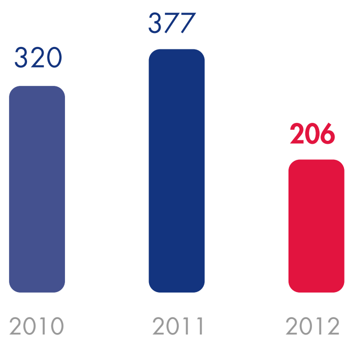
ADJUSTED NET INCOME OF CONTINUING OPERATIONS *(in millions of euros)*



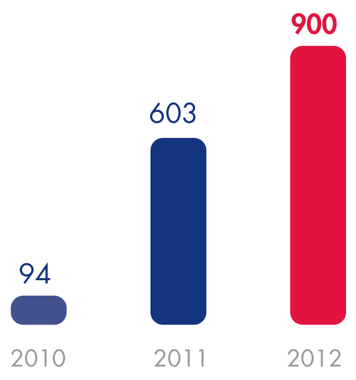
DIVIDEND
(in euros per share)



FREE CASH FLOW OF CONTINUING OPERATIONS** *(in millions of euros)*



NET DEBT
(in millions of euros)



* Dividend proposed to the annual general meeting on 4 June 2013.
** Cash flow from operating and investing activities, excluding impact from portfolio management.

SIMPLIFIED INCOME STATEMENT

(in millions d'euros except otherwise mentioned)	2012	2011	2010
Sales	6,395	5,900	4,869
EBITDA	996	1,034	809
Depreciation and amortization	(318)	(272)	(247)
Recurring operating income	678	762	562
Other income and expenses	(27)	(45)	(9)
Operating income	651	717	553
Net income – Group share	220	(19)	347
Net income of continuing operations per share (euros)	6.75	9.22	6.96
Adjusted net income per share of continuing operations (euros)	7.09	9.31	7.06

SIMPLIFIED BALANCE SHEET

(in millions d'euros except otherwise mentioned)	2012	2011	2010
Shareholders' equity	2,311	2,217	2,240
Net debt	900	603	94
Gearing	39%	27%	4%
Capital employed	4,039	3,653	3,164
Working capital on sales (in %) *	15.2%	15.0%	13.3%

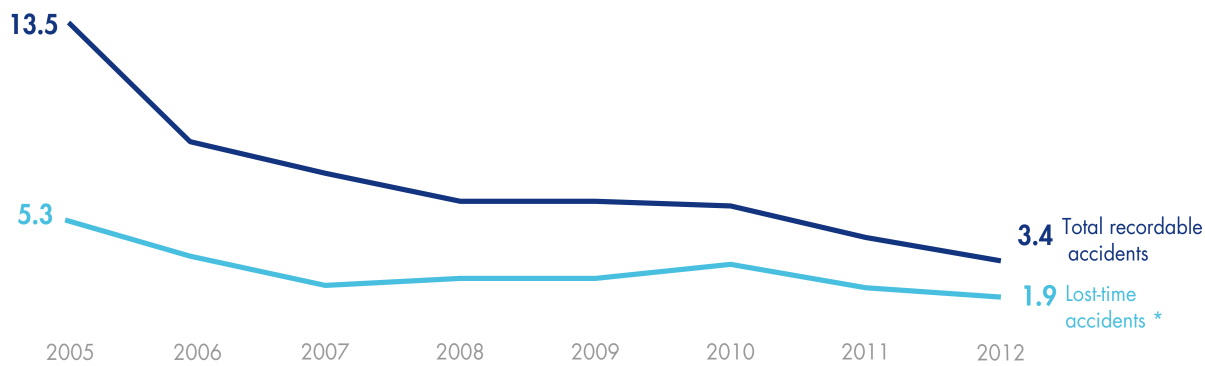
** In 2011, working capital/ pro forma sales (as defined in section 4.1.6 of reference document).*
In 2010, working capital including vinyl activities/ sales including vinyl activities.

SIMPLIFIED CASH FLOW

(in millions of euros)	2012	2011	2010
Cash flow from operating activities	499	543	511
Cash flow from investing activities	(754)	(942)	(281)
Casf flow from financing activities	355	131	161
Capital expenditures (excluding vinyl activities)	438	365	265

SAFETY RESULTS

Occupational accident frequency rate
(in number of accidents per million man-hours in the Group)



* Lost-time accident refers to any event causing bodily injury or psychological shock to an employee in the course of his/her duties and resulting in time off work

GENERAL COMMENTS

In this reference document:

- "Arkema" or "Company" means the company named Arkema, whose shares are listed on Euronext™ Paris; and
- "Group" or "ARKEMA" means the group composed of the Company and all the subsidiaries and shareholdings it holds directly or indirectly.

This reference document contains forward-looking statements about the Group's targets and outlook, in particular in chapter 4.2. Such statements may in certain cases be identified by the use of the future or conditional tense, or by forward-looking words including but not limited to "believes", "targets", "expects", "intends", "should", "aims", "estimates", "considers", "wishes", "may", etc. These statements are based on data, assumptions and estimates that the Group considers to be reasonable. They may change or be amended due to uncertainties linked to the economic, financial, competitive, regulatory and climatic environment. In addition, the Group's business activities and its ability to meet its targets may be affected if certain of the risk factors described in chapter 1.6 of this reference document were to materialize. Furthermore, achievement of the targets implies the success of the strategy presented in section 1.1.1 of this reference document.

The Group does not undertake to meet and does not give any guarantee that it will meet the targets described in this reference document.

Forward-looking statements and targets described in this reference document may be affected by risks, either known or unknown, uncertainties and other factors that may lead to the Group's future results, performance and achievements differing significantly from the stated or implied targets. These factors may include changes in economic or trading conditions and regulations, as well as the factors set out in chapter 1.6 of this reference document.

Investors are urged to pay careful attention to the risk factors described in chapter 1.6 of this reference document. One or more of these risks could have an adverse effect on the Group's activities, condition, financial results or targets. Furthermore, other risks not yet identified or considered as not material by the Group could have the same adverse effect.

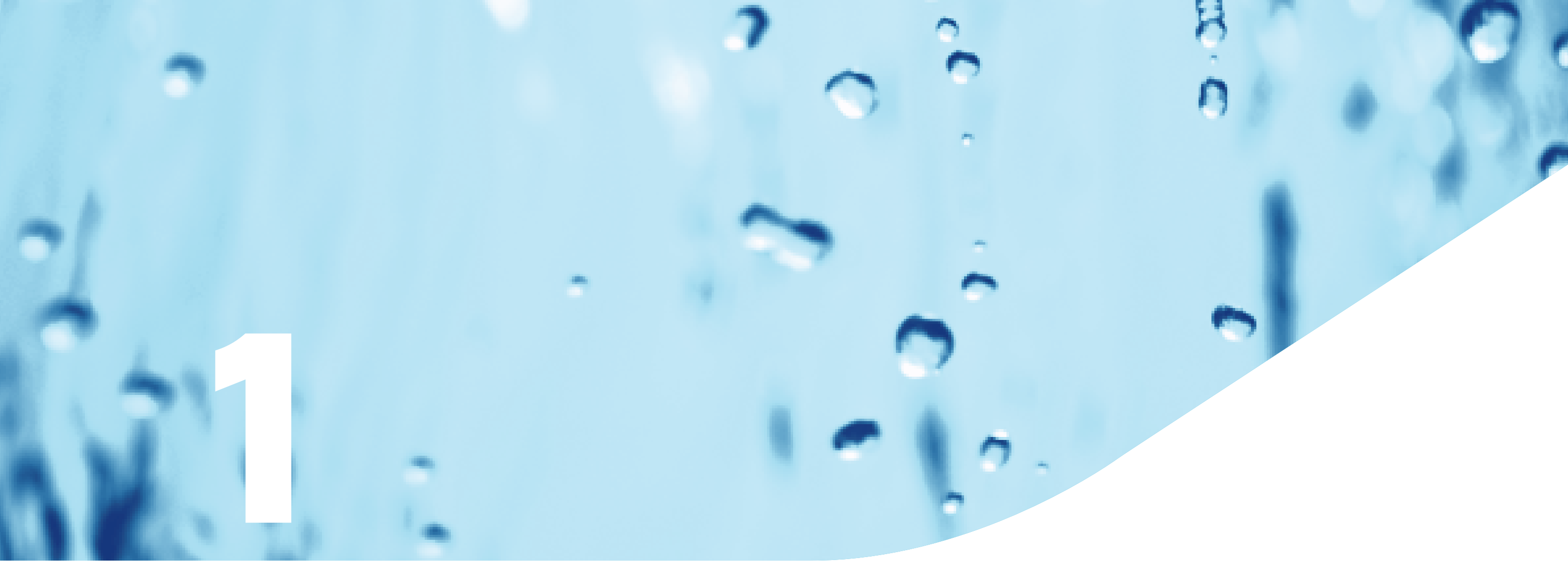
This reference document also contains details of the markets in which the Group operates. This information is derived in particular from research produced by external organizations. Given the very rapid pace of change in the chemicals sector in France and the rest of the world, this information may prove to be erroneous or out of date. Accordingly, trends in the Group's business activities may differ from those set out in this reference document.

For the 2012 financial year, the Company has prepared annual financial statements and consolidated financial statements for the period from 1 January to 31 December. These annual financial statements and consolidated financial statements are given in chapter 4 of this reference document. These consolidated financial statements have been prepared in accordance with IFRS 5 standard.

As a consequence, figures mentioned in the 2012 and 2011 income statement and balance sheet exclude the items relating to the vinyl businesses divested beginning of July 2012 (for further information, please see chapter 4 of this reference document). Furthermore, information by segment is provided in accordance with ARKEMA's new organization into 3 business segments (High Performance Materials, Industrial Specialties, Coating Solutions).

Chapter 4 of this reference document provides a comparative analysis between the 2012 consolidated financial statements and the 2011 consolidated financial statements.

A glossary defining the technical terms used in this reference document can be found on page 277 of this reference document.



1

BUSINESS OVERVIEW AND RISK FACTORS

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- **1.1.2** Strategy and competitive advantages 18

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- **1.4.2** Description of main current investment projects 33
- **1.4.3** Future capital expenditure 33
- **1.4.4** Property, plant and equipment 33

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The different parts constituting the Annual Financial Report are identified in this content by the pictogram AFR

1.1 A GLOBAL PLAYER IN SPECIALTY CHEMICALS AND ADVANCED MATERIALS

All the figures contained in this chapter are provided on a consolidated basis and in accordance with ARKEMA's new organization into 3 segments (High Performance Materials, Industrial Specialties, Coating Solutions). For 2010, 2011 and 2012, the accounts have been restated in line with standard IFRS 5 (see chapter 4 of this reference document). Hence income statement items for 2010, 2011 and 2012 and balance sheet items for 2011 and 2012 exclude the vinyl activities divested early July 2012.

1.1.1 GENERAL PRESENTATION

1.1.1.1 PRESENTATION OF THE GROUP'S INDUSTRY SECTOR

The Group is an important player in the global chemical industry.

The industry sector to which the Group belongs, commonly called the "industry for industries", manufactures a wide range of products for other major industries: construction, packaging, chemicals, automotive, electronics, food manufacturing, pharmaceuticals, etc.

The chemical industry is a processing industry that is based on the transformation in one or several stages of raw materials (oil derivatives, gas, minerals, natural products, etc.) into more or less complex chemical products, or into plastics obtained by polymerization.

At the two extremes of this wide spectrum, there are, on the one hand, commodities (characterized by few transformation stages, large volumes, and cyclical prices and unit margins), such as olefins and polyolefins, ammonia, methanol and caustic soda, and, on the other hand, sophisticated products like pharmaceuticals and agrochemical derivatives. Between these two extremes are a large number of chemical intermediates, polymers, fine chemical products, and chemical specialties. These include products such as adhesives, paints, inks, varnishes, cosmetics and detergents, developed in response to the need for application products.

With estimated worldwide sales of some €2,744 billion in 2011, the chemical sector is a worldwide industry located in three main geographic regions, namely Europe (about 23% of world production in value), North America (about 17% of world production in value), and Asia Pacific (about 52% of world production in value) [1]. Trade in chemicals between these three main production regions is growing, though still limited at present.

The chemical industry is a very fragmented sector, both in terms of products (several tens of thousands), end-markets (most industrial sectors are consumers), and industry players (the share of the world market of the top ten companies does not exceed 20%).

1.1.1.2 GENERAL PRESENTATION OF THE GROUP

As a specialty chemicals player, the Group operates in the chemical industrial context with a business portfolio focused on three segments: High Performance Materials, Industrial Specialties, and Coating Solutions. With €6.4 billion sales in 2012, the Group is one of the world's leading players in chemicals.

The Group, which is present in 40 countries with 13,925 employees, conducts its businesses on a global scale, using production sites in Europe, North America and Asia (91 production sites), as well as subsidiaries and sales offices in a large number of countries.

The Group ranks among the leading world producers in its main product lines, which account for some 90% of its sales and are positioned in niche markets (small-size markets, limited number of major players, and complex technologies).

In 2012, the Group has nine research and development (R&D) centers, of which six are in France, two in the United States and one in Japan. A new R&D center was also brought into service in Changshu, China, in January 2013. Over 1,200 researchers work for the Group. The Group's R&D expenses amounted to around 2.3% of its sales in 2012. The Group focuses on five main innovation areas centered on ultra high performance materials and sustainable development: solutions for energy, renewable raw materials, lightweight materials, water treatment, and solutions for electronics. In order to facilitate their implementation, the Group has set up a dedicated structure called "incubator", described in section 1.5 of this reference document.

(1) Source: Cefic Facts and figures 2012, the rest of the world accounts for some 8% of world production.

The Group has 11 profit centers or Business Units (BUs).

Following the sale of the vinyl activities, three new segments have been set up based on the coherence of the activities: the High Performance Materials segment includes activities focusing mainly on applications, the Industrial Specialties segment covers several integrated chemical activities based on major intermediates, while the Coating Solutions segment comprises coating-related activities (decorative paints, industrial coatings, adhesives, etc.) with upstream integration in acrylic monomers.

The BUs are responsible for their results, cash flow (working capital, capital expenditure, etc.), production management, research, sales, marketing, and customer relations. The BUs managing directors report to an Executive Vice-President in charge of operations and member of the Executive Committee (see paragraph 3.2.2.2. of this reference document).

The simplified organization chart below, effective at 31 December 2012, shows the BUs making up each business segment.

High Performance Materials	Industrial Specialities	Coating Solutions
Technical Polymers	PMMA	Acrylics
Filtration and Adsorption (CECA)	Thiochemicals	Coating Resins
Organic Peroxides	Fluorogases	Photocure Resins (Sartomer)
	Hydrogen Peroxide	Rheological Additives (Coatex)

The functional divisions provide continuous support to the Group's business segments, mainly in the fields of accounting, taxation, legal services, information systems, human resources and communication.

These functional divisions are generally responsible, under the authority of the Executive Committee particularly Executive Vice-Presidents in charge of support functions (see paragraph 3.2.2.2 of this reference document), for the coherence and control of the Group and, in particular, the coordination of purchasing and logistics, as well as the maintenance of expertise in important areas such as safety, environment, R&D and process engineering. Some of these functional divisions, notably Internal Audit/Internal Control, External Communication, Investor Relations, Consolidation/Reporting and Legal functions, operate for the entire Group.

The simplified organization chart below shows the Group's functional divisions at 31 December 2012.

ARKEMA
INNOVATIVE CHEMISTRY

Human resources & Communication	Industry	Finance	Strategy
HR Development & Internal Communication	Sustainable Development	Accounting / Controlling	Acquisitions / Divestitures
Labor Relations and Remuneration Systems	Safety, Environment & Industry	Financing / Treasury / Taxation	Planning / Economic Studies
Institutional Relations	Technical / Construction	Legal Affairs	Internal Audit / Internal Control
External Communication	Logistics	Information Systems & Telecommunications Systems	Insurance
	Purchasing of Goods & Services	Investor Relations	Business Development
	Process		

Exceptions to the general organizational principles of the functional divisions are the Raw Material Purchasing division and the Energy Purchasing division that report to one of the two Executive Vice-Presidents in charge of operations, as well as the R&D division, which reports to the Chairman and Chief Executive Officer.

Sales by business segment

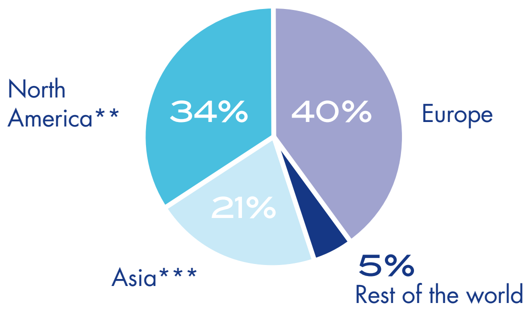
(In billions of euros)	2012		2011		2010	
High Performance Materials	2.1	33%	2.0	33%	1.7	35%
Industrial Specialties	2.1	33%	2.1	36%	2.0	41%
Coating Solutions	2.2	34%	1.8	31%	1.2	24%
TOTAL	**6.4**	**100%**	**5.9**	**100%**	**4.9**	**100%**

Summary of the Group's main products in 2012 and their application areas

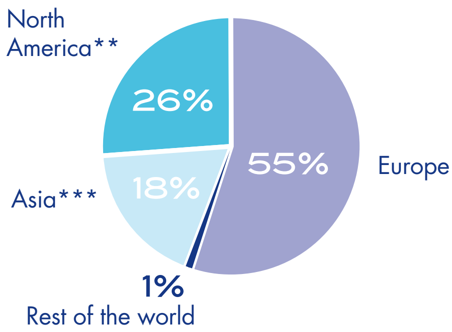
High Performance Materials	
Technical Polymers	Technical Polymers, including: • specialty polyamides used in the automotive industry, the aerospace and aeronautics industry, the oil industry, the electronics industry, consumer goods (sports, cosmetics) and in the manufacture of hotmelts, • polyvinylidene fluoride (PVDF) used in chemical engineering, the manufacture of paints and anti-corrosive coatings, oil and gas extraction, photovoltaic panels, lithium-ion batteries, and membranes for water treatment, • functional polyolefins used in adhesives, the electrical and electronics industries, packaging, automotive and photovoltaics (effective 1st January 2013, functional polyolefins are part of the Filtration and Adsorption BU).
Filtration and Adsorption (CECA)	Separation of gases and liquids, adsorption/filtration, specialty surfactants.
Organic Peroxides	Impact modifiers and process aids for PVC, polymerisation initiators for polyethylene, PVC, polystyrene, crosslinking agents.
Industrial Specialties	
PMMA	Acrylic glass used in construction, the automotive industry, for advertising boards, in decoration, the manufacture of sanitaryware, and LED TVs.
Thiochemicals	Chemical intermediates for animal feed, petrochemicals and refining, natural gas odorizers, polymerization agents, agrochemicals and pharmaceuticals.
Fluorogases	Gases used in refrigeration, air-conditioning, foams, solvents, and as raw materials in fluorinated polymers.
Hydrogen Peroxide	Hydrogen peroxide (pulp and paper bleaching, water treatment, disinfection, electronics and textiles), sodium chlorate.
Coating Solutions	
Acrylics	Resins, emulsions for adhesives, paints and coatings, superabsorbents, water treatment, enhanced oil and gas recovery.
Rheological Additives (Coatex)	Specialty acrylic polymers used as rheology modifiers (dispersants, thickeners, etc.) in paper, paints, industrial coatings.
Coating Resins	Waterborne, solventborne and powder resins used for architectural and industrial coatings, as well as inks, sealants, varnishes and dyes for wood, road paints, adhesives, construction materials, etc.
Photocure Resins (Sartomer)	UV-cured acrylic resins used in metal, plastic and wood coatings, in optics, graphic arts, printing, and electronics.

Information by geographic region

2012* SALES (1): BREAKDOWN BY REGION



2012 CAPITAL EMPLOYED (2): BREAKDOWN BY REGION



In Europe, sales in France account for 10% of total sales, and sales in Southern Europe (Spain, Greece, Italy, Portugal) account for 8% of the Group's total sales.

* Based on the geographic location of customers.
** United States, Canada, Mexico.
*** Asia and Middle East.

The breakdown of Group employees by geographic region is given in section 2.6 of this reference document.

1.1.2 STRATEGY AND COMPETITIVE ADVANTAGES

1.1.2.1 COMPETITIVE ADVANTAGES

The Group has solid competitive advantages, including:

- first-class commercial and manufacturing positions: the Group is one of the world's leading players in a large number of its businesses. This is particularly true of acrylics, coating resins, photocure resins, polymethyl methacrylate (PMMA), fluorogases, PVDF, hydrogen peroxide, thiochemicals, specialty polyamides (polyamides 10, 11 and 12), impact modifiers and PVC processing aids, additives for glass coatings, and organic peroxides
- strong manufacturing positions in Europe, North America and Asia to better respond to demand from its customers. Its technical knowledge of products and manufacturing processes enables the Group to leverage its current production facilities, and gives it a key advantage in the conquest of new markets. In addition, this expertise enables it to complete investment projects on time, on budget, and with great efficiency. The Group also has important R&D skills on which it can rely to launch new innovative products on the market, provide its customers with the technical support they need, or further improve the performance of its manufacturing processes;
- a very solid balance sheet: at 31 December 2012, the Group's net debt was €900 million (*i.e.* 0.9 time the EBITDA for the year), compared to the shareholders' equity (Group share) of €2,282 million (representing a net debt to equity ratio of 39%);
- high quality teams who have proved their ability to manage complex industrial projects and address the challenges of the economic environment. Finally, the Group can count on personnel whose loyalty, professionalism and experience are widely recognized.

1.1.2.2 STRATEGY

With the sale of its vinyl activities at the beginning of July 2012, the Group has now entered a new phase in its development, aiming to become a world leader in specialty chemicals and advanced materials. For 2016, the Group aims to achieve sales of €8 billion and a 16% EBITDA margin while maintaining gearing below 40%.

Sales growth should in particular be supported by organic growth through innovation and geographic expansion.

(1) In 2011, Group sales by region were split as follows: 41% in Europe, 33% in North America, 22% in Asia and 4% for the rest of the world. In 2010, Group sales by region were split as follows: 41% in Europe, 35% in North America, 20% in Asia and 4% for the rest of the world.

(2) In 2011, Group capital employed by region was split as follows: 57% in Europe, 31% in North America, 12% in Asia, and was not material for the rest of the world. In 2010, Group capital employed by region was split as follows: 58% in Europe, 30% in North America, 12% in Asia, and was not material for the rest of the world.

In particular the Group intends to speed up the development of its High Performance Materials through innovation in sustainable development (oil and gas, lightweight materials for transportation, new energies) and boost its presence in higher-growth countries with a more balanced development approach between China, India, Brazil and the Middle East.

The Group also targets bolt-on acquisitions mostly in its High Performance Materials segment and in downstream acrylics, representing additional sales of around €1 billion. This acquisition policy will be complemented by the divestment of small activities that are non-core for the Group, representing sales of some €400 million, including the sale of tin stabilizers completed on 1st October 2012 and representing annual sales of some €180 million.

High Performance Materials should account for 38% of the Group's sales by 2016, Coating Solutions 32%, and Industrial Specialties 30%.

The share of higher-growth countries (Asia and the rest of the world) should rise to 30% of the Group's sales by 2016 (against 26% now), with North America and Europe each accounting for 35%.

Meanwhile ARKEMA will also pursue its efforts to further boost its existing high operational excellence.

The Group has confirmed its intention to maintain the pace of its development beyond 2016, in particular in High Performance Materials. Hence by 2020, the Group aims to achieve sales of €10 billion and an EBITDA margin close to 17% while maintaining its gearing below 40%.

In 2012, the Group announced the following operations:

- the acquisition on 1st February 2012 of Chinese companies Suzhou Hipro Polymers Co. Ltd., a producer of biosourced specialty polyamides 10, and Hebei Casda Biomaterials Co. Ltd., the world leader in sebacic acid derived from castor oil and used in particular in the production of these polyamides 10. Both acquisitions are perfectly complementing the Group's polyamides 11 and 12 range, they are consistent with its growth strategy in green chemistry, and boost its presence in China;
- the divestment, closed on 3 July 2012 with effect 1st July 2012, of its vinyl activities to the Klesch Group. The various activities concerned by the deal were merged into a new company called Kem One, headquartered in Lyon in France. The divestment of these activities, representing sales of around €1 billion, has enabled ARKEMA to refocus on its specialty businesses;
- the acquisition on 1st October 2012 of a production site for acrylic additives and emulsions from Brazilian company Resicryl. This operation enables ARKEMA to expand its presence in Latin America while boosting the downstream integration of its acrylic monomers;
- the divestment finalised on 1st October 2012 of its tin stabiliser activity to PMC Group in order to refocus its Organic Peroxides activities mostly on organic peroxides used as reaction initiators for commodity polymers, in which ARKEMA is number 2 in the world, acrylic impact modifiers, and coating additives for glass used in the production of flat glass and bottle glass;
- the launch on 6 October 2012 of construction of the first world-scale bio-methionine plant and ARKEMA's first Thiochemicals platform in Asia in partnership with South Korean company CJ CheilJedang.

These broad strategic guidelines are detailed below by business segment.

1.2 OVERVIEW OF THE GROUP'S BUSINESS SEGMENTS

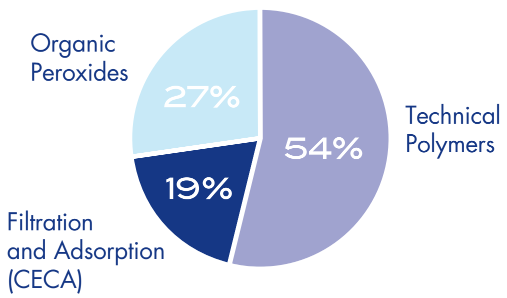
The Group is now organised into three business segments: the High Performance Materials segment (comprising Technical Polymers (specialty polyamides, fluoropolymers, and functional polyolefins), Filtration and Adsorption, and Organic Peroxides), the Industrial Specialties segment (comprising PMMA, Thiochemicals, Fluorogases, and Hydrogen Peroxide), and the Coating Solutions segment (comprising Acrylics, Coating Resins, Photocure Resins – Sartomer – and Rheological Additives – Coatex).

1.2.1 HIGH PERFORMANCE MATERIALS

1.2.1.1 KEY FIGURES

(In millions of euros)	2012	2011	2010
Sales	2,101	1,952	1,680
EBITDA	361	337	257
Recurring operating income	252	238	164
Capital expenditure	122	100	109

1.2.1.2 BREAKDOWN OF THE SEGMENT'S SALES BY BU (2012) (1)



1.2.1.3 GENERAL DESCRIPTION OF THE SEGMENT'S BUSINESS

The High Performance Materials segment comprises three BUs: Technical Polymers, Filtration and Adsorption (CECA), and Organic Peroxides.

These BUs have a common objective: to provide the various niche markets concerned with innovative and high added value technical solutions adapted to the needs of their customers.

The Group holds leading positions in most of the niche markets in which the BUs of the High Performance Materials segment are present. These include in particular polyamides 10 (acquired on 1st February 2012), 11 and 12, PVDF, molecular sieves, additives for PVC (acrylic impact modifiers and process aids), and organic peroxides. The Group has internationally recognized brands for the major part of its products.

With its industrial presence on three continents, the Group operates globally on these markets.

The BUs within the High Performance Materials segment feature some level of integration with the Group's other activities. Examples include the PVDF precursor manufactured by Fluorogases, hydrogen peroxide used as a raw material for organic peroxides, and certain acrylic derivatives used to manufacture PVC additives.

The key success factors for the High Performance Materials segment lie in the quality of the customer relationship, the ability to put forward innovative solutions driven by R&D, develop new high added value products, and capitalise on the potential offered by growing local markets, in particular Asian markets.

(1) In 2011, the segment's sales split by BU was the following: 51% for the Technical Polymers BU, 19% for the Filtration and Adsorption BU (CECA), and 30% for the Organic Peroxides BU.

Between 2012 and 2016, sales for the High Performance Materials segment should increase by some 40%, representing around 38% of the Group's sales (against 33% in 2012). This increase will result from both organic growth projects and bolt-on acquisitions. Development projects will draw on innovation focused on sustainable development solutions and expansion in fast-growing countries (China, Middle East, Brazil, India). Over the next few years, ultra high performance polymers (specialty polyamides, PVDF and PEKK) will represent a priority development.

Technical Polymers BU (18% of Group sales in 2012)

The Technical Polymers BU includes three main product lines (specialty polyamides, PVDF, and functional polyolefins) sold under well-known brand names such as Rilsan®, Rilsamid®, Orgasol®, Pebax®, Kynar®, Lotryl®, Lotader® and Orevac®.

Products and markets for specialty polyamides

Specialty polyamides include polyamides 10, 11 and 12 in which the Group holds leading positions. It is the only producer of biosourced polyamides 10 and 11 derived from castor oil. Its main competitors for polyamide 12 are Evonik, EMS and Ube.

Specialty polyamides are used mainly in the transport, oil and gas, new energies, textile and electronics industries. In the automotive sector, growth is driven by the replacement of metal to help reduce the weight of vehicles. In the oil and gas market, growth is sustained by deep offshore extraction. The new energies market is supported by the development of photovoltaics. Finally, polyamides 10 and 11 benefit from growing demand for biosourced polymers.

Other products include Orgasol® ultrafine powders used in cosmetics and paints, and Pebax® (polyether block amide) used in particular in sports equipment, and copolyamides (textile industry).

In the coming years, growth rate in specialty polyamides end markets could average 5% a year [(1)].

Highlights for specialty polyamides

ARKEMA strengthened its position in specialty polyamides with the acquisition on 1st February 2012 of Chinese companies Suzhou Hipro Polymers Co. Ltd., a producer of biosourced specialty polyamides 10 (anticipated growth rate estimated at 15 to 20% per year), and Hebei Casda Biomaterials Co. Ltd., the world leader in sebacic acid processed from castor oil and used in particular for the production of these polyamides 10. Both companies employ 750 people on two sites in China. The acquisition price is based on an enterprise value of US $365 million. Both acquisitions reinforce ARKEMA's presence in China, perfectly complement the Group's polyamide 11 and 12 range, and are in line with its growth strategy in green chemistry. Finally, in anticipation of the strong development expected over the next few years, the Hipro Polymers production site, in Zhangjiagang, recently benefited from new investments to triple its production capacity.

ARKEMA had to declare *force majeure* in its polyamides 12 following the accident at the Evonik site in Marl, Germany, in late March 2012, which produces CDT, a raw material used in the manufacture of polyamide 12. The financial impact for the Group was limited to the insurance deductible, namely -€17 million, recorded in other income and expenses.

ARKEMA complemented its Rilsan® HT range in 2012 with the introduction of the new "ultra flexible" Rilsan® HT grade, a high temperature thermoplastic with unique flexibility characteristics, thereby opening up a wide scope of new technical applications (metal substitution), while suitable for every processing technology (extrusion, blow moulding, injection moulding). Rilsan® HT contains up to 70% renewable raw materials, and so fulfils the requirements of manufacturers seeking sustainable environmental solutions.

Products and markets for fluorinated polymers

PVDF is used in architectural and anticorrosion coatings, the chemical industry, oil and gas, electric cables, photovoltaic panels, lithium-ion batteries, and membranes for water treatment.

This product is currently enjoying strong development driven in particular by growth in Asia for the architectural coatings sector, deep offshore oil extraction, the development of new energies (photovoltaics, lithium-ion batteries), and a growing need for drinking water and solutions for water treatment.

The Group is the world leader in this product [(2)] with Solvay as its main competitor. In the coming years, growth rate in end markets could average 7% a year [(3)].

Highlights for fluorinated polymers

The Group has announced or carried out a number of targeted development projects that fit in perfectly with its strategy, which consists in bringing innovative products to market, expanding the product range, and carrying out targeted capacity increases. Hence, the Group started in March 2011 a new VF2/PVDF production plant at Changshu (China), and in July 2012 a 50% production capacity increase at the same plant. This increase is designed to help meet the fast growing demand for PVDF resins in emerging technologies, in particular for applications in new energies and water filtration.

(1) Source: ARKEMA internal estimates.

(2) Source: SRI CEH Fluoropolymers, December 2012.

(3) source: ARKEMA internal estimates.

Products, markets and highlights for functional polyolefins

The functional polyolefins range of products is used primarily in adhesives, the electrical and electronics industries, packaging, automotive and photovoltaics. From 1st January 2013 functional polyolefins are part of the Filtration and Adsorption BU.

Filtration and Adsorption BU (CECA) (6% of Group sales in 2012)

Products and markets

The activities of the Filtration and Adsorption BU, run as a subsidiary (CECA), cover two main areas: surfactants and interface agents, on the one hand, and adsorption and filtration, on the other.

The first area of business consists mainly of a number of specialty chemicals produced downstream from fatty acids. The wide variety of products are used as additives in very diversified areas such as oil and gas production, bitumens, fertilizers, corrosion inhibitors, anti-statics and emulsifiers.

The second area of business encompasses a number of mineral products, including molecular sieves (for which CECA is the world's number two) [1] diatomite, activated carbon, and perlite. These products all share adsorption or filtration properties. They are mainly used in industrial gas separation, health (medical oxygen), agro-food, chemicals, construction, pharmaceuticals, and environmental protection.

CECA's strategy consists in developing higher value-added product lines by drawing on its R&D efforts and its in-depth knowledge of customer needs.

Highlights

At the end of 2011, ARKEMA finalised the acquisition of Seppic's specialty alkoxylates business for industrial markets. This includes in particular a world-class industrial site located in Antwerp (Belgium), and employs 50 people. This activity generates annual sales of some €50 million. By integrating an industrial facility that complements its two sites at Feuchy and Châteauroux (France), CECA has expanded its specialty surfactant range, which is growing at around 5% per year. This acquisition should also help sustain the growth of Coatex, as alkoxylates represent key components for a range of rheology additives.

Organic Peroxides BU (9% of Group sales in 2012)

Products and markets

This BU comprises several product lines (organic peroxides, PVC additives, glass coating additives).

Organic peroxides are initiators used in a number of fields: commodity polymers (reaction initiators for low density polyethylene, PVC, polystyrene), acrylic polymers, unsaturated polyesters, and the crosslinking of rubber. The Group believes to be number two in the world in this sector [1] Its main competitors are AkzoNobel and United Initiators.

PVC additives include impact modifiers and process aids. These additives are produced from acrylic acid, hence positioned downstream from the acrylic business. In the coatings sector, the Group markets products for flat glass and bottle glass. The Group ranks among the world's leading players in its main applications. Additives are produced in Europe and North America.

Highlights

ARKEMA finalised on 1st October 2012 the divestment of its tin stabiliser business. Based on the specific chemistry of tin, these products are used mostly in the production of PVC used extensively in the construction market. This activity concerns 234 employees and 4 production sites around the world, with sales of the order of €180 million.

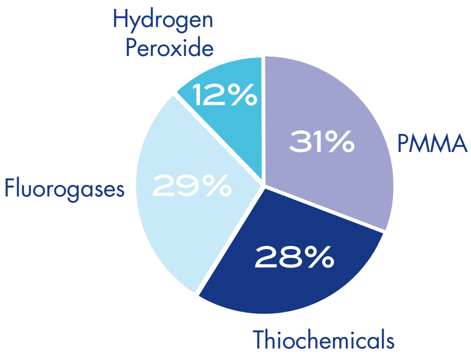
(1) Source: ARKEMA internal estimates.

1.2.2 INDUSTRIAL SPECIALTIES

1.2.2.1 KEY FIGURES

(In millions of euros)	2012	2011	2010
Sales	2,096	2,114	1,955
EBITDA	399	441	356
Recurring operating income	285	332	252
Capital expenditure	159	126	89

1.2.2.2 BREAKDOWN OF THE SEGMENT'S SALES BY BU (2012) (1)



1.2.2.3 GENERAL DESCRIPTION OF THE SEGMENT'S BUSINESS

The Industrial Specialties segment comprises four BUs: PMMA, Thiochemicals, Fluorogases, and Hydrogen Peroxide.

These businesses have a number of common characteristics, among which are the use of complex manufacturing processes for major intermediates, and the existence of world markets that offer the prospects of strong growth, particularly in Asia.

The Group ranks among the world's leading companies and has production units in Europe, North America and Asia for PMMA, Fluorogases and Hydrogen Peroxide. For Thiochemicals in which the Group already operates plants in Europe and North America, the Group began work on 6 October 2012 on the construction in Malaysia of its first platform in Asia and the first world-scale bio-methionine plant in partnership with South Korean company CJ CheilJedang.

The Industrial Specialties segment intends to continue expanding its business, and to strengthen its global positions by building on new facilities in Asia, carrying out targeted debottleneckings in Europe and North America, and developing cooperation projects with its major partners.

PMMA BU (10% of Group sales in 2012)

Products

The PMMA BU (Altuglas International) is an integrated production chain, from methyl methacrylate to the production of PMMA. It operates on three continents, with plants in the United States, Mexico, Europe and South Korea.

Its main brand names, Plexiglas® in America only and Altuglas® in the rest of the world, enjoy a strong reputation.

The BU's main products include resin granules for moulding, cast sheet and extruded sheet for forming.

Markets

The global size of the PMMA market is estimated at 1.6 million tonnes (2).

Altuglas International sells its products into a wide range of markets, of which the most important are construction, automotive, sanitaryware, commercial display, electronics in particular with LED TVs, and household goods. In the automotive market, over and above the traditional applications of PMMA such as rear lights, new applications are developing, in particular panoramic roofs with Altuglas® ShieldUp PMMA which helps reduce the weight of vehicles. The signs and display market is sustained by increasing advertising expenditure and by an improvement in the standard of living in emerging countries. Finally, the development of television sets using the LED technology represents an interesting growth potential for PMMA. In the coming years, annual world growth in PMMA end-markets could come close to 3.5% a year (2).

The Group is a leading producer of PMMA in the world (3). Its main competitors are Evonik, Mitsubishi Rayon, and Sumitomo Chemical.

(1) In 2011, the breakdown of the segment's sales by BU was as follows: 31% for PMMA, 27% for Thiochemicals, 30% for Fluorogases, and 12% for Hydrogen Peroxide. This 2011 breakdown takes account of the transfer of hydrazine hydrate from the Hydrogen Peroxide BU to the Thiochemicals BU, which took effect on 1st January 2012.

(2) Source: ARKEMA internal estimates.

(3) Source: SRI CEH Acrylic Resins and Plastics, December 2010.

Thiochemicals BU (9% of Group sales in 2012)

Products

The Thiochemicals BU comprises mainly sulfur-chemistry activities. The BU's other product lines are amines, oxygenated solvents, hydrazine hydrate, and rubber additives, the latter being produced by the French subsidiary MLPC International.

The Thiochemicals BU has a global presence, with production facilities in the United States and Europe, and a thiochemicals platform under construction in Malaysia.

Markets

The global size of the thiochemicals market is estimated at 0.7 million tonnes [(1)].

The main markets are animal feed, refining and petrochemicals, natural gas odorizers, solvents, pharmaceuticals and cosmetics. In the animal feed market, ARKEMA offers a sulfur-based intermediate used in the synthesis of methionine, an amino acid used as a nutritional supplement for poultry feed. Demand in this sector is sustained by growing poultry consumption, in particular in emerging countries. In the oil and gas sector, demand is supported by the development of new projects in Asia and the Middle East, by the growing use of natural gas, and by the tightening-up of standards on the sulphur content of automotive fuel, petrol and diesel. New applications have also been developed in soil fumigation, with Paladin®, a product that replaces methyl bromide, due to be gradually phased out. In the coming years, annual world growth in Thiochemicals end-markets could average some 4.5% [(1)].

Today, the Group is the world number one in this sector [(3)]. Its main competitor is Chevron Phillips Chemical. The Group also faces competition from certain local players on some products.

Highlights

In October 2012, ARKEMA and South Korean company CJ CheilJedang began the construction of a thiochemicals platform and the first world-scale plant for bio-methionine in Kerteh, Malaysia. The project pools together two complementary sets of expertise, that of CJ CheilJedang, which has developed a new innovative and highly competitive industrial bio-fermentation process to produce L-methionine from plant-based raw materials (which is assimilated more easily by animals than DL-methionine currently on the market), and that of ARKEMA, which has extensive know-how and experience in the production process of methyl mercaptan, a sulfur-based intermediate that is key to the manufacture of methionine. The plants are due to come on stream beginning 2014. The project represents overall capital expenditure of around US $450 million evenly split between both partners. It enables the Group to consolidate its world rankings with production plants in Europe, the United States, and soon Asia. To carry through this project, ARKEMA has established two joint ventures in partnership with CJ CheilJedang. The first, held 86% by ARKEMA and 14% by CJ CheilJedang, is designed to produce thiochemicals (methyl mercaptan, DMDS and heavy mercaptans) primarily for the animal feed, refining, petrochemicals, soil fumigation, and polymers markets. The second, held 86% by CJ CheilJedang and 14% by ARKEMA, is designed to produce bio-methionine for animal feed, in particular from the methyl mercaptan produced by ARKEMA on this very platform. This project should contribute some US $120 million to ARKEMA's sales by 2016.

ARKEMA has developed Paladin®, a new solution for pre-plant soil fumigation that is particularly effective against nematode parasites, weeds, and soil-borne plant pathogens. It has nil impact on the ozone layer, a low global warming potential (GWP), and very fast decomposition in the atmosphere. This agent has been developed as a substitute to methyl bromide, a fumigation agent due to be phased out under the terms of the Montreal Protocol. ARKEMA was granted marketing authorisation for Paladin® from the relevant authorities in the United States (EPA) and in Israel in 2010, in Morocco in 2011, and in Turkey and Lebanon in 2012.

On 18 June 2012, ARKEMA, Total and Sobegi (a subsidiary of Total and GDF Suez) officially inaugurated the "Lacq Cluster Chimie 2030" project. The project will help extend over the next thirty years gas extraction in Lacq, at a lower flow rate, in order to supply sulphur raw material to ARKEMA's thiochemicals activities under competitive economic conditions. The new facilities should be operational from end 2013. Investments in this project amount to €154 million, with ARKEMA's share at €36 million.

Fluorogases BU (10% of Group sales in 2012)

Products and markets

The Fluorogases BU manufactures and markets a range of HCFCs (hydrochlorofluorocarbons) and HFCs (hydrofluorocarbons) under the brand name Forane®. For the Group, Fluorogases are a worldwide business with production sites in Europe (France and Spain), the United States, and China.

These products are mainly used in two sectors:

- the refrigeration and air-conditioning markets (notably in construction, automotive and retailing) and foams (blowing agents for polyurethane foam, for example). These so-called emissive applications are subject to regulatory change;
- fluorinated polymers, like polytetrafluoroethylene (PTFE) and polyvinylidene fluoride (PVDF), the latter being produced by the Group as part of the Technical Polymers BU.

(1) Source: ARKEMA internal estimates.

Growth in sales of fluorogases is linked in particular to (i) growth in refrigeration markets supported by the development of air-conditioning equipment in emerging countries, and (ii) increasing sales of fluorinated polymers thanks in particular to the development of new energies, certain fluorinated polymers like PVDF being used in photovoltaic panels and in lithium-ion batteries. In the coming years, annual world growth for Fluorogases end-markets could average 3.5% [(1)].

The global size of the fluorochemicals market is estimated at 1.6 million tonnes [(2)].

In Fluorogases, the Group ranks second in the world [(3)]. Its main competitors are DuPont, Honeywell, Mexichem Fluor, and Solvay.

Changes in regulations concerning HCFCs such as 22 in developed countries will lead to a reduction in their use in emissive applications, permitted uses being limited to maintenance. The regulatory framework for the use of HCFCs in maintenance varies from one region to another: total ban in Europe, regulated sale by marketing rights in North America with a system of quotas which tightens sharply the supply and demand balance, and in developing countries a permitted use with quotas in certain cases. For new equipment and foam expansion, HCFCs are being replaced by HFCs.

To take these regulations into account, the Fluorogases BU develops new HFC blends (32, 125, 134a, 143a, etc.) and new substitute products for foam. Together with HFC-32, HFC-125 is an essential component of new generation refrigerant blends, which include the R-410A blend poised to replace HCFC-22 in air-conditioning. Similarly, HFOs, developed by the Fluorogases BU, are fourth generation blowing agents with nil Ozone Depletion Potential (ODP) and low GWP which feature outstanding properties, in particular in terms of insulation and dimensional stability. Accordingly, the Group has converted a plant in Calvert City (United States) to produce HFC-32, and has brought on stream an HFC-125 production plant in Changshu (China).

Highlights

In 2011, proceedings for restrictive practices and abuse of a dominant position were opened by the European Commission against DuPont Co and Honeywell International Inc. regarding the marketing of a new fluorinated refrigerant gas (1234yf) for automotive air-conditioning. ARKEMA is paying great attention to the outcome of this investigation because, as a major fluorochemicals player, it has been engaged in research work in this area for several years, and is ready to invest in production facilities as soon as the legal environment permits.

To expand its presence in Asia, the Fluorogases BU has created two joint ventures in partnership with the Daikin group to produce and market new generation refrigerant fluids in the Asia Pacific region, and so become the fluorinated gas leader in the region. These are:

- Arkema Daikin Fluorochemicals Co. Ltd, a 60% ARKEMA/40% Daikin joint venture set up for the production and marketing of HFC-125. Production, at a world-scale capacity, the first of its size in Asia, began in the second quarter of 2010 on ARKEMA's Changshu site (China). In October 2011, the Group announced a 30% production capacity increase at its HFC-125 fluorogas plant, to be effective beginning 2013, as well as the construction of a production plant for HFC R-410A refrigerant fluid blends, operational since the first half of 2012;
- Daikin Arkema Refrigerants Asia Ltd, a 60% Daikin/40% ARKEMA joint venture for the production and marketing in Asia Pacific of new generation HFC refrigerant fluid blends.

In order to diversify the source of its fluorspar feedstock, ARKEMA and Canada Fluorspar Inc. (CFI), signed in June 2011 a memorandum of understanding for the joint development of a fluorspar mine in Canada.

ARKEMA has also acquired a 10% minority stake in Chinese company 3F Chemicals which produces fluorinated gases, in order to access products that are complementary to its range and so sustain the development of its Fluorochemicals activity in Asia.

Hydrogen Peroxide BU (4% of Group sales in 2012)

Products

The Hydrogen Peroxide BU includes hydrogen peroxide, sodium chlorate and sodium perchlorate. Since 1st January 2012, hydrazine hydrate has been part of the Thiochemicals BU.

Hydrogen peroxide is a worldwide business for the Group, based on production units in Europe (France and Germany), North America (Canada and the United States), and Asia (China). Sodium chlorate, mostly used in the paper pulp market, is produced at only one site in France (Jarrie). The Group is a regional player in the market for this product.

Markets

The main end-markets for hydrogen peroxide are pulp and paper, chemical products (including organic peroxides in the case of the Group), water treatment, disinfection of food packaging, cleaning of electronic components, and textile. Its inherent qualities, in particular its neutrality *vis-à-vis* the environment, give this product interesting growth prospects (average worldwide growth estimated at 2 to 3% a year) [(1)]. Energy is a major component of the production costs of this business.

(1) Source: ARKEMA internal estimates.

(2) Source: SRI CEH Fluorocarbons, September 2011.

(3) Source: SRI CEH Fluorocarbons, September 2011 and ARKEMA internal estimates.

The Group ranks third in the world for production of hydrogen peroxide [1], its main competitors being Evonik, Solvay, FMC and EKA (AkzoNobel). The global size of the hydrogen peroxide market is estimated at 3.2 million tonnes [2].

Highlights

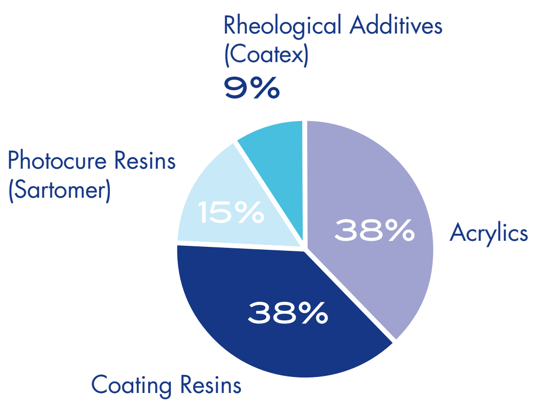
In November 2010, as part of the PPRT (*Plan de Prévention des Risques Technologiques*), ARKEMA announced the conversion of mercury electrolysis to membrane electrolysis and the closure of the dichloroethane (DCE) plant at Jarrie (France). For ARKEMA this project represents net investment of some €40 million in 2012 and 2013. Start-up of the new plant is scheduled for end 2013.

1.2.3 COATING SOLUTIONS

1.2.3.1 KEY FIGURES

(In millions of euros)	2012	2011	2010
Sales	2,175	1,814	1,216
EBITDA	279	284	213
Recurring operating income	192	221	164
Capital expenditure	137	120	62

1.2.3.2 BREAKDOWN OF THE SEGMENT'S SALES BY BU (2012) [3]



1.2.3.3 GENERAL DESCRIPTION OF THE SEGMENT'S BUSINESS

The Coating Solutions segment comprises four BUs: Acrylics, Coating Resins, Photocure Resins (Sartomer) and Rheological Additives (Coatex).

Since its spin-off, ARKEMA has been strengthening its acrylics activities by developing downstream integration of its acrylic monomers and building an integrated segment in the coatings sector. This strategy has drawn on various acquisitions. Indeed the Group acquired in 2007 Coatex, a company specialised in rheological additives, in 2010 certain acrylics assets from The Dow Chemical Company in North America (monomers site at Clear Lake (Texas) and emulsions activities), and in July 2011 the coating resins and photocure resins from the Total group.

The Coating Solutions segment is a coherent structure of activities centered downstream on the coatings market (decorative paints and industrial coatings) and upstream on competitive acrylic monomers, which beyond the coatings market also supply fast-growing markets such as superabsorbents, water treatment, and oil and gas. The world's fourth leading producer of acrylic monomers [4] (second place in North America [4]), the Group has become one of the world leaders in photocure resins and materials for coatings and paints. With its strong industrial presence on three continents and the market's most comprehensive product range, the Coating Solutions segment implements a strategy based on the following areas:

- further increase downstream integration of acrylic monomers from 40% currently to some 45% by 2016 and some 50% by 2020;
- improve the profitability with the aim of achieving a 15% EBITDA margin in 2016 against 13% in 2012 by improving operational efficiency and optimising the product and market portfolio. The Group has indicated in particular that its aim was to achieve by 2015 a 14% EBITDA margin and sales of

(1) Source: SRI CEH Hydrogen Peroxide, February 2009.

(2) Source: ARKEMA internal estimates.

(3) In 2011, the breakdown of the segment's sales by BU was as follows: 53% for Acrylics, 29% for Coating resins, 8% for Photocure Resins (Sartomer) and 10% For Rheological Additives (Coatex).

(4) Source: SRI CEH Acrylic Acid, Acrylate esters and Superabsorbent polymers, February 2011 and ARKEMA internal estimates.

some €900 million (in a normalised environment) for all the activities acquired from Total;

- speed-up developments through long-term partnerships established with industry leaders, geographic expansion in fast-growing regions, and innovation centered on the development of more environmentally friendly solutions.

Acrylics BU (13% of Group sales in 2012)

Products

The Acrylics BU's main products are acrylic acid and its derivatives (esters), as well as oxo-alcohols.

The main raw material used by the Acrylics BU is propylene, the supply of which is covered by medium- and long-term contracts. Its security of supply is a critical factor for the Group. The Group's main supplier in France is Total Petrochemicals France, under terms set out in section 1.3 of this reference document.

The main production sites of the Acrylics BU are Carling in France and Bayport and Clear Lake in the United States.

Markets

The global size of the acrylic acid market is estimated at 4.2 million tonnes [1].

The main markets for the Acrylics BU are coatings (decorative paints and industrial coatings, photocure resins, etc.), superabsorbents, plastic additives, water treatment, paper and adhesives, as well as enhanced oil and gas recovery. In the next few years, growth in coatings and in particular paints should be underpinned by the development of the construction market in emerging countries, by the growing use of high performance formulations in paints, and by the gradual recovery of the construction market in the United States. In superabsorbents, demand should be sustained by the growing use of baby diapers in emerging countries (China, India, etc.) and by an ageing population in the more mature markets. Water treatment should also enjoy buoyant growth thanks to the industrialisation of emerging countries and the tightening-up of environmental regulations regarding the treatment of municipal and industrial water. In the coming years, world growth in acrylics end-markets could average 4% per year [2].

The Group is the world's fourth leading producer of acrylics [1], and its main competitors are BASF, The Dow Chemical Company, and Nippon Shokubai.

The use of acrylic monomers within the Company accounted for around 40% of the Group's production in 2012. The Group intends to further consolidate its downstream integration, which should represent some 45% of its production by 2016 and some 50% by 2020.

Highlights

The Acrylics BU implements a number of projects to support the growth of its end-markets:

- ARKEMA is implementing a significant US $110 million development, modernisation and reliability investment plan on its Clear Lake and Bayport (Texas) sites in the US in order to accommodate the growth of the acrylics and derivatives activity in the growing markets of water treatment, superabsorbents, and enhanced oil and gas recovery. This investment plan will help improve the competitiveness and reliability of the Clear Lake acrylic acid plant, increase acrylic acid production capacity on the site by approximately 30,000 tonnes in first half 2013, and build a methyl acrylate production line due to come on stream in second half 2013. The plan also entailed the conversion on the Bayport site of a butyl acrylate plant for the production of 2-ethyl hexyl acrylate. This operation was completed in second quarter 2012;
- ARKEMA brought on stream in second quarter 2012 in Carling (France) a new plant to produce DMAEA, an acrylic acid derivative for flocculants used in the treatment of wastewater, which are seeing a strong increase in demand in Europe and in Asia. These investments total €30 million, and have also covered the modernisation of the site's energy production plant and equipment;
- in May 2011, Sumitomo Seika announced its intention to build a new superabsorbent production plant on the ARKEMA acrylics platform in Carling (France). This project will raise the site's superabsorbent overall production capacity to 47,000 tonnes/year. The new plant is due to come on stream in first half 2013, and will help consolidate the position of the Carling site, which supplies Sumitomo Seika with acrylic acid.

These projects illustrate the Group's ambition to continue to develop this strategic business while improving its competitiveness. In the future, the Acrylics BU plans to build on its strong marketing positions and technical expertise to further strengthen and expand its businesses globally. In the mid-term, the Group aims to secure new sources of supply in Asia.

Coating Resins BU (13% of Group sales in 2012)

The Coating Resins BU comprises the emulsions business acquired in 2010 from The Dow Chemical Company and coating resins business, acquired on 1 July 2011 from Total (Cray Valley and Cook Composites and Polymers).

(1) Source: SRI CEH Acrylic Acid, Acrylate esters and Superabsorbent polymers, February 2011, and ARKEMA internal estimates.

(2) Source: ARKEMA internal estimates.

Products and markets

ARKEMA is one of the major suppliers of the paint and coating industry with a comprehensive offering in terms of technologies and geographic coverage. ARKEMA's wide-ranging innovative product range comprises the following:

- liquid resins, with three plants in the United States, seven sites in Europe, one in South Africa, and two in Asia. These resins include emulsions as well as alkyd resins, acrylic resins, and polyester resins, serving the construction paint and industrial coatings market, as well as the adhesive and sealant, inks, and road paint markets;
- powder resins, with one site in the United States and one site in Europe, serving the metal coating market. These 100% dry content solutions avoid the use of solvents, therefore fulfilling European requirements for the production of low VOC coatings;
- rheology additives for solvent-based resins, with one site in Europe.

Over the coming years, the annual growth rate of end-markets for this activity could be 3% on average [1].

The Group now ranks 3rd among world leaders in the coatings materials market [1]. The main competitors of the Coating Resins BU are BASF, The Dow Chemical Company, Cytec (sale underway of the coating resins business to Advent), Synthomer, and DSM.

Thanks to synergies between its R&D centers and those that were part of the assets acquired from Total, ARKEMA is able to pool its various technologies and so assist its global customers in their quest for innovative and environmental friendly formulations. This is the case, for example, with alkyd emulsions developed by Coating Resins BU to address environmental constraints on the use of solvents.

Highlights

The Group brought on stream in first quarter 2012 a plant in Pasir Gudang (Malaysia) for the production of solventborne acrylic resins for the industrial coatings market.

In China, ARKEMA is engaged in the construction of a plant to produce acrylic emulsions mostly intended for the decorative paints and adhesives markets. This new plant is based on the Changshu platform (China), and represents capex of the order of US $30 million. It should become fully operational end 2013.

In terms of innovation, ARKEMA has developed Celocor®, a new additive to help partly replace titanium dioxide (TiO_2) in paint, therefore offering potential cost savings. The BU has also developed the SNAP® technology to help develop low or nil VOC emulsions, with toughness and gloss properties for the manufacture of baseboards, windows and other fittings, which previously could only be achieved with solventborne resins.

Photocure Resins (Sartomer) (5% of Group sales in 2012)

This activity results from the acquisition in July 2011 of Sartomer, the world leader in the photocure resins market.

Products

Thanks to unique technologies, Sartomer supplies its customers with high added value high-tech products and applications. Photocure resins feature excellent technical performances, for example in terms of stain, impact and scratch resistance; their cure speed is virtually instantaneous, and they offer a wide range of application properties. These innovative environmental-friendly resins are 100% dry content resins, therefore fulfilling European standards on low VOC emissions, while supporting ARKEMA's strategy in the development of new "eco-sustainable" materials.

Photocure resins operations are present worldwide, with two sites in the United States, one site in Europe, and one site in Asia in Nansha, south of Canton, China, providing ARKEMA with new growth opportunities in Asia.

Markets

Photocure resins are used in wide-ranging markets, including printing (inks and varnishes), industrial coatings, optics (fiber, DVD, Blu-Ray), electronics (printed circuits), and wood coatings. Over the coming years, world growth for photocure resin end-markets could stand at around 6% per year [1].

The main competitors of the Photocure Resins BU are Cytec (divestement in progress of the photocure resins business to Advent) and Eternal.

Rheological Additives BU (Coatex) (3% of Group sales in 2012)

Products and markets

The Rheological Additives BU (Coatex) manufactures polymers, mainly acrylic based, used as dispersants and thickeners.

Main end-markets for these high-growth specialty chemical activities include paper, paint, water treatment, cosmetics, textile and concrete. With its headquarters and largest site in Genay (France), near Lyon, Coatex also operates industrial and storage facilities in Europe, the United States, Asia, and Latin America.

(1) Source: ARKEMA internal estimates.

Highlights

In 2011 and 2012 Coatex continued its development, with:

- the start-up in October 2011 of a rheological additives production plant on ARKEMA's Changshu site (China), representing some US $20 million;
- the opening end 2012 of a new Asia Pacific technical center in Changshu, China, to provide technical support to its Asia Pacific customers operating in the decorative paint, paper, construction and mineral treatment markets.
- the acquisition, finalised on 1st October 2012, of a production site for acrylic additives and emulsions from Brazilian company Resicryl. This operation illustrates the Group's commitment to speeding up its development in Latin America around high added value products while strengthening the downstream integration of its acrylic chain. Coatex's existing sales in Brazil and those from the new site will generate sales of some US $20 million.

1.3 SIGNIFICANT CONTRACTS

In order to conduct its business, the Group has concluded a number of contracts that can be of fundamental importance, in particular to secure access to raw material or energy resources, ensure certain operating procedures or methods at its production sites, or because they represent significant financial income.

1.3.1 RAW MATERIAL AND ENERGY SUPPLY CONTRACTS

The contracts described in this paragraph represent major raw material or energy supply contracts concluded for several years. Other supply contracts can also be described as major contracts. They concern *inter alia* the Group's supply of hydrofluoric acid (HF), used as a main raw material for its fluorochemicals activities, its supply of cyclododecatriene (CDT) used for the manufacture of PA 12 and its supply of propylene for acrylics. For confidentiality reasons, terms and conditions of these contracts cannot be disclosed.

CONTRACT FOR THE SUPPLY OF PROPYLENE (C_3) FROM TOTAL PETROCHEMICALS FRANCE

Pursuant to a long-term supply agreement entered into on 15 March 2006 and commencing on 1 May 2006, TPF, using Petrofina as its agent, has agreed to sell and deliver to Arkema France propylene produced by its steamcrackers at Carling and Lavéra, or from the La Mède refinery, for use at Arkema France's sites and facilities at Carling (acrylics) and Lavéra (production of oxo alcohols). The product is delivered to Arkema France's sites and facilities mostly by pipeline and in some cases by rail. The quantities delivered are invoiced on the basis of a negotiated price or, in the absence of agreement, on the basis of a price which takes into account the monthly contract price "free delivered North West Europe" published by ICIS.

INDUSTRIAL AGREEMENT WITH EDF SIGNED ON 21 DECEMBER 1995

Arkema France has reserved electricity supplies from EDF for its manufacturing sites over a period of 25 years (1996-2020) in consideration for payment to EDF of a sum corresponding to a drawing right. The quantities of electrical power reserved at the time covered the electricity consumption of the non-chlorine producing sites of Arkema France and its subsidiaries. This contract was split into two between Total Petrochemicals France (TPF) and Arkema France by an amendment dated 23 September 2005, which sets out the rights and obligations of each party for the 15 years left to run.

CONDITIONS OF SUPPLY OF ELECTRICITY FROM EXELTIUM

Arkema France is a founding member of Exeltium alongside six other "electricity-intensive" industrial companies. In 2012, Exeltium supplied a significant part of the electricity requirements of Arkema France, and, following the divestment by ARKEMA of its vinyl activities to the Klesch group and the creation of Kem One, Arkema France has sold on to Kem One part of its Exeltium volumes on a back-to-back basis.

1.3.2 INDUSTRIAL AGREEMENTS

Industrial agreements include platform contracts, toll processing, and capacity reservation. The most recent agreements of this type are described in this paragraph.

MEMORANDUM OF UNDERSTANDING WITH TOTAL E&P FRANCE AND SOBEGI FOR THE LACQ SITE

Arkema France has signed a memorandum of understanding with Total E&P France and SOBEGI for the future of industrial activities on the Induslacq platform in Lacq, beyond 2013. This MOU entails three components: the ongoing extraction of gas to supply ARKEMA's thiochemicals plants with H_2S as well as SOBEGI's steam furnaces with fuel, the construction of new gas treatment plants and their link-up to existing facilities, and finally the modification of thiochemicals plants to operate with new H_2S specifications.

EDA SERVICE CONTRACT WITH TOTAL PETROCHEMICALS FRANCE (LINE 41 AT CARLING)

Total Petrochemicals France (TPF) owns line 41 on the Carling site, which mainly produces EDA for Arkema France, and can also produce polyethylene for TPF. Under the line 41 EDA toll-processing contract, Arkema France is responsible for procurement of the main raw materials, the supply of the EDA production process and the financing of related investment. For its part, TPF provides Arkema France with toll-processing services, on line 41, of main raw materials into EDA and the supply of secondary raw materials and associated services.

PRODUCTION CONTRACT FOR HYDROFLUORIC ACID AND FORANE® F22 FOR DAIKIN AT THE CHANGSHU SITE

In 2002, the Group started production of Forane® F22 at its unit in Changshu near Shanghai. The production of Forane® F22 is backed up by the upstream production of hydrofluoric acid (HF). The Group shares this production of Forane® F22 with the Japanese company Daikin pursuant to Heads of Agreement signed on 30 July 1998. This agreement provides for Daikin to have reserve capacity and to have access to the supplies of hydrofluoric acid necessary for its production. Following an amendment to the contract made in 2009, the amounts payable by Daikin in consideration of this are calculated on the basis of a Forane® F22 market price, and the depreciation established to cover Daikin's share of the investment in the facilities.

MMA CAPACITY ENTITLEMENT CONTRACT WITH DOW IN THE UNITED STATES

The Group has signed a contract with The Dow Chemical Company (formerly Rohm and Haas) to reserve methyl methacrylate (MMA) production capacity and supply in the United States. Pursuant to these contracts, The Dow Chemical Company supplies the Group with significant quantities of MMA. These contracts represent the Group's only source of MMA supply in the United States.

1.3.3 MULTI-ANNUAL SALES CONTRACTS

The agreements described in this paragraph which represent a significant source of sales for the Group are related to specific acquisition and divestment operations.

CONTRACT FOR THE SUPPLY BY COATEX OF DISPERSANTS TO THE OMYA GROUP

On 1 October 2007 ARKEMA acquired Coatex, one of the world's leading producers of rheology modifiers for aqueous phase formulations. A long-term supply contract was concluded on 1 October 2007 between Coatex and the Omya group (former Coatex shareholder) for the supply of dispersants by Coatex. The supplies executed under this contract represent a significant part of Coatex's overall sales.

CONTRACT FOR THE SUPPLY BY ARKEMA THIOCHEMICALS SDN BHD OF METHYL MERCAPTAN TO CJ BIO MALAYSIA

Joint venture agreements were signed between ARKEMA and South Korean group CJ CheilJedang (CJ) on 12 March 2012. Under the terms of these agreements, Arkema Thiochemicals Sdn Bhd (86% ARKEMA and 14% CJ) is to supply in early 2014, from its plant currently under construction at Kerteh (Malaysia), methyl mercaptan (MeSH) to CJ BIO Malaysia Sdn Bhd (86% CJ and 14% ARKEMA), for the manufacture by the latter of methionine in a production plant also under construction on the same industrial platform.

CONTRACT BETWEEN ARKEMA INC. AND NOVUS FOR THE SUPPLY OF 3-METHYL THIOPROPIONALDEHYDE (MMP)

Arkema Inc. entered into a long-term contract with Novus International, Inc. on 1st January 2002 for the production of 3-methyl thiopropionaldehyde (MMP), an intermediate in the manufacture of methionine, at its site in Beaumont (United States). Under the terms of this contract, Arkema Inc. has built an MMP production unit on behalf of Novus International, Inc., which is operated by and receives its feedstock from Arkema Inc. This contract also represents significant sales for the Group.

Additionally, other types of sales contract such as "Framework Agreement" or "Key Supplier Agreements" have also been concluded. A particular feature of these agreements is their worldwide dimension and the fact that they are multi-product or can concern several of ARKEMA's BUs.

1.3.4 GUARANTEES AND INDEMNITIES FROM THE TOTAL GROUP

In connection with the spin-off of Arkema's Businesses in 2006, Total S.A. and certain Total S.A. companies have extended certain indemnities, or have assumed certain obligations, for the benefit of ARKEMA, relating to (i) certain antitrust litigation, (ii) certain actual or potential environmental liabilities of the Group arising from certain sites in France, Belgium and the United States, the operations on which have ceased in the majority of cases, (iii) certain tax matters, and (iv) the spin-off of Arkema's Businesses. These indemnities and obligations are described in note 29 to the consolidated financial statements at 31 December 2012 in chapter 4 of this reference document. Moreover, as part of the Total Contribution Agreement, Total S.A. and Arkema made certain representations and warranties, some of them in connection with the separation of ARKEMA from Total.

1.4 CAPITAL EXPENDITURE

1.4.1 DESCRIPTION OF THE MAIN CAPITAL EXPENDITURE MADE BY THE GROUP OVER THE PAST THREE YEARS

The Group's capital expenditure (in intangible and tangible assets) amounted to €265 million in 2010, €365 million in 2011, and €438 million in 2012. On average, over the past three years, the Group has therefore invested around €356 million per year. This expenditure excludes that relating to the vinyl activities divested in early July 2012. Over the last three years, capital expenditure has been focused on (i) the maintenance of industrial facilities, safety and environmental protection, accounting for approximately 52% of the total, and (ii) development projects, in the form of either major projects or productivity improvements in existing facilities, accounting for approximately 48%.

Over the period, 31% of capital expenditure were spent on the High Performance Materials segment, 35% on the Industrial Specialties segment, 30% on the Coating Solutions segment, and 4% on Corporate projects. 56% of these investments were made in Europe, 26% in North America, and 18% in Asia.

The main development capital expenditure projects carried out by the Group over the past three years were:

Year	BU	Description
2010	Fluorochemicals	Start-up of an HFC-125 production plant at Changshu (China) in partnership with Daikin
	Technical Polymers	Production capacity increase for Kynar® PVDF at Calvert City (United States)
2011	Rheological Additives	Start-up of a rheological additives production plant at Changshu (China)
	Technical Polymers	Start-up of production plants for Kynar® PVDF and related monomer at Changshu (China)
	Incubator	Start-up of carbon nanotube pilot production plant at Mont (France)
2012	Acrylics	Start-up of new DMAEA production plant at Carling (France)
	Fluorogases	Extension of HFC-125 production capacity and construction of refrigerant blending plant at Changshu (China)
	Technical Polymers	50% production capacity increase for Kynar® PVDF at Changshu (China)

Additionally, on 1st February 2012 the Group acquired Chinese companies Suzhou Hipro Polymers Co. Ltd., a producer of biosourced specialty polyamide 10, and Hebei Casda Biomaterials Co. Ltd., the world leader in sebacic acid produced from castor oil and used in particular for the production of this polyamide 10. On 1st October 2012, the Group finalised the acquisition of an acrylic additives and emulsions production site from Resicryl in Brazil.

1.4.2 DESCRIPTION OF MAIN CURRENT INVESTMENT PROJECTS

The Group's main capital expenditure projects underway are as follows:

Acrylics	Modernisation and production capacity increase for acrylic monomers at Clear Lake (United States)
Coating Resins	Construction of an acrylic latex production plant at Changshu (China)
Thiochemicals	Construction of a thiochemicals production platform at Kerteh (Malaysia) combined with a project to produce bio-methionine in partnership with CJ CheilJedang
	Participation in redevelopment of industrial infrastructures at Lacq (France) in partnership with Sobegi and Total EP France following the anticipated shutdown of the gas field exploitation
Fluorogases	Development of a fluorspar mine in partnership with Canada Fluorspar Inc. at St. Lawrence (Newfoundland – Canada)
Hydrogen Peroxide	Conversion from mercury electrolysis to membrane electrolysis at Jarrie (France)
Technical Polymers	Tripling of PA10 capacity at Hipro Polymers (China), start-up during the first quarter 2013

Capital expenditure is firstly funded by the resources provided by the Group during the year. Beyond this, the Group may use the credit resources detailed in section 4.1.7 of this reference document.

1.4.3 FUTURE CAPITAL EXPENDITURE

ARKEMA estimates that the amount of capital expenditure required to sustain its 2016 organic growth target stands at €1.7 billion for the 2013-2016 period. On average the Group's recurring capital expenditure should amount to between 5% and 5.5% of its annual sales, around 50% of which being allocated to development and productivity investments and around 50% to maintenance, safety and environment investments. The Group intends to increase the share of its capital expenditure undertaken in China and other emerging countries.

In 2013, given the major project of the construction of a thiochemicals platform in Malaysia, the ambitious investment plan in the acrylics activity in the United States, and ongoing projects in China in coating resins and in polyamide 10, the Group expects to spend capital expenditure of around €500 million, €150 million of which being exceptional investments.

Given its current cash situation and its financing resources described in section 4.1.7 of this reference document, the Group believes that it is in a position to finance its future capital expenditure projects, in particular those mentioned in sections 1.4.2 and 1.4.3 of this reference document.

1.4.4 PROPERTY, PLANT AND EQUIPMENT

The Group's policy is to own the industrial facilities that it uses. By way of exception, it sometimes rents offices and warehouses. The leases are signed with third party lessors. Leasing commitments are included in the off balance sheet commitments described in note 29 to the consolidated financial statements in section 4.3.3 of this reference document.

The net book value of the Group's tangible fixed assets at 31 December 2012 was €1,852 million. It includes transportation equipment and pipelines owned by the Group (see note 12 to the consolidated financial statements in section 4.3.3 of this reference document).

1.5 R&D/INNOVATION STRATEGY

1.5.1 RESEARCH AND DEVELOPMENT

Research and Development (R&D) is an essential factor on which the Group relies to meet its strategy of innovation and improve its products and manufacturing processes.

In 2012, R&D expenses accounted for around 2.3% of the Group's sales. The Group intends to keep up this research effort in the coming years in order to develop ever more innovative products, in particular in its new Coating Solutions segment, optimise the performance of its manufacturing units, and develop new processes. The Group's R&D function employed over 1,200 researchers in 2012, mainly split between nine research centers located in France, the United States and Japan.

The R&D department, which reports to the Chairman and CEO, coordinates all the Group's research programs on a worldwide scale. It is responsible for ensuring that the strategic projects funded and controlled by the BUs are scientifically and technologically relevant, and that they are consistent with the Group's overall strategy. It is also responsible for developing "incubating" innovative products prior to their transfer to the BUs. R&D policy and the corresponding level of expenses are adapted in the long term to each of the Group's three segments: High Performance Materials, Industrial Specialties, and Coating Solutions. To initiate the development of breakthrough projects, the R&D department also relies in particular on a dedicated structure called "incubator". In 2010, this structure developed in particular electrostrictive polymers via its subsidiary Piezotech. In 2011, a new ultra high temperature polymer (PEKK) was developed, and in 2012, commercial success validated the transfer of nanostructured PMMA for automotive glazing to the PMMA BU.

Additionally, as mentioned in chapter 2 of this reference document, ARKEMA has made sustainable development one of the key points of its research strategy. Accordingly, the R&D department focuses on five research platforms: solutions for energy, renewable raw materials, lightweight materials, water treatment, and solutions for electronics; the first four are based on the major societal challenges of energy, climate change, and access to water, as described in section 2.3 of this reference document. Typical developments include a wide range of innovative materials developed as part of these platforms; these are for example materials in the field of energy (renewable energies like photovoltaics, energy storage like lithium-ion batteries, energy saving, etc.), nanostructured materials, and materials produced from renewable raw materials. This sustainable development strategy is also evident from the development of highly innovative processes.

In 2012, R&D expenses were split as follows:

- High Performance Materials segment: 40.4%;
- Industrial Specialties segment: 24%;
- Coating Solutions segment: 20.3%; and
- "Corporate" R&D program: to prepare the innovations of tomorrow, drawn up every year by the R&D department and submitted to the Executive Committee for approval: 15.3%.

By way of examples, in recent years the Group successively introduced:

- in 2010:
  - the industrialisation of a synthesis process for HFC-125, a refrigerant fluid with a low environmental impact,
  - the development and marketing of a new Rilsan® fiber-based grade that combines light weight, impact resistance and good injection-moulding properties,
  - the launch and commercial success of the new Orevac® OE 825 range for food-grade multilayer packaging structures,
  - a service innovation that is key to the protection of the environment: the new Rcycle® package that combines the sale of polymers with the collection of certain wastes, and
  - finally, the acquisition of the company Piezotech, which enables the Group to develop ultra high added value fluorinated polymers;
- in 2011:
  - the development of the Altuglas® ShieldUp ultra high performance acrylic glass range to replace ordinary glass in automotive glazing, which will bring major weight savings in cars,
  - the development and industrialisation of a synthesis process for new pilot of PEKK, a polymer with a very high melting point (> 330°C) also playing a part in reducing the weight of aircraft,
  - the launch of Paladin®, a DMDS (dimethyl disulfide) derivative, a sulfur-based product naturally present in the lifecycle of some plants, used in soil preparation for vegetable crops, as a replacement for methyl bromide due to be gradually phased out under the terms of the Montreal Protocol,
  - a contribution to the development of a methionine manufacturing process based on fermentation from natural raw materials, in partnership with South Korean company CJ CheilJedang;

- in 2012:
  - the synthesis of block copolymers for the etching of printed circuits on silicon under the limit of 22 then 16 nm, inaccessible to current lithography technologies,
  - the launch of a new Rilsan® HT (high temperature) polyphthalamide (PPA) range that is ultra flexible, and has superior thermal stability compared to the existing range,
  - the launch of Rilsan® Invent Natural for the Laser Sintering Rapid Manufacturing market. This new Rilsan® grade joins Orgasol® Invent Smooth, and ensures excellent resolution in the detail of components, combined with very good processability,
  - the acquisition in early 2012 of Chinese companies Suzhou Hipro Polymers Co. Ltd. (Hipro Polymers) and Hebei Casda Biomaterials Co. Ltd. (Casda Biomaterials), which has helped develop new polyamide 10 biosourced grades and gain new market shares in the consumer goods, transport and sports sectors,
  - two major innovations in the coatings sector: Celocor® and the Bumper Technology™. Celocor® opaque acrylic polymers partly replace TiO_2 in waterborne paints without affecting their properties, while the Bumper Technology™ uses new dispersants to help optimise the light refraction power of the TiO_2 particles.

Collaborations have been entered with the European Commission (Framework Program for Research and Technological Development (FPRTD)), and with several French organizations such as *Agence Nationale de la Recherche* (ANR, National Research Agency), *Agence de l'Environnement et de la Maîtrise de l'Énergie* (ADEME, Environment and Energy Agency), and *Fond Unifié Interministériel* (Unified Interministerial Fund), and enable the Group's R&D efforts to enjoy joint public funding as well as active collaboration with many partners. The Group has been heavily involved in particular in various *Investissements d'Avenir* mechanisms, either through collaborative research projects or through working with IEED and IRT collaborative structures.

The links between the Group and its university partners network also reflect the quality of its innovation process. These relations include research contracts, doctoral or postdoctoral funding for students, but also through original and innovative structures. Thus, ARKEMA takes part in industrial chairs, such as the chair of bio-plastics at Mines-Paritech or the chair of excellence in organic electronics in Bordeaux, and it has established close relations in major structural research programs, for example with ESPCI laboratories in Paris (France), IBP laboratories in Bordeaux (France), or ENSIC laboratories in Lorraine (France).

1.5.1.1 HIGH PERFORMANCE MATERIALS

The High Performance Materials segment R&D focuses on the materials of tomorrow. Materials based on renewable raw materials, materials with a low environmental impact, lightweight materials for transport, are all developments that help combine performance and sustainable development.

Indeed, 2010 saw the following innovations, which were consistent with this commitment to performance and sustainable development.

Firstly, polyamide grades were upgraded, and new ones added to the range. Examples include the development and marketing of a new Rilsan® fibre-loaded grade that combines light weight, impact resistance and good injection-moulding properties, and the launch and commercial success of the new Orevac® OE 825 range for food-grade multilayer packaging structures.

Next, the fluoropolymer range opened up with the acquisition of Piezotech, a company operating in the piezo-electric and electrostrictive fluoropolymer market. These polymers help ARKEMA access the autonomous sensors and actuators markets for ultra high added value polymers.

Lastly, innovation touches not only products but also the supply of services. One example is the new Rcycle® package, key to the protection of the environment, which combines the sale of polymers with the collection of certain production by-products.

In 2011, the development of performance polymers resulted in the launch of several products, driven in particular by the sensitivity of the market to sustainable development.

The new Orgasol® Green Touch grade for the cosmetics market enhances the Orgasol® range with a powder manufactured from renewable resources (polyamide 11).

The Rilsan® range gained the Rilsan® Tieflex grade designed for the heavy goods vehicle air brake systems market, while the Rilsan® HT (High Temperature) range was expanded with the launch of a new, more flexible grade targeting new applications in the engine environment.

Finally, new polyamide powder grades, Rilsan® Invent Black and Orgasol® Invent Smooth, were launched for laser prototyping applications.

In 2012, yet more new products and applications were developed.

The acquisition in early 2012 of Chinese companies Hipro Polymers and Casda Biomaterials has helped develop new biosourced polyamide 10 grades and gain new market shares in the consumer products, transport, and sports sectors.

A new ultra flexible Rilsan® HT (High Temperature) polyphthalamide (PPA) range was launched. Its thermal stability was upgraded compared to the current range, while its service life was extended and its service temperature increased by up to 10°C.

Rilsan® Invent Natural joins Orgasol® Invent Smooth for the Laser Sintering Rapid Manufacturing market. It ensures excellent resolution in the detail of components, combined with very good processability. These qualities make this powder aptly suited to rapid prototyping and rapid manufacturing.

The latest Lotader® grades enjoyed major success in 2012 when they moved into new technologies for the manufacture of printed woven bags thanks to their adhesive versatility on inks of various natures, which this product range alone can accommodate.

A new Kynar® grade called MG-15 was launched for the water filtration membrane market, a very major market from an economic and societal viewpoint. The fluorinated polymer range was further expanded with new grades for foam, for use in the cable market.

The High Performance Materials segment is therefore establishing its growth by consolidating its product range, and by adapting the performance and functions of its products to the latest demands of the market.

The strong reputations of brand names such as Rilsan®, Hiprolon®, Pebax® and Luperox® are a testimony to the technical excellence of the High Performance Materials segment.

1.5.1.2 INDUSTRIAL SPECIALTIES

The objectives of the Industrial Specialties segment R&D are to ensure the competitiveness of the segment's processes, and to find new applications as well as new outlets for its products. One of the major objectives is the ongoing improvement of the main processes (acrylics, fluorochemicals, thiochemicals) to make them safer, more reliable and productive, and therefore more competitive, while minimising their environmental impact. Accordingly, R&D studies the benefits of new raw materials, and carries out tests on new catalysts or new types of reactors, or develops new synthesis routes.

R&D also contributes to the development of new products, as in the case of HFC-125 (a new low-GWP refrigerant fluid), or the ShieldUp® nanostructured PMMA sheet developed in 2011. In 2012 a new PMMA cast sheet was developed, with excellent light diffusion properties, for the illuminated displays market.

In line with ARKEMA's strategy to develop plant-based chemicals, a family of PMMA-PLA (polylactic acid) alloys has been developed and is now produced on an industrial scale. A co-marketing agreement has been signed with NatureWorks, a world leader in biosourced polymers.

Innovation is also evident in the development of new markets for existing products. A good example of this is Paladin®, a dimethyldisulfide (DMDS) formulation used for the treatment of soil for vegetable crops. In 2012, this application had significant success in countries bordering the Mediterranean such as Turkey, Morocco, Israel, and Egypt.

Similarly, a new application was launched in 2012 for methylmercaptan when the foundation stone was laid at the Arkema CJ CheilJedang bio-methionine complex in Kerteh, Malaysia. Methylmercaptan produced by ARKEMA is used as a raw material by CJ to produce biosourced methionine using a fermentation process that is unique in the world.

1.5.1.3 COATING SOLUTIONS

The Coating Solutions segment R&D develops innovative solutions for the coatings market by combining technical performance with sustainable development. Working very closely with its customers to whom it provides responsive technical support, R&D also entails a process research component which enables it to optimise its production costs and produce new molecules on an industrial scale.

In 2011, Sartomer launched the SARBIO® range of biosourced resins comprising acrylic and methacrylic resins with guaranteed renewable carbon content. As a further example in coating resins, the High Gloss SNAP® technology uses nanostructuring to produce gloss paint with outstanding abrasion and washing resistance for architectural markets.

In 2012, two major innovations should be mentioned: Celocor® and Bumper Technology™ (Coatex), which help overcome titanium dioxide supply problems encountered by our paint manufacturing customers.

Celocor® opaque acrylic polymers, made up of tiny "hollow particles", can partially replace TiO_2 in waterborne paint, without jeopardising the paint's performance. Moreover, they enhance the gloss of the paint and its resistance to dulling.

The Bumper Technology™ uses new dispersants that separate TiO_2 particles in waterborne paint, and so optimise its ability to refract light.

Sartomer also continues to innovate by offering new photopolymerisable acrylic resins. The newly developed "3D printing - UV curing" process consists in printing and instantly drying, through UV radiation, successive layers of an acrylic resins formulation supplied by Sartomer, for the production of parts in three dimensions. In addition to offering great freedom of design, this technology produces top quality finish.

1.5.2 INDUSTRIAL PROPERTY RIGHTS

The Group attaches great importance to industrial property rights, in respect of both its brand names and its patents, in order to protect the innovations developed by R&D and make its products known to its customers.

All the Group's patents and brand names represent an asset that is essential for conducting its business. Nonetheless, the isolated loss of a particular patent or brand name for a product or process would not significantly affect the Group's results, its financial situation, or treasury position.

1.5.2.1 PATENTS

For the Group, the patent protection of its technologies, products and processes is essential to manage its businesses in the best possible way.

Consequently, the Group registers patents in its main markets to protect new chemical compounds, new high technical performance materials, new synthesis processes for its main industrial products, and new applications for its products.

The number of patents granted and the number of applications filed for patents are good indicators of investments in R&D and quality of this latter. At 31 December 2012, the Group owned 5,458 patents. At the same date, it had 4,169 patent applications pending (all patent applications made according to a centralized procedure – like that of the World Intellectual Property Organization (WIPO) – are accounted for as one application, even though the application may lead to the granting of several patents, depending on the number of countries covered by the application). In 2012, the Group filed 151 applications for priority patents.

It should be noticed that, in 2012, ARKEMA ranked for the second year in a row among the 100 most innovative companies in the world as mentioned in the 2012 "Top 100 global innovators" published by Thomson Reuters.

In those countries where the Group seeks patent protection, the duration of that protection is usually the maximum legal duration, namely twenty years, calculated from the time the patent application was filed. The protection provided can vary from one country to another, depending on the type of patent and its remit. The Group uses patent protection in many countries, mainly in Europe, China, Japan, Korea, North America, India, and more recently South America.

The Group actively protects its markets. To this end, it keeps itself informed about its competitors and defends its patents against any infringement by a third party. Accordingly, on 30 November 2011, ARKEMA, a supplier of PVDF-based fluorinated film used in the manufacture of photovoltaic panels, filed a patent infringement complaint with the Seoul Central District Court against South Korean company SKC. Proceedings for violation of a non-disclosure agreement have been added to this action for infringement. These proceedings are still pending. ARKEMA also lodges opposition against third party patents that would not be justified.

The expiry of a basic patent for a product or process can lead to increased competition as other companies start marketing new products. Nonetheless, after the expiry of a basic patent, the Group can, in certain cases, continue to benefit from it commercially thanks to its know-how of a product or process, or because of new patents for applications or for improvements to the basic patent.

The Group also has a policy of acquiring or granting patent licences to meet its operational needs. Lastly, in respect of inventions made by employees, the Group implemented in 1989 a system ensuring additional remuneration for inventors among its employees if patents for their inventions are commercially exploited.

1.5.2.2 TRADEMARKS

Protection of brand names varies according to each country. In some countries, this protection stems essentially from usage, whereas in others it can only come from registration of the brand name. Brand name protection rights are obtained either by registering them nationally or through international registrations, or by the registration of Community trademarks. Registrations are usually granted for a period of ten years and are renewable indefinitely.

The Group is developing a centralised and dynamic policy for applying for trademark registrations, using a worldwide network of trademarks attorneys.

In particular, the Group owns as trademarks the names of its leading products. Among its flagship brand names are, for example, Pebax®, Rilsan®, Hiprolon®, Forane®, Altuglas® (a brand name used across the world, apart from the American continent) and Plexiglas® (a brand name used only on the American continent). The Group has also protected the names chosen for its latest innovations, *e.g.* Apolhya® and Reverlink™, by registering their trade names.

Mindful of the importance of its trademarks portfolio, the Group monitors the brand names registered by companies operating in business sectors that are identical, or similar, to its own, and has a policy of defending its own brand names.

1.6 RISK FACTORS

1.6.1 RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES

1.6.1.1 GENERAL ORGANISATION: OBJECTIVES AND SCOPE OF INTERNAL CONTROL AND RISK MANAGEMENT

Objectives

ARKEMA implements the reference framework methodology of the *Autorité des marchés financiers* (AMF – French financial markets authority), published in 2007 and reviewed and expanded in 2010, which it has adapted in accordance with this framework to its activity and organization.

Internal control is a Group-wide structure, defined and implemented by senior management, management and staff. Its objective is to ensure:

- compliance with current laws and regulations;
- application of the instructions and guidance set by senior management;
- the correct operation of internal processes, notably those serving to protect assets; and
- the reliability of financial information.

Generally, internal control is designed to help manage and control the Group's activities, the effectiveness of operations, and the efficient use of its resources.

However, no internal control structure can provide an absolute guarantee that these goals are met. In particular, it cannot guarantee that, despite all processes and controls put in place, all the Group employess will constantly comply with the internal control rules and will apply all the defined processes.

The Group has also implemented a risk management system allowing the Executive Committee to maintain risks at a level that it deems acceptable. This system helps:

- create and protect the Group's value, assets and reputation;
- render decision-making and the Group's processes more secure so that the objectives may be achieved more easily;
- make actions more relevant to the Group's values;
- rally the Company's employees around a common vision of the main risks.

Scope

The internal control and risk management framework is adapted to the Group's organisation, which is structured around three components:

- the three segments made of Business Units (BUs), which are responsible for their respective performance and the implementation of internal control procedures (for further details, please refer to paragraph 1.1.1.2 of this reference document);
- the functional departments (or support functions), which assist the business segments and the BUs in their area of competence, including accounting, legal affairs and information systems, and ensure that the Group's organisation is consistent and optimised; and
- the subsidiaries, through which the Group exercises its business activities.

All those companies fully integrated in the basis of consolidation of the Group financial statements are concerned by these internal control and risk management procedures.

1.6.1.2 PERSONS INVOLVED IN INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Board of Directors and Committees

The Board of Directors, the three committees in place (Audit and Accounts Committee, Strategy Committee, and Nominating, Compensation and Corporate Governance Committee), and the expertise of their members help contribute to the creation of an internal control and risk management culture suited to the activities of the Group.

In particular, it is the responsibility of the Audit and Accounts Committee to oversee the effectiveness of internal control and risk management systems, and assess the schedule of internal auditors and the result of their work.

Executive Committee

The Executive Committee ("Comex") puts in place the internal control structure and ensures compliance therewith, as it:

- defines the internal control framework and the rules for delegation of responsibility;
- sets targets for each BU, functional department and subsidiary, and provides the resources for these targets to be met;
- supervises the implementation of the control procedures that help achieve the targets it has set;

- considers the risks that are specific to each project submitted to Comex; and
- carries out an annual (and whenever deemed necessary) review of the major risks to which the Group is exposed on the basis of the work of the Risk Review Committee and its presentation of the mapping of risks. Comex calls on the Internal Audit and Internal Control department to help with its operation, as well as the appreciation of Comex members.

Each member of Comex is responsible for ensuring that Group-wide rules and principles constituting the internal control framework are observed in the entities for which he is responsible and in particular in the BUs which he supervises.

Risk Review Committee

In order to strengthen the formal framework of the risk identification, analysis and control procedures, and to monitor on a regular basis the evolution of risk factors, a Risk Review Committee was set up in October 2007, comprising the Executive Vice-President Strategy (committee chairman), the Executive Vice-President Industry, the Chief Financial Officer, the Legal Affairs Vice-President, the Sustainable Development Vice-President, the Group Safety Environment Vice-President, the Insurance Vice-President, and the Internal Audit & Internal Control Vice-President (secretary to the committee).

Chaired by the Group's Executive Vice-President Strategy, the committee reviews at least once every six months, or more often if justified by a specific event:

- the summaries of audits and evaluations conducted by the Internal Audit and Internal Control department, the Safety Environment Quality department, and the Insurance department;
- the report of fraud or attempted fraud prepared by the anti-fraud unit;
- a summary of ongoing disputes and their progress status, presented by the Legal department;
- assessments of commercial intermediaries made by the commercial intermediaries review commission;
- a list of risks prepared from surveys conducted by the Internal Audit and Internal Control department, the Legal department, and the Accounts & Controlling department;
- a mapping of risks prepared by the Internal Audit and Internal Control department; and
- in each of these areas, the monitoring of corrective action.

Following this review, the Risk Review Committee can decide on the updating of corrective action, request additional information, or decide the updating of the mapping of risks.

The conclusions of this review are reported to the Executive Committee.

On completion of this process, the Executive Committee can decide on updating the main risks described in paragraph 1.6.2 of this reference document.

Internal Audit and Internal Control department

The Internal Audit and Internal Control department comprises two sub-departments: Internal Audit and Internal Control. Both are independent functions under the responsibility of the Executive Vice-President Strategy.

The role of Internal Audit in particular is to improve control over the Group's management systems and processes and, more broadly, to ensure that the Group's operations are in accordance with the internal control framework.

Any management process and system are subject to internal audit. The Internal Audit department provides the audited entities with a set of recommendations which are discussed and agreed with the entities in question. Implementation of these recommendations is covered by action plans that the entities commit to implementing.

An internal committee consisting of the Chief Financial Officer, the Executive Vice-President Strategy, the Head of Internal Audit and Internal Control department regularly monitors the effective implementation of these recommendations.

The Internal Audit and Internal Control department draws up a draft program for the audit plan from:

- initiatives to identify risks;
- interviews with the Group's operational and functional departments; and
- a choice of priorities from various proposals made.

The final program is validated by Comex, and then examined by the Audit and Accounts Committee.

During 2012, the Internal Audit department carried out 28 audits (21 in 2011), namely 8 audits of industrial sites of the subsidiaries Arkema France and Arkema Inc., 14 audits of subsidiaries in Europe, the United States and Asia, and 6 audits of procedures in Europe, the United States and Asia.

The primary assignment of Internal Control is to strengthen the Group's internal control systems. The internal control action is supported, at subsidiary level, by a network of correspondents within the finance and IT departments of the subsidiaries.

Internal Control conducts analysis and formalisation of processes having an impact on financial information, for which key controls have been defined.

The methodology consists of:

- the analysis, for a process or sub-process, of the main risks of error, omission or fraud that could have a significant effect on consolidated financial statements;
- the identification and formalisation of control procedures to minimise any risk of error, omission or fraud;
- the periodic verification of the existence and effective operation of these controls, carried out by the Internal Control correspondents based in the subsidiaries (self-audit) or by Internal Audit; and
- the definition of corrective measures in the event of shortcomings, and the control of their implementation.

The list of procedures covered by this methodology is based on the fourteen procedures of the AMF reference framework implementation guide, and is adapted to the specific features and size of the subsidiaries.

The ongoing rollout of this process, launched in 2006, has helped cover a scope of companies representing virtually all production subsidiaries in 2012, and then gradually include newly acquired subsidiaries.

Business segments, Business Units, functional departments and subsidiaries

The Group's businesses are organized into business segments as described in section 1.2 of this chapter. The business segments are made up of BUs which, within their respective area of activity, coordinate the use of resources allocated to them by the Executive Committee to meet the targets set. They are responsible for their own performance and for implementing suitable control procedures and processes, in accordance with the principles and procedures defined in particular within the Group's internal control framework, Code of Conduct, charters and guidelines.

The coherence and optimisation of the Group's organisation are ensured by the functional departments.

Each subsidiary is placed under the responsibility of a local manager who is responsible, within his remit, for employing the resources defined with the BUs and the support functions to meet the targets. Within the strict respect of the powers delegated to the management bodies of the various legal entities, each subsidiary is also supervised by a functional or operational department, which ensures that laws as well as common rules and principles defined by the Group are observed.

1.6.1.3 INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK

The Group's internal control and risk management systems are based on three essential principles:

- clear definition of responsibilities and delegations of powers, observing rules governing the separation of duties (distinction between those who approve actions and those who take those actions), which helps ensure that any person who engages the Group's responsibility to a third party has the authority to do so;
- identification, analysis and management of risks;
- regular review of the correct functioning of internal control and risk management.

The Group has defined its organisation and operating guiding principles in a document entitled "Internal Control Framework", approved by the Executive Committee and available to all employees. This document, based on the Safety, Health, Environment and Quality Charter, the Usage Charter for the IT and Electronic Communication Resources, and the Code of Conduct put in place by the Group, is structured in line with the *Autorité des marchés financiers* reference framework, around five components:

- control environment;
- risk management (detailed in paragraph 1.6.1.4 of this reference document);
- control activities;
- information and communication; and
- continuous evaluation of internal control systems.

Control environment

As the foundation of the other components of internal control, the control environment draws primarily on the organisational principles of the Group, the values of the Group set out in the Code of Conduct, and the level of awareness amongst employees.

All employees are informed of the importance attached to observing the rules of good conduct set out in the "Code of Conduct", the "Health, Safety, Environment and Quality Charter", and the "Usage Charter for the IT and Electronic Communication Resources".

A Compliance Program has been put in place by the Group to guarantee and, if necessary, substantiate, that the Group's employees strictly comply with domestic and European competition regulations. Accordingly, once a year the Legal department sends a declaration to the main executives of the BUs, the functional divisions and the main subsidiaries, who state in return that they were aware of the Compliance Program and complied with its requirements in the previous year. They are responsible for obtaining an identical declaration, signed by the employees concerned within their organisation.

A procedure relating to fraud prevention was put in place in 2008. This procedure provides for surveying and centralising situations of fraud, and thus helps with the handling and prevention thereof.

In general, the roles and duties of every operational and functional manager are set out in their job description. Goals to be met by the managers, which include an internal control dimension, are set by their respective line managers, to whom they must periodically report on their activities.

Lastly, the Group has set up a dynamic human resources management approach and a policy of ongoing training designed to ensure that staff skills are continuously adapted, and to maintain a high level of individual involvement and motivation.

Control activities

Control activities entail the application of the standards and procedures that help ensure that Group management directives are carried out at every level of the Group.

To this end, a body of rules has been formally established within the Internal Control Framework, and general principles, applicable to all Group entities, have been defined in order to enable monitoring of the application of the operating method defined by the Executive Committee. By way of illustration, delegation of commitment authority and management of investments are the subject of specific notes.

- BUs and subsidiaries are responsible for operational processes and are thus the first line of responsibility in internal control;
- Functional departments are responsible for defining and distributing policy and best practice guidelines relating to their area; they ensure that these are being correctly applied, particularly in the following fields:
  - compliance with laws and regulations,
  - safety and environmental protection, and
  - reliability of financial information;
- The control of access to IT systems forms a key element of internal control, and is subject to formal management procedures involving the departments using the systems and the IT department.

The Internal Audit team in particular conducts evaluations of the Group's compliance with its Internal Control Framework in accordance with the Audit Plan approved annually by the Executive Committee and reviewed by the Audit and Accounts Committee.

Information and communication

IT systems are a key component of the Group's organisation.

Mindful of the opportunities and risks related to the use of information technologies, the Group has set up an information system management structure, in terms of both controlling risks and creating value and performance.

This approach is designed to apply across the Group the 10 information system management practices drawn up formally by CIGREF (*Club informatique des grandes entreprises françaises*).

Additionally:

- the Group has a highly detailed financial reporting system, an essential management tool used by the senior management;
- the main internal control documents are available on the Group's intranet; and
- each support function develops professional best practice and disseminates details thereof throughout the Group *via* their intranet.

Continuous assessment of internal control systems

The internal control system is monitored on an ongoing basis. The Executive Committee is responsible for the internal control system overall, for its performance and for its oversight. However, each entity remains responsible for improving internal control performance within its own scope.

In general, any weaknesses in the internal control system must be reported to management and, if necessary, to the Executive Committee.

In addition, recommendations made by Internal Audit on completion of its missions are systematically reviewed, and a summary is presented to the Audit and Accounts Committee. When decisions to apply corrective measures are adopted, their implementation is monitored on a formal basis.

Furthermore, as part of their duties, the statutory auditors may alert the Group and its Audit and Accounts Committee regarding any weaknesses that they have identified. These factors are taken into account by the Group in its efforts to improve internal control.

1.6.1.4 RISK IDENTIFICATION AND MANAGEMENT

In the course of its business, the Group is exposed to a number of internal and external risks.

As the Group's structure is highly decentralised, risk assessment and management is essentially the responsibility of the BUs. All functional departments and subsidiaries, each having a duty to minimise risks in their own area, provide assistance in identifying and reducing the risks inherent in their activities.

The Group's risk management process is based on regular reviews of risk identification, analysis and treatment, as follows:

- every month each BU presents its results and indicators to its business segment Executive Vice-President. The Executive Committee reviews the results of the segments and their respective BUs every month.
- the Accounts and Controlling department organises a quarterly review of risks and litigation that may have a bearing on the Group's financial statements. The BUs, functional departments and subsidiaries report on their entity's risks. These risks are analysed and dealt with at quarterly meetings in the presence of the Chief Financial Officer, the Accounts and Controlling department, the Legal department, and the Internal Audit and Internal Control department.
- the Internal Audit and Internal Control department carries out an annual survey of risks with the Group's main entities: BUs, functional departments, and subsidiaries. Risks are identified and analysed. The most significant risks are positioned on a risk mapping. This risk mapping is presented to the Risk Review Committee which assesses the relevance of updating it and puts forward suitable action plans where necessary. The conclusions of the Risk Review Committee are reported to the Executive

Committee prior to the definition of the internal audit plan. This plan is drawn up on the basis of the risk mapping and on the need to cover the Group's scope of activity on a regular basis. The significant risks known to the Group are overseen by a member of the Executive Committee. They are also examined by the Audit and Accounts Committee. The main risks are set out in paragraph 1.6.2 of this reference document, where they have been classified into the following sections:

- Economic and business environment related risks,
- Supply chain risks,
- Industrial safety and environmental risks,
- Regulatory and legal risks,
- Financial risks,
- IT risks,
- Strategy and corporate governance risks,
- Insurance coverage default related risks.

1.6.1.5 ACCOUNTING AND FINANCIAL INTERNAL CONTROL PROCEDURES

Control and understanding of financial performance by operational and functional managers of the businesses for which they are responsible represent one of the key factors in the Group's financial control systems.

Organisation of the finance function

The finance function, which is the responsibility of the Chief Financial Officer, includes:

- functions under his direct supervision, in particular:
  - the production of consolidated financial and accounting information, which is the remit of the Accounting and Controlling department, responsible for the reliability of the data constituting the Group's financial information and for providing management accounts shared across the various entities, thus facilitating the management of the businesses,
  - cash management and the optimisation of the Group's financing, under the responsibility of the Financing and Treasury department, and
  - investor relations, whose remit is to establish, develop and maintain relations with investors, shareholders and financial analysts, and release financial information once this has been approved by the Company's Board of Directors;
- functions delegated to:
  - the BUs, each having its own management control, allowing for monthly monitoring and analysis of BU performance, and
  - the subsidiaries, each being responsible for its own monthly accounts and for its half-year and full-year financial information.

Accounting reporting and management control

The fundamental principles for financial reporting are set out in the financial reporting manual and management framework for the Group. These reference documents are updated annually by the Accounts and Controlling department, after approval by the Chief Financial Officer, or the Executive Committee depending on the extent of any changes.

The purpose of financial reporting is in particular to enable the analysis of actual performance relative to forecasts and to previous periods. It is based on the following processes:

Medium-term plan

The Strategy department draws up a medium-term plan (over five years) once a year. This plan is studied by the Executive Committee, which is then able to assess the financial consequences of the major strategic directions and the main turning points identified in the environment under consideration.

Budget

The budget sets out the financial performance targets to be achieved over the following year; it forms part of the medium-term plan approved by the Executive Committee.

The budget is the main point of reference to measure the actual performance of the three business segments as well as their respective BUs, the functional departments, the subsidiaries, and the Group overall.

The budget is prepared annually under the responsibility of the Accounts and Controlling department.

The BUs and the functional departments submit their budget proposals, prepared with the subsidiaries, to the Executive Committee members overseeing them.

The budget of each BU and each functional department is then submitted to the Chairman of the Executive Committee.

The process is completed with the validation of the budget by the Company's Board of Directors.

Year-end forecast

Once approved by the Executive Committee and reviewed by the Board of Directors, the budget may no longer be modified. Based on a frequency defined by the Accounts and Controlling department, end-of-period forecasts, for the end of the current quarter and the end of the year, are prepared by the BUs and the functional departments.

Monthly reporting

Every month, the Accounts and Controlling department prepares consolidated reports detailed by segment and BU for the Executive Committee.

Financial statements, analytical accounts, capital expenditure, and cash flow are presented together with a commentary on the month's highlights.

This reporting is analysed in depth by the Executive Committee at one of its monthly meetings.

Consolidated financial statements

The Company releases consolidated financial information on a quarterly basis. Figures for the six months to 30 June and the twelve months to 31 December are full financial statements in the sense of IFRS, whilst the quarterly information to 31 March and 30 September is in summary form only (balance sheet, income statement, cash flow statement).

Half-year financial statements are subject to a limited review by the statutory auditors, whilst full-year financial statements are fully audited.

As part of the closure of each accounting period, the Accounts and Controlling department identifies specific closure issues through preparatory meetings with the support functions and the BUs; in addition, similar meetings are organised at least once a year with the main legal entities within the Group.

On a quarterly basis the Accounts and Controlling department receives from each BU, functional department and subsidiary a report regarding risks.

Additionally, each entity is responsible for following up its off-balance-sheet commitments, and for collection and centralisation thereof. The Financing and Treasury department consolidates all these commitments every six months as part of the half-yearly and annual accounts procedure.

Monitoring of changes in accounting regulations is provided by the Accounts and Controlling department which issues technical notes on points of specific relevance to the Group.

Financial statements of the parent Company

The preparation of the Company's financial statements is part of the Accounts and Controlling department's general procedure for the preparation of annual financial information. Furthermore, the Company submits forecast documents to the Board of Directors in accordance with regulations.

IT systems

The IT Systems and Telecommunications department defines and coordinates the entire Group's IT systems.

The Group continues its transformation program on the basis of the SAP integrated software. In particular, rollout of the financial system has continued in Europe, while the new GMAO plant maintenance system has been implemented in France. Upgrading the Supply Chain represents the next major step in the integration within SAP. These developments are helping to improve the control environment of the Group, particularly through procedure review, increase in automated checks, and removal of interfaces.

Letters of representation

Each year, the Group issues, under the signature of its Chairman and Chief Executive Officer and its Chief Financial Officer, a letter of representation certifying in particular the accuracy and reliability of the consolidated financial statements addressed to the Group's statutory auditors. To underpin this representation, the CEOs and CFOs of each consolidated subsidiary make an annual undertaking to observe the internal control rules and ensure the accuracy of the financial information supplied, in the form of a letter of representation to the Group's Chairman and Chief Executive Officer and to its CFO, as well as to the statutory auditors.

Furthermore, the Group's half-yearly letter of representation is based on the main subsidiaries' half-yearly letters of representation, following the same procedure, and certifying that the subsidiaries' half-yearly consolidated accounts have indeed been prepared in accordance with the Group's financial reporting manual.

Investor relations

Press releases concerning financial information are prepared by the Investor Relations team and reviewed internally by the various departments of the Finance department concerned, then by the statutory auditors, and by the Audit and Accounts Committee. The Company's Board of Directors then approves the final text.

1.6.1.6 THE GROUP'S INSURANCE POLICY

The Group implements an insurance coverage strategy that combines a prevention policy in close cooperation with insurers (in particular for property damage, via periodic visits to the sites together with technical recommendations followed up on a regular basis), and the purchasing of insurance policies.

The Group's policy is to insure centrally, on a global scale, risks relating to the production, transport and marketing of its products. In order to optimise its policy of covering all the companies in the Group, the Group uses international insurance brokers. In general terms, the Group's insurance policies contain limits of cover which are applicable either per claim, or per claim and per year. These limits vary according to the risks covered. In most cases, coverage is limited both by a certain number of exclusions usual for these kinds of contracts and by deductibles of a reasonable amount taking into account the size of the Group.

In the 2012 financial year, the total amount of premiums paid by the Group and relating to the Group's insurance policies presented hereafter, was less than 1% of its sales.

The Group's insurance policies have been established so as to cover the risks present at the time they are set up, while also able to accommodate any new acquisitions or divestments that may take place during the year.

The Group will retain a certain level of risks either through deductibles on its insurance policies or centrally through a captive reinsurance company. This captive reinsurance company is active only in property insurance. The purpose of this captive company is to optimise the cost of external insurance.

A general description of the insurance policies taken out by the Group can be found below. Details have not been provided, to comply with confidentiality requirements and to protect the Group's competitiveness.

The Group believes that its insurance policies are adequate as compared to the insurance program currently available on the insurance market for groups of similar size and engaged in similar business activities.

Although the Group selects its insurers from the best and most financially sound companies when subscribing its policies, the possibility that one or more of these insurers, at the time of settling a claim, could be in a difficult, even compromised, financial situation casting doubt over the effective payment of compensation for the said claim cannot be ruled out.

Furthermore, changes in the insurance market could lead to unfavorable changes to the Group's insurance policies, and to an increase in premiums for such policies. This could adversely affect the Group's business, financial situation, or results.

Insurers providing insurance cover as part of the Group's insurance program may (under certain conditions deemed customary for this type of insurance contracts) prematurely terminate the Group's insurance policies in the event of a major claim. In such an event, the Group will nevertheless remain covered throughout the notice period, which may vary from policy to policy.

Liability

The Group has contracted liability insurance policies with leading insurance companies. The liability insurance policies (subject to applicable exclusions) cover the Group throughout the world against the financial consequences of liability claims in the context of its business activities and in respect of physical, material or pure economic damages or losses caused to third parties. This program provides cover of up to approximately €700 million. Deductibles vary, particularly as a function of the location of subsidiaries.

Property damage

The various sites of the Group are insured by leading insurance companies against material damage and business interruption which could result therefrom. This cover is intended to avoid any significant financial impairment and to ensure the resumption of operations in the event of losses. However, certain property and certain types of damage, which vary according to the country in which the loss occurs, could be excluded from the scope of this insurance policy.

The cover includes a "direct damage" element and a "business interruption" element (including sub-limits for machine breakdowns, natural disasters or terrorism) with the period of indemnification for the latter extending to a minimum of 24 months. Deductibles accepted vary according to the size of the subsidiary concerned. Up to 31 December 2012, the maximum total retention in the event of a major claim was between €17 and 21 million. Effective 1st January 2013, this maximum amount should range from €22 to €26 million.

The limit of cover for direct damage and business interruption can amount to €630 million, as a result of the combination of several policies.

Cargo

The Group is insured against the risk of damage to its manufacturing assets, equipment, finished or semi-finished products and raw materials during transportation or storage by third parties up to a limit of €12 million per shipment. This limit is higher than the value of the largest shipments usually made or received by the Group. The policy includes a deductible and several exclusions usual for this kind of agreement.

Environmental risks

In the case of sites located in the United States, the Group has taken out an environmental insurance policy with a leading insurance company with a limit of US $50 million. Under certain conditions, this policy covers the environmental risks associated with the Group's production sites located in the United States. It covers all future accidents affecting the environment, whether inside or outside the American facilities, but it does not cover cases of pollution which were already known in 2005 and which are caused by past operations.

For Europe and the rest of the world, the Group has taken out an insurance policy covering its liabilities for pollution outside its sites with a limit of €50 million. Cases of pollution which were already known in 2005 and which relate to past operations are not covered.

1.6.2 MAIN RISKS

The Group carries out its business activities in a rapidly changing environment, which creates risks for the Group, many of which are beyond its control. The risks and uncertainties described below are not the only ones which the Group faces or will face in the future. Other risks and uncertainties of which the Group is currently unaware or that it deems not to be significant as of the date of this reference document could also adversely affect its business activities, financial situation, results, or future prospects.

The means implemented by the Group to evaluate and manage risks, and in particular the availability of risk mapping, generally feature in section 1.6.1 above in this reference document, and are described in particular in relation to each of the risks described below.

The occurrence of one or more of the risks described below could have an adverse effect on the Group's activity, financial situation, results and future prospects.

1.6.2.1 RISKS RELATED TO THE ECONOMIC AND BUSINESS ENVIRONMENT

The Group has identified three types of risks associated with the economic environment in particular: risk relating to variations in supply and demand, risk related to the country, and risk related to the competition.

Risk related to variations in supply and demand

The Group's results could be directly or indirectly affected by variations in supply and demand, both upstream of its activities (raw materials and energy resources) and downstream, in the various industries in which it operates, such as decorative paints, automotive, construction and energy.

Upstream of its activities, the Group uses large amounts of raw materials and energy resources in the processes it requires for manufacturing its products. Certain raw materials like propylene and butadiene are indirectly linked to the price of crude oil, while others like sulfur, castor oil and fluorspar are not. The prices of these materials can be highly volatile, with any fluctuation leading to significant variations in the cost price of the Group's products.

Regarding the products manufactured and marketed by the Group, external factors over which the Group has no control, such as economic conditions, competitors' activities, international situations and events, can also lead to volatility in demand and hence in the sales prices and volumes for these products.

Risk management

The Group seeks to secure its sources of supply for these raw materials and energy sources and to reduce the cost thereof by diversifying its sources of supply. In some cases it may also use derivatives, such as futures, forwards, swaps and options, on both organized and over-the-counter markets. Such instruments are strictly related to existing contracts (see notes 23.5 and 24 of the notes to the consolidated financial statements at 31 December 2012 presented in chapter 4 of this reference document).

The Group also seeks to pass increases in the cost of its raw materials on to its sales prices. The progress in the Group's results and profitability since its stock market listing bears testimony to its ability to adapt to fluctuations in the cost of raw materials.

To address the risk of volatility of demand, ARKEMA has a portfolio of diversified products and application markets and a balanced geographic presence. These assets enable the Group to mitigate the risk related to worsening economic conditions in any one of its end-markets.

The Group also continues to strengthen its positioning towards higher added value niche markets, *e.g.* animal feed, bioplastics, deepwater oil and gas extraction, new energies, and water treatment, which enable it to offset any potential downturn in the major end-markets with greater exposure to the economic climate.

Finally, the Group's integration in certain product lines such as acrylics, fluorochemicals and specialty polyamides reduces its exposure to market cycles.

Risk related to countries

The Group operates in the world market and has production facilities primarily in Europe, North America and Asia. Many of its main customers and suppliers also have international operations. Consequently, the Group's business and financial results are likely to be directly or indirectly affected by any negative change in the economic and political environment in which the Group operates.

The direct and indirect consequences of conflicts, terrorism, political instability or the emergence of health risks in countries where the Group is active or markets its products could affect the Group's financial situation and future prospects, in particular by causing delays or losses in the delivery or supply of raw materials and products, and increasing costs related to safety, insurance premiums or other expenses needed to ensure the future business of relevant operations.

The Group's international business activity exposes it to a multitude of local business risks, and its global success depends in particular on its ability to adapt to economic, social and political changes in each of the countries where it operates, and to develop and implement effective policies and strategies in each of its foreign bases.

Risk management

The Group relies on subsidiaries in most countries in which it has industrial and commercial operations. These subsidiaries are under the authority of a regional director. This organisation helps represent the Group with local authorities and economic players, defend its interests, and better anticipate changing trends in the local political and economic environment.

Furthermore, with its balanced geographic presence in Europe, North America and Asia, the Group is able to minimise the global impact of any variation in the economic and political environment in any given region, and benefit from higher growth environments, in particular in Asia.

Risk related to the competition

The Group faces intense competition in each of its business lines.

In Industrial Specialties, the commodity nature of certain products can lead to significant price competition. Some of the Group's competitors are larger than the Group and are more vertically integrated, which could enable them to benefit from lower production costs for certain products that are also manufactured by the Group. In the downstream of its Coating Solutions segment and in High Performance Materials segment, differentiation, innovation and the quality of the products and related services play an important role.

Any of the Group's products may face intense competition, due in particular to excess production capacity or low prices set by certain manufacturers that operate with particularly competitive production cost structures.

The introduction on the market of new innovative products, new technologies, or the emergence of new competitors could also affect the Group's competitive position.

Risk management

Since its creation, the Group has implemented a policy aimed at operational excellence and cost optimisation in order to consolidate the competitive advantages it enjoys in its various product lines and guarantee the quality and performance of the products offered to its customers.

The Group also makes a significant R&D effort in particular in the High Performance Materials segment, resulting in the launch of a large number of new innovative products (see section 1.5 of this reference document).

Finally, the development of partnerships with customers and suppliers, who are leaders in their respective fields, lies at the heart of the Group's strategy, and allows it to build strong commercial relationships with its main partners.

1.6.2.2 SUPPLY CHAIN RISKS

Risk related to transport

The Group arranges for the transport of various hazardous, toxic or flammable materials by road, rail, ship and air, particularly for shipments to customers in the different countries where it operates. These modes of transport generate risks of accidents and any such accidents could give rise to claims against the Group, in particular in its role as the shipper.

Furthermore, due to (i) the strengthening of regulations on hazardous materials transport, (ii) the temporary or permanent lack of availability of transport for certain toxic or hazardous products to certain destinations, (iii) the possible concentration of the offer on a single supplier (in particular in France and the United States), and (iv) labour movements affecting transport, the Group may have to face the following problems:

- delays in delivery or even refusals by its carriers to collect shipments;
- difficulties in meeting certain kinds of demand from its customers;
- increase in certain shipping costs or shipping equipment rental costs;
- need to reduce certain shipments unless it sets up geographical transportation ties with other manufacturers.

The Group also owns or uses a small number of pipelines for carrying hazardous materials. Despite the safety measures that the Group has adopted for the operation of these pipelines (see section 2.1 of this reference document), the possibility of an accident can never be ruled out. In addition to the obvious environmental impact, such an accident would negatively affect the operation of certain plants and could therefore have a material adverse effect on the Group's business, financial situation, results and future prospects.

Risk management

To prevent or minimise risks related to transport, the Group endeavours to:

- diversify its suppliers and share its product movements between several hauliers when several offerings are available;
- resort to transport methods that are deemed less dangerous (barge, pipeline, road-rail or rail), when technical and economic conditions permit;
- select suppliers rigorously based on the SQAS (Safety Quality Assessment System) database laid down by a consortium of European chemicals manufacturers under the aegis of CEFIC;
- assess the quality and safety performance of carriers used;
- ensure regular maintenance of the transport equipment which it owns, hires or leases (wagons, iso-containers, tankers, pipelines);
- resort to various procedures for assessing operational risks, such as vetting bulk by sea chartering, and oversight of transport safety management system by the Transport Safety department which is part of Safety Environment Group division.

For pipelines, the Group carries out hazard studies in particular, with definition of compensatory measures to minimise risks where necessary, defines monitoring and response plans, and carries out drills with the emergency services.

Risk related to storage

The Group uses many storage and warehousing facilities located on its manufacturing sites and elsewhere. Such storage facilities may present risks to the environment or to public health and safety. Accidents for which the Group may be held liable could arise in the storage and warehousing centres used by the Group.

Moreover, some of the storage providers that the Group uses derive substantial revenues from the Group in certain regions. Should one of these providers fail to perform, the Group could be compelled to renegotiate storage contracts under less favourable conditions, or to store its products in other locations.

Risk management

To anticipate and minimise the above-mentioned risks related to storage, the Group endeavours to:

- diversify its suppliers where several offers are available;
- put in place alternative emergency solutions combining transport plan and distribution diagram, with a lag time for implementation;
- select suppliers rigorously, based on the SQAS Warehouse and CDIT (Chemical Distribution Institute – Terminal) database;
- conduct storage audits prior to signing contracts and every three years for hazardous materials warehouse facilities, under the responsibility of the relevant BUs.

Dependence on suppliers

The Group has developed a policy for spreading the supplier risk in terms of product lines and geographic exposure for its supplies of raw materials, energy/gas, and services and equipment. However, for certain raw materials or equipments that are essential to its business, the Group is dependent on a limited number of suppliers, and in some cases just one supplier, for a significant part of such supplies. For example, some of the Group's operational units in France (in acrylic acid, oxo-alcohols and functional polyolefins) were built downstream of steamcrackers owned by Total Petrochemicals France (TPF). The level of physical integration of these units with TPF's production capacities supplying the raw materials is particularly high.

Furthermore, the Group has entered into long-term agreements featuring in particular minimum supply commitments with a number of its raw materials suppliers. In the event of failure to fulfil these contractual commitments or if the Group should terminate these agreements before the end of their term, the relevant suppliers could file claims for compensation or for payment of penalties.

Failure to perform by a major supplier, the non-renewal or the renewal under less favourable conditions of supply contracts for certain raw materials, or a significant increase in prices charged by any one such supplier could have a material adverse effect on the Group's industrial and financial performance.

The main contracts are described in section 1.3 of this reference document.

Risk management

The centralised procurement policy put in place by the Group for raw materials and goods and services aims *inter alia* to analyse and address globally the risk related to the Group's exposure to strong supply dependency.

This policy is based on the following principles:

- a thorough evaluation of suppliers based on the following criteria: position in the market concerned, industrial performance, financial strength, development;
- contractual supply commitments based on a percentage of the Group's requirements;
- careful oversight of the duration of contractual commitments;
- a balanced spread of geographic (even political) risk;
- the development of partnerships/long-term contracts for supply situations structurally under severe constraints due to supply-demand balance and/or the limited number of suppliers;
- a cooperation agreement as part of technological developments;
- responsible management of certain speculative raw materials;
- diversification of supply sources when technical conditions permit;
- management of logistics flows and inventories adapted to both business and manufacturing requirements, particularly for strategic products;
- participation in certain investments or development projects.

The Group has signed various long-term supply contracts (the main ones of which are described in section 1.3 of this reference document).

Finally, the Group has included the risk of default by one of its suppliers in its insurance policies.

Dependence on customers

The Group has entered into agreements with certain customers that represent significant financial income. It cannot be ruled out that these contracts may not be renewed, or may be renewed under less favorable terms than initially agreed, or may be terminated.

Risk management

The Group has a highly diversified customer base, and achieves less than 20% of its sales with its top 20 customers. No single customer accounted for more than 3% of the Group's sales in 2012.

Furthermore, the Group's commercial policy relies on the development of alliances or partnerships with its customers in order to establish strong relationships over the long term.

However, in some exceptional cases whereby the customer breaches its contractual commitments, the Group may have to initiate proceedings or even arbitrations to assert its rights.

1.6.2.3 INDUSTRIAL SAFETY AND ENVIRONMENTAL RISKS

The Group's business activities are subject to a body of regulations and international and local laws that are constantly changing in the areas of environmental protection and health and safety. These regulations impose increasingly strict obligations, particularly concerning industrial safety, emissions and discharges of toxic or hazardous substances (including waste) into the air, water, or ground, utilisation, labelling, traceability, handling, transport, storage, and the disposal of toxic or hazardous substances, exposure to the latter, as well as the restoration of industrial sites and the remediation of soil and groundwater.

Risk related to the operation of industrial plants

Due to the very nature of their operations, the hazard, toxicity or flammability of certain raw materials, finished products or production or supply processes, the Group's plants may be subject to risks of accidents, fire, explosion and pollution. Any accident, whether at one of its production sites or during the transport or use of products manufactured by the Group, may cause delays in production or give rise to compensation claims on grounds of contractual liability or, as the case may be, on grounds of product liability.

Some of the Group's production facilities are also exposed to climatic or seismic risks due to their geographical location. The Group has in fact identified fourteen production facilities in the United States near the Gulf of Mexico (ten sites) and near the Ohio and Mississippi Rivers (four sites), three sites in Asia (China, India, Malaysia) and two sites in Europe (Italy) that may be exposed to risks of physical deterioration or even production interruption owing to major climatic events (storms or hurricanes in particular) or to seismic activity (earthquakes).

Furthermore, the Group's production facilities may experience extended shutdowns in particular as a result of problems with the supply of raw materials or energy resources or reliability of major equipment or even labour unrest.

Such risks, over and above any liability issue, could have an impact on the Group's results, financial situation and business.

Risk management

Each of the Group's plants and activities, wherever they may be located in the world, are subject to a group-wide safety management initiative adapted to the risks that they might generate.

This initiative, embodied in the Safety, Health, Environment and Quality Charter, is structured around the following three priorities:

- taking action on technical levels, for example in designing or improving production plants (process safety, ergonomics), and regarding the specifications of hazardous material transport equipment;
- taking action on the organisation, by ensuring that the management system of each entity complies with the Group's safety requirements that are also proportionate to the level of risk of each site; these requirements are reflected in the Arkema Integrated Management System (AIMS) reference database which compiles within a single audit all the audits conducted by the Group relating to safety, environmental protection, and quality;
- taking action on the human factor, by developing a safety culture that raises everyone's awareness of their individual responsibility and of the importance of their personal behaviour, as well as dialogue between management and employees.

These various points are detailed in section 2.1.1 of this reference document.

The Group has also taken out insurance policies for liability and property damage with leading insurance companies (see section 1.6.1.6 of this reference document).

Risk related to health

In manufacturing its products, the Group uses and has in the related past used toxic or hazardous substances. Employees and former employees of the Group, and in some cases, employees of subcontracted companies and service providers, as well as customers of the Group and people living near the Group's manufacturing facilities, may have been exposed or may still be exposed, to these substances, and, as a result, have developed or may develop specific pathologies from such exposure. In addition, for certain substances, now regarded as risk-free, chronic toxicity, even in very low concentrations or exposure doses, could be discovered in the future.

Certain products may also be used directly or indirectly in sensitive applications (in particular medical and food applications).

Furthermore, serious health crises, declared by the State and which can be of several types, can result in the shutdown of plants, research centres, even head offices and other facilities. These serious health crises include in particular:

- major epidemics or pandemics;
- crises related to contaminated medicines, food or vaccines;
- crises related to climatic or weather events (heat wave, exceptional drought or flooding);
- consequences of chronic exposure to a hazardous contaminant over the long term.

Risk management

The Group has put in place safety and monitoring procedures at Group level as well as individual production site level. It also conducts regular research into the toxicity of the products it uses, and in addition has developed a tool for monitoring individual exposure to toxic products. The various procedures in place are described in section 2.2.2 of this reference document.

The Group may also need, where necessary, to withdraw certain products in particular from certain sensitive markets.

In the event of a serious health emergency, crisis units managed by trained personnel are set up in the plants, in the countries and at Group level, to define the standards that guarantee high levels of health protection as well as the rules governing certain activities in order to achieve the lowest possible risk level, and put in place response plans to address health emergencies and exceptional situations. Additionally, in the event of epidemics or pandemics in particular, every ARKEMA site around the world has set out business continuity plans entailing actions on two levels:

- health and organisation measures to limit the transmission of viruses and protect the health of employees and subcontractors working on the sites by providing information and raising everyone's awareness of health measures, and by providing water/alcohol solutions for hand washing as well as protective masks, by issuing instructions to contain isolated cases, by cutting down the number of meetings and travel, and by implementing teleworking solutions;
- measures designed to adapt the activity to the level of absenteeism by organising a structure enabling a site to continue operating despite the absence of significant numbers of personnel, and in the extreme case of very high absenteeism, to ensure safety and the protection of the environment.

Risk related to the environment

The business areas in which the Group operates entail significant environmental liability risks.

The Group operates many industrial facilities, in particular "Seveso" facilities (25 sites) as defined by European Directive (EC) n° 96/82 of 9 December 1996 known as the "Seveso II Directive" or similarly identified facilities outside Europe, where hazardous substances that are liable to present significant risks to the health or safety of neighbouring populations and to the environment are used, produced or stored. In this respect, the Group has in the past and may in the future incur liability (i) for having caused injury or damages to people (mainly due to exposure to the hazardous substances that are used, produced or destroyed by the Group or that are present on its sites) or to property, or (ii) for having caused damages to natural resources.

While the Group has secured insurance policies to cover civil liability and environmental risks from leading insurance companies (see paragraph 1.6.1.6 of this reference document), should claims arise involving the Group's businesses or products, the possibility that it may be held liable for amounts exceeding the coverage ceilings or for uninsured events cannot be ruled out. Furthermore, any accident, whether it occurs at a production site or during the transport or use of products made by the Group, may result in production delays or claims for compensation, particularly contractual claims, or product liability claims.

The amounts covered by provisions or included in the Group's investment plans may prove to be insufficient if the Group's liability is engaged for environmental claims, due to the intrinsic uncertainties involved in projecting expenditures and liabilities relating to health, safety and the environment. It cannot be ruled out that the assumptions used to determine these provisions and investments may need to be adjusted, mainly due to changes in regulations, changes in the interpretation or application of regulations by the relevant authorities, or, with respect to issues related to restoration of the environment, technical, hydrological or geological constraints, or the discovery of pollution that is not yet known.

Achieving compliance for Group sites that are still in operation or for sites where operations have ceased entails a risk that could generate substantial financial costs for the Group.

Contingent environmental liabilities are detailed in note 21 to the consolidated financial statements at 31 December 2012 presented in chapter 4 of this reference document.

Risk management

Environmental risk management is governed by a policy defined and followed up by the Environment Remediation department within the Group's Safety Environment division. This policy is rolled out within the Group's various BUs, under the responsibility of the industrial directors. The elements of this policy are detailed in section 2.3 of this reference document.

The Group also benefits from indemnity agreements granted by subsidiaries of Total S.A. with respect to industrial wasteland preceding Arkema's stock market listing (see description of these guarantees in note 29 to the consolidated financial statements at 31 December 2012 presented in chapter 4 of this reference document).

Risks related to the dependence on certain technologies

In its business activities the Group uses technologies that it owns as well as a certain number of technologies under licence from third parties. Furthermore, in some cases, the Group's activities rely on technologies that require particular know-how from its personnel. The Group also invests in new industrial plants and exposes itself to a risk of disclosure of confidential documents and of copying of a process or a technology that is key to its productions and to maintaining its international competitiveness.

If the Group was no longer able to use these technologies, this could produce an adverse effect on its business, financial situation, results and future prospects.

Risk management

The Group conducts a policy for the technological development of processes, in particular as part of its R&D programs, so that it may have direct control, in its major activities, over the technologies it uses and so contribute to reducing its level of exposure to third parties in the field of technologies.

Additionally, the Group conducts a personnel retention policy (see section 2.6 of this reference document), and ensures that know-how and control of certain sensitive technologies are shared by enough employees.

Furthermore, the subcontracting of equipment used at the core of the Group's key processes is entrusted to specific companies under confidentiality agreements. Files and technical manuals are handled by a small number of players, including the BUs' process officers and the engineers from the technical centers.

Risk related to land that the group does not own

While the Group owns most of the lands on which its facilities are built, some industrial facilities around the world are located on lands that belong to third parties, either for reasons related to local regulations, or for technical or strategic reasons, and that the Group occupies under the terms of leases or similar agreements.

If these agreements were to be terminated or not renewed, or if a site was to be expropriated, this could adversely affect the Group's business, results, or financial situation.

Risk management

The Group ensures, when negotiating contracts, that sufficiently long periods of time and extended advance notice periods are in place in order to establish occupation over the long-term and therefore minimise insecurity, and optimise where possible land management that suits its requirements. Contractual expiry or renewal dates are monitored regularly to minimise this risk.

To the best of the Company's knowledge, at the date of this reference document, there is no specific significant risk relating to the potential non-renewal during the year of leases or similar agreements.

1.6.2.4 REGULATORY AND LEGAL RISKS

The Group is subject to a complex and constantly changing set of local, national and international laws and regulations in a large number of fields (safety, environmental protection, competition law, company law, commercial law, patent protection, labour law, tax law, customs regulations, etc.) that differ depending on the countries in which the Group operates.

The Group's central departments provide regulatory watch in their respective fields of expertise in order to maintain a high level of knowledge and anticipate possible future changes.

Risk related to product regulations

If existing regulations were to be amended to become more restrictive for the Group or if new regulations were adopted, this could (i) compel the Group to significantly scale back on production and marketing of certain products, or, possibly, discontinue production and marketing altogether, (ii) restrict the Group's ability to alter or expand its facilities, and (iii) possibly compel it to abandon certain markets, incur significant expenditure to produce substitute substances, or institute costly emissions control or reduction systems.

A large number of these regulations, described in section 2.2.2 of this reference document, require chemical products to be recorded in lists, called inventories, with files of varying degrees of complexity being made available.

Risk management

To ensure that its products are marketed in accordance with local, national or international regulations, the Group employs regulatory experts who rely on a global network of correspondents based in the industrial sites, in the BUs and in the subsidiaries, as well as experts in physico-chemistry, toxicology and ecotoxicology working at improving knowledge and understanding of the hazard characteristics of the substances and products manufactured, imported and marketed by the Group. All these experts also use efficient IT resources as well as access to databases allowing them to follow up the evolution of scientific knowledge and regulatory changes, and to produce the documents required to comply with the regulations within the prescribed time. These experts take part in professional associations which monitor proposed regulatory changes at State or agency level, and this helps the Group anticipate regulatory changes and so prepare accordingly.

In cases where regulatory changes concerning products lead to certain restrictions on the use of raw materials or the marketing of finished products, the Group relies on its R&D to develop alternative solutions. This is the case, for example, with resins for paint, an application for which the Group has successfully developed formulations that meet the latest VOC requirements (alkyds in emulsions, VAE emulsions, powder resins, high solid resins, etc.).

Finally, in the particular case of REACH and other local legislations described in chapter 2 of this reference document, ARKEMA has put in place a specific organisation to optimise the implementation of these regulations.

Legal risk

Risk related to industrial property

The Group attaches great importance to industrial property rights, both in respect of its brand names and patents, in order to protect the innovations coming out of R&D, all the Group's patents and brand names representing an asset that is essential for conducting its business. As a result, inadequate protection of its industrial property rights or its brands could impair the Group's future prospects.

Risk management

The Group develops a dynamic policy to protect its innovations and its know-how (registration of patents and trademarks), relying in particular on a global network of industrial property consultants (further detail on the Group's industrial property protection policy may be found in section 1.5.2 of this reference document).

Risks related to business mergers, acquisitions and divestments

As part of the implementation of its strategy, the Group has, in the past, and this year again with the divestment of its vinyl activities, provided a number of guarantees to third parties at the time of the divestment of various activities. It cannot be ruled out that, when some of these garantees are invoked, the amounts of the claims may exceed the provisions made by the Group in this regard, which could have an adverse effect on its results and financial situation.

In addition, since the date of closing of the accounts for the financial year ended 31 December 2012, the Klesch group initiated an arbitral procedure against ARKEMA on the divestment of its vinyl business named Kem One since, which was received on 12 March 2013, requesting damages up to €310 million. ARKEMA is vigorously rejecting these totally unfounded accusations and launched all necessary initiatives to defend its rights and prove its good faith before the relevant authorities and is fully confident in its ability to demonstrate this.

At this stage of the arbitral procedure, it is not possible to determine in a precise manner the potential risk incurred. However to the knowledge of the Company and the Group, such procedure should not have significant negative effects on the financial situation or the results of the Company and the Group.

In addition, Kem One France has been placed under insolvency proceedings on 27 March 2013. ARKEMA's exposure on such company as at 31 December 2012, without any increase since, amounts to €125 million in total corresponding to €65 million of receivables and €60 million of guarantees in favour of third parties unexercised as at end of 2012.

The Group has also carried out many bolt-on acquisitions in recent years. These may expose ARKEMA to various risks and in particular potential liabilities or responsibilities related to these activities. Should the assumptions on the basis of which these acquisitions were carried out, not be realised, the development prospects of these activities may not be achieved.

Risk management

The Group endeavours, before entering any external growth operation, to take all necessary precautions when identifying targets, in particular by conducting an in-depth evaluation of the activities and companies concerned as well as the various liabilities related to the business being divested and by negotiating appropriate guarantees from the sellers with the advice of external consultants who are experts in the field.

The Group's policy in terms of business divestment is to limit its liability in the guarantees it is required to grant to the buyers.

Risk related to current or potential litigations

In the normal course of its activities, the Group is a party or may become a party to a number of administrative, legal or arbitration proceedings, as a result of which it may be found liable on various grounds, in particular for violating antitrust laws relating to cartel behaviour, full or partial failure to fulfil contractual obligations, termination of established commercial relationships, pollution, or non-conformity of products.

In addition to the arbitral procedure initiated by the Klesch group against ARKEMA within the context of the transfer of the vinyl activities as mentioned in this paragraph 1.6.2.4 above, a detailed description of the major current or potential claims is given in note 21 to the consolidated financial statements at 31 December 2012 presented in chapter 4 of this reference document.

To the best of the Company's and the Group's knowledge, there is no governmental, legal or arbitration proceeding currently underway or with which the Company or the Group are threatened, that is likely to have or has had in the course of the last twelve months negative material effects on the financial situation or profitability of the Company or the Group.

Provisions are made in the accounts every time the payment of a quantifiable and large indemnity is likely (see note 21 to the consolidated financial statements at 31 December 2012 presented in chapter 4 of this reference document). The resulting provisions, and in particular those relating to large claims, may however prove insufficient, which could have significant adverse consequences on the Group's business, financial situation, results or future prospects.

Additionally, generally it cannot be ruled out that, in the future, any new proceedings, related or not to existing proceedings, may be initiated against a Group entity, whereby these proceedings, were they to have an unfavourable outcome, could have an adverse effect on the Group's business, financial situation or results.

Risk management

Legal risks related to current or potential litigations are subject to a quarterly review at the Group level.

Accordingly, on the first day of the last month of each quarter, each BU, functional division and subsidiary has to inform in writing the Accounting and Controlling department and the Legal division of the Group of any legal risk or legal proceedings affecting or likely to affect the Group's operations. Representatives from the Accounting and Controlling division and the Legal division meet to analyse such risks and legal proceedings and to determine, in conjunction with the BUs, the functional divisions and the subsidiaries, the amount of the provisions relating to such risks and legal proceedings based on the rules described in the note B "accounting principles and methods" to the consolidated financial statements at 31 December 2012 in chapter 4 of this reference document.

Additionally, the Group has put in place a Compliance Program, as referred to under paragraph 1.6.1.3 of this chapter, which sets out the behaviours and practices to be adopted to ensure compliance with the applicable antitrust rules.

With regard to proceedings related to competition law or tax law concerning events preceding Arkema's stock market listing, the Group benefits from guarantees granted by Total S.A. or certain companies of the Total group (see note 29 to the consolidated financial statements at 31 December 2012 presented in chapter 4 of this reference document).

Spin-off of Arkema's Businesses in 2006

As part of the Spin-Off of Arkema's Businesses, Total S.A. or some companies of the Total group have entered into contractual commitments and indemnities with the Company to cover certain environmental and tax risks as well as certain risks relating to antitrust law (see section 1.3 of this reference document and note 29.2 to the consolidated financial statements at 31 December 2012 presented in chapter 4 of this reference document). However, these commitments and indemnities do not cover all the risks or liabilities that the Group may incur, and the Group will continue to assume part of such risks. This could produce material adverse effects on its business, financial situation, results and future prospects. Furthermore, certain contractual commitments and indemnities, in particular the antitrust indemnities, provide for assumptions whereby they would terminate in particular upon (i) the occurrence of certain events, such as a change of control of Arkema or (ii) a breach by the Group of its contractual obligations. Should these events occur, this could produce material adverse effects on the Group's results, financial situation and future prospects.

1.6.2.5 FINANCIAL RISKS

The Group is exposed to financial risks of varying nature: liquidity risk, currency risk, interest rate risk, credit risk (counterparty risk), pension funding risk, and tax risk.

The information provided below is based on certain assumptions and expectations which, by nature, may prove not to be accurate, particularly with respect to changes in exchange rates and interest rates, and the Group's exposure to the associated risks.

Liquidity risk

In order to finance its day-to-day operating requirements and its developments, the Group resorts to loans from banking institutions and bond issues. However, the Group may have to contend with unforeseen needs resulting in particular from an increase in working capital requirement or unfavourable market conditions. Furthermore, it cannot be ruled out that one or more banks may be unable to meet their obligations to the Group with respect to one of its main credit lines, which would result in significantly reducing the Group's access to financing or could make refinancing under equivalent conditions difficult.

Further detail on the borrowing conditions and in particular on early repayment clauses may be found in paragraph 4.1.7.1 and in notes 22 and 23 to the consolidated financial statements at 31 December 2012 presented in section 4.3 of this reference document.

Risk management

The Group's financing policy, implemented by the Financing/Treasury division, aims to provide the Group with the necessary financial resources to fund its operations over periods of time adapted to its repayment ability. This policy is based on the following main points:

- maintain a ratio of net financial debt to shareholders equity below 40%;
- maintain cash reserves in excess of €500 million;
- maintain average maturity of over 3 years;
- diversify its sources of financing; and
- maintain an "investment grade" rating from two rating agencies.

At 31 December 2012, the Group presented a strong financial profile:

- its debt to equity ratio was 39%; and
- it had liquidity reserves of €1 billion.

At the date of this reference document:

- the average maturity of the Group's resources was four and a half years; and
- the Group's long-term credit ratings are BBB (stable outlook) according to credit rating agency Standard & Poor's, and Baa2 (stable outlook) according to credit rating agency Moody's.

Consequently, at the date of this reference document, the Group is able to meet its disbursement requirements as part of its operations, and anticipates no problems in the coming months.

Currency risk

Given its international operations, the Group is exposed to currency risks of a varying nature:

- the transactional risk related to the Group's day-to-day operations and development projects;
- the translation risk related to the consolidation in euros of the accounts of the Group's subsidiaires whose currencies are other than the euro. Fluctuations in these currencies, particularly the US dollar against the euro have in the past and may in the future materially affect the Group's financial situation and its operating results. For an indication of the impact on sales of the translation effect especially of the US dollar to the euro, please refer to section 4.1.1 of this reference document;
- the competitiveness risk related to the fact that the proportion of the Group's operating costs in the euro zone exceeds the proportion of its sales generated in this zone. As a result, the Group's competitive position may be affected by the weakness of certain currencies, and in particular the US dollar against the euro, insofar as its competitors may take advantage of lower production costs in countries with a weak currency.

Risk management

The Group's objective is to minimise the impact of exchange rate variations on its result.

- The transactional risk is hedged systematically when recorded in the accounts: Group companies cover their assets and liabilities in their currencies compared to their respective functional currencies, with their debts issued in their functional currencies except when funding in a currency is associated with a commercial risk in the same currency. Hence variations in exchange rates produce no material change in the income statement. Revenues and costs in foreign currencies are covered essentially by spot foreign exchange transactions and sometimes by forward transactions.

  The currency risk related to future transactions such as the Group's investment projects or its cash flow forecasts is covered only exceptionally. Hedging of these cash flow forecasts is carried out by the Financing/Treasury division through simple derivative instruments.

  Further detail may be found in notes 23 and 24 to the consolidated financial statements at 31 December 2012 presented in section 4.3 of this reference document.
- The translation risk is not hedged. The Group indeed considers that this risk in inherent to its worldwide operations.
- Finally, the competitiveness risk should diminish and has already done so thanks to the Group's development and geographic presence strategy aimed at a better balance between the various geographic regions.

Interest rate risk

The Group is exposed to variations in interest rates.

At 31 December 2012, the Group's debt was €1,260 million, which included essentially a €500 million bond issue with a 4% fixed rate, a €480 million bond issue with a 3.85% fixed rate, and the use up to €100 million of the securitisation program; the terms of this financing are described in paragraph 4.1.7.1 of this reference document.

On the basis of a net debt of €900 million at 31 December 2012, a 1% increase in interest rates would have an impact of +€1 million on the cost of the debt.

Risk management

The Group's objective is to minimise the impact of interest rate variations on its financing cost while reducing it.

- Rate risk exposure is managed by the Group's Financing/Treasury department, and simple derivatives are used as hedging instruments.
- The Group has in recent years given priority to fixed-rate indebtedness given the historically low rates. However, the Group regularly re-assesses its position based on market developments, and could enter into rate swaps on its bond issues in order to reduce the cost of its indebtedness.

Further detail may be found in note 23 to the consolidated financial statements at 31 December 2012 presented in section 4.3 of this reference document.

Credit risk

Accounts receivable and v other debtors

The Group fosters relations with a large number of counterparties, most of which are its customers. On 31 December 2012, accounts receivable net of depreciation amounted to €920 million. These accounts receivable are detailed by due date in note 23 of the consolidated financial statements at 31 December 2012 in section 4.3 of this reference document.

The Group's exposure to credit risk is linked to the individual characteristics of its customers. Default by one of these customers is likely to lead to a financial loss limited to the amount of the uninsured percentage of the debt owed to the Group by this customer.

Risk management

The Group's objective is to secure the collection of its accounts receivable through a global insurance policy implemented by the Financing/Treasury department.

- The Group has a highly diversified customer base and achieves less than 20% of its sales with its top 20 customers.
- There is no geographic concentration of credit risk as the Group achieves significant sales in a large number of countries.
- The Group hedges its customer risk thanks to a global credit insurance programme which, given the quality of its customer portfolio and a low claim rate, allows it to cover a significant proportion of its accounts receivable. The Group strives to further minimise this risk through a specific credit risk management policy which consists in assessing on a regular basis the solvency of each of its uninsured customers. Uninsured customers whose financial situation is not compatible with the Group's solvency requirements may only be supplied after they have settled payment for their purchase orders.

Further detail may be found in note 23 to the consolidated financial statements at 31 December 2012 presented in section 4.3 of this reference document. The impairment provision policy for fully or partially uninsured accounts receivable is detailed in this note 23.

Investments

Bank credit risk is linked to financial investments, derivatives, and lines of credit granted by the banks. The Group is indebted overall, but may be required to invest cash in particular to fulfil local regulations, or to manage cash lags. At 31 December 2012, the amount of cash invested with banking establishments or money market funds amounted to €360 million. Default by any one of these counterparties is likely to lead to a financial loss limited to the amount of monies invested with the defaulting counterparty, which would have an adverse impact on the Group's results.

Risk management

The Group's objective is to limit financial investment by centralising the management of its financial resources and requirements.

- The Group recycles the financial surplus of its subsidiaries through intragroup current accounts wherever local regulations permit.
- Any new relationship between a Group subsidiary and a banking or financial institution is first approved by the Financing/Treasury department.
- The Group minimises its exposure to credit risk by investing only in highly secure assets with diversified and leading counterparties.

Further detail may be found in note 23 to the consolidated financial statements at 31 December 2012 presented in section 4.3 of this reference document.

Risk related to pension funding

The Group has obligations to its employees for pension benefits and other post-employment benefits due upon termination of employment in most countries where it operates (see section 2.4 of this reference document). The Group's pension and similar obligations could:

- exceed its related provisions if the actuarial assumptions used failed to materialize or if regulations changed; or
- result in asset shortfalls in some countries where the Group operates, particularly the United States, in the event of a decrease in the financial markets.

Risk management

The Group's objective is to minimise this risk by opting for defined contributions plans wherever possible:

- The main defined benefit schemes have now been closed to new entrants for a number of years, and in some cases to further accrual too. Furthermore, some pension obligations dating back to before the spin-off of Arkema's Businesses have been retained by Total S.A;
- Certain pension schemes have been the subject of a transfer of pension rights to insurance institutions, in particular in France and the Netherlands;
- The management of assets allocated to covering pension benefit obligations to employees in some countries in which the Group operates and in which this allocation obligation exists, is outsourced to qualified professionals and controlled by independent trustees who themselves use the services of skilled professionals.

Further detail may be found in note 20 to the consolidated financial statements at 31 December 2012 presented in section 4.3 of this reference document.

Tax risk

Any change in the tax or customs duty laws or regulations or modifications in the interpretation of case law, international treaties or administrative doctrine in one of the many countries where the Group operates could adversely affect the Group's financial situation and results.

Furthermore, the Group may enjoy special tax treatment in some countries, such as reduced tax rates under certain conditions and for limited periods of time. If such special tax treatment were to be withdrawn, amended or not renewed, this could adversely affect the Group's financial situation and results.

Risk management

The Group's objective is to comply with the tax regulations in every country in which it operates while reducing its tax burden.

- The tax function is overseen by a department within the Financing/Treasury division which comprises specialists who rely on local personnel, and calls upon the services of major external consultants when necessary.
- The Central Tax department is responsible for the periodic updating of the Group's transfer pricing policy.
- Tax audits are overseen by the Central tax department which is in charge of implementing corrective measures where required.
- In order to cover certain potential tax risks related to the business activities transferred by the Group to Total S.A and to the restructuring operations in connection with the Spin-off of Arkema's Businesses, Total S.A has granted a tax indemnity to Arkema, as described in section 1.3 of this reference document and note 29 to the consolidated financial statements at 31 December 2012 in section 4.3 of this reference document.

Further detail on the financial impact of tax disputes may be found in note 21 to the consolidated financial statements at 31 December 2012 presented in section 4.3 of this reference document.

1.6.2.6 RISK RELATED TO INFORMATION SYSTEMS

Industrial and management processes as well as communication between employees and third parties are highly dependent on information technology systems which are based on complex and ever-changing technical environments. Failure of these systems could have a significant impact on the Group's operations. The main risks related to the information systems are as follows:

- the technical risk that may lead to an interruption in the operation of critical applications or the loss of sensitive data resulting in halting or seriously disrupting the operation of a manufacturing plant or a department;
- the risk of intrusion or malicious use of the information systems, in particular to misappropriate information or sums of money.

Risk management

The Information Systems and Telecommunications Division aims to provide authorised users with systems while ensuring the integrity and confidentiality of sensitive data.

Accordingly, the Group has adopted an Information Systems Security Policy which sets out the objectives and rules to be applied in order to ensure the reliability of its information systems in relation to the three criteria of availability, integrity and confidentiality mentioned above. ARKEMA has also defined and put in place a Health Safety Environment internal directive to bolster the security of its industrial networks.

According to this policy, the Information Systems and Telecommunications Division implements *inter alia* technical measures (protection of network, high-availability architectures with data replication, redundant data centers, standard workstation architecture with up-to-date antivirus software, segregation of industrial networks, etc.) and organisational measures (availability of remote access for key personnel, IT systems monitoring, management of access rights, data recovery plans tested on a regular basis, information of users, annual review of IT risks, etc.).

The Group has also set up an Internal Control system consisting of a number of general computer controls to ensure the reliability of the Group's critical processes as well as compliance with security rules. The effectiveness of these measures is assessed once a year, and any identified weaknesses are the subject of action plans designed to correct them.

1.6.2.7 RISKS RELATED TO STRATEGY AND CORPORATE GOVERNANCE

Risk related to the development of new products or processes

The business activities, results and future prospects of the Group are heavily reliant on its ability to produce new products and new applications and to develop new production processes. This is in particular the case for fluorogases in which regulatory changes require new blends or substitutes to be developed for which patent registration may prove a decisive factor. Furthermore, the Group invests in new industrial facilities and exposes itself to the risk of disclosure of confidential documents and of copying of a process or a technology that are essential to its productions and to maintaining its international competitiveness.

Risk management

The Group dedicates substantial funds to R&D each year for the development of new products and processes. In the High Performance Materials and Coating Solutions segments, the regular introduction of new innovative products is in fact a key factor for success. Similarly, in Industrial Specialties, process performance is a major component of competitiveness. ARKEMA focuses its R&D efforts on fast growing markets such as new energies, batteries, lightweight materials (replacement of metal and glass) and water treatment. This effort has enabled sales in excess of €350 million to be generated since the Company's stock market listing in 2006.

This major innovation drive also enables ARKEMA to adapt to regulatory trends. Examples include the fluorogas activity, with the development of a new process for the production of HFC-125, a key component of latest generation refrigerant blends, and coating resins with the development of low VOC resins.

Meanwhile, the manufacture of equipment used in our major processes is entrusted to specific companies under confidentiality agreements. Files and technical manuals are handled by a small number of players: the BU's process officers and the engineers from the technical centers.

Risk related to joint ventures

The Group is exposed to risks relating to joint ventures in which it does not hold an exclusive controlling interest. Some of these joint ventures are also important customers or suppliers of the Group. The joint ventures included in the Group's scope of consolidation are described in the notes to the financial statements at 31 December 2012 presented in section 4.3.3 of this reference document.

In accordance with the contracts and agreements governing the operation, control and financing of these joint ventures, certain strategic decisions can be made only with the agreement of all partners. There are risks of disagreement or deadlocks among the partners in these joint ventures. In certain cases that are beyond ARKEMA's control, these joint ventures could also take decisions that run against the Group's interests.

Lastly, the Group's investments in these joint ventures, in general or pursuant to specific agreements with the partners in these companies, may require that it make further investments in them or purchase or sell certain companies.

Risk management

ARKEMA has a small number of minority stakes in joint ventures, and accordingly protects its interests by putting in place, where possible, terms in the contracts designed to resolve deadlocks and achieve a fair allocation of decision-making powers between the various partners. The pacts or agreements relating to joint ventures are described in section 1.3 of this reference document for those that the Group considers significant.

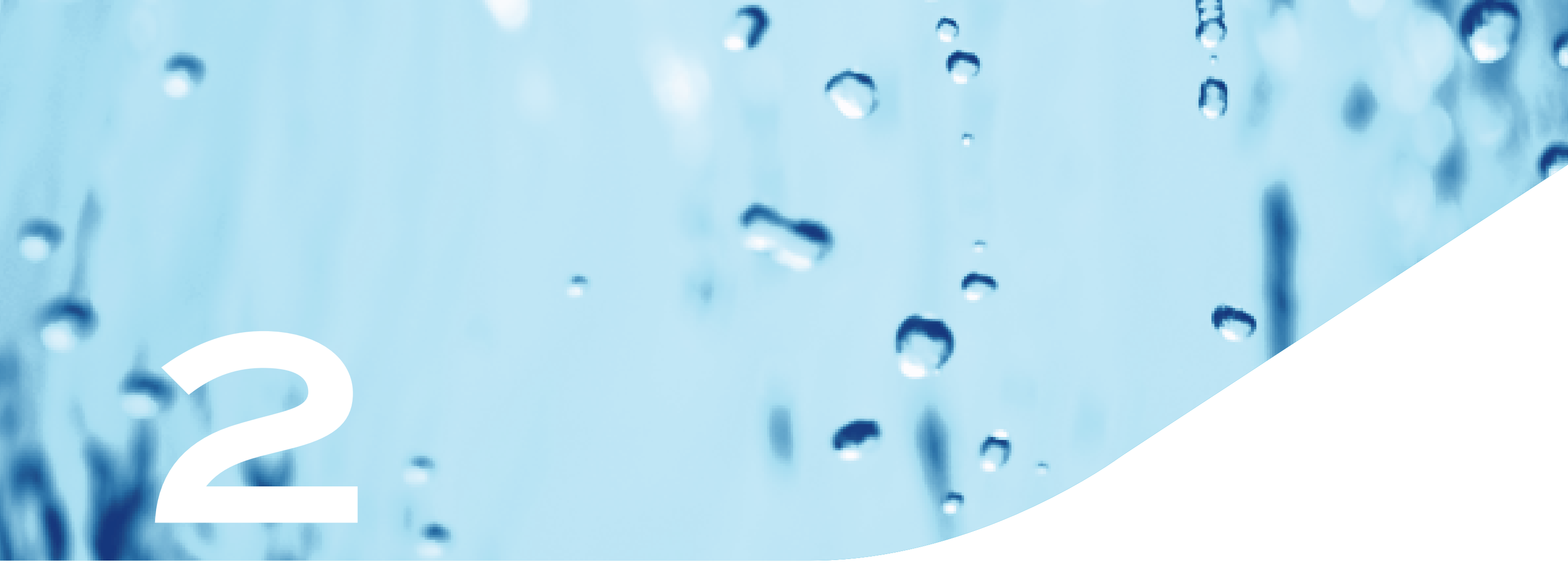
1.6.2.8 RISKS RELATED TO INSURANCE COVERAGE DEFAULT

The Group's insurance policy is part of the overall risk management framework, and, as such, is therefore described in detail in paragraph 1.6.1.6 of this reference document.

At the date of this reference document, the Group believes that the limits of cover described in the said paragraph take into account the type of risks incurred by the Group and are adequate as compared to existing limits of cover available on the market for companies of similar size and engaged in similar business activities.

However, the possibility that, in some cases, the Group could be required to pay substantial compensation for claims that are not covered by the existing insurance programme or that it will incur very large expenses that will not be reimbursed or only partially reimbursed under its insurance policies cannot be excluded. Indeed while the insurance market makes property insurance levels available that enables the Group to secure policies that cover the probable maximum claims, this is not necessarily the case with respect to casualty insurance, where the potential maximum claims are higher than what the insurance market can offer on terms acceptable for the Group.

The various types of insurance contracts subscribed by the Group are described in paragraph 1.6.1.6 of this reference document.



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In a world that faces several economic, environmental and social challenges, Corporate Social Responsibility (CSR) contributes to creating value both for the society in which we live and in which future generations will live, and for the Group.

CSR objectives fulfil the expectations of the Group and its stakeholders, and are true guarantors of sustainable and responsible growth for the Group.

ARKEMA's CSR commitments concern five major areas:

- **Be a top quartile performer in safety in the chemical industry**

  The Group's industrial safety initiative is rolled out around the world and involves three complementary themes: technical, organisational and human. Hence, the introduction of a common "safety culture" throughout the Group and the priority given to safety have enabled the continuous improvement of the Group's safety performance since its spin-off.

- **Reduce the environmental footprint of its activities**

  Reducing the Group's environmental footprint is an objective shared by all Group employees. This objective is based on three types of actions: minimising the emissions of its various activities, reducing the consumption of resources, and developing the use of renewable resources.

  The Group also ensures that its products do not harm the health or the safety of people, or their environment.

- **Place sustainable development solutions at the heart of its innovation policy and its product offering**

  The Group places its product R&D and marketing teams at the service of sustainable development and the challenges of the planet. Accordingly, the Group creates innovative solutions in support of new energies, the fight against climate change, access to water, and the use of biosourced raw materials. The Group's R&D policy is described in section 1.5 of this reference document.

- **Encourage openness and dialogue with all its stakeholders**

  The Group endeavours to dialogue with all its stakeholders on its activities and products. Accordingly, the Group developed its Common Ground® initiative in order to establish relationships based on mutual understanding and trust with people living near its facilities, various associations, and the world of education, and so get to know each other better. The Group, with its suppliers, also adopts a responsible behaviour based on the desire to develop balanced sustainable relations relying on trust.

- **Promote the individual and collective development of the Group's men and women**

  The Group's men and women, unique in their know-how, profession, nationality, role and personality, together make up a community. The Group's social policy around the world is guided by two concerns: the individual development of its employees, and social development through actions focused on the improvement of collective working conditions.

Every Group entity aims to contribute to achieving the Group's CSR ambition on the basis of the above-mentioned areas as part of a continuous improvement initiative.

By carrying through these commitments, the Group will achieve its ambition to be a recognised contributor to the sustainable development of the world around us, and to stand among the best chemical producers in the world not only through its economic performance, but also through its social, societal and environmental performance.

2.1 BE A TOP QUARTILE PERFORMER IN SAFETY IN THE CHEMICAL INDUSTRY

2.1.1 GENERAL INDUSTRIAL SAFETY AND ENVIRONMENT POLICY

Safety and the protection of health and the environment are central to the Group's objectives in conducting its operations, with for a permanent focus on improving its performance in these areas.

The Group's Health, Safety and Environment policy (HSE) has been continuously strengthened since its creation in order to incorporate the applicable regulations as well as the Group's own requirements. The Group has formally expressed its fundamental requirements in the Health, Safety, Environment and Quality Charter and in a global reference source, the HSE manual, set up by the Group at the time of its creation, which form the basis for HSE management systems in all Group entities.

The Group's HSE policy is also an integral part of its approach to sustainable development, which is based on the firm belief that its long-term growth partly depends on the way it assumes its responsibilities in the areas of social relations, safety and the environment.

Accordingly, the Group is a subscriber to the Responsible Care® initiative, a voluntary commitment by the world's chemical industries to improve safety as well as the protection of health and the environment, which is defined by the International Council of Chemical Associations (ICCA) at global level, by the European Chemical Industry Council (CEFIC) at European level, and taken up by the majority of national federations, in particular by the *Union des industries chimiques* (UIC) in France. In 2006 the ICCA launched the Responsible Care® Global Charter, to enhance the provisions of Responsible Care®, by strengthening sustainable development, product stewardship, and third-party audit of procedures. On 16 November 2006 ARKEMA signed a declaration of support for the Responsible Care® Global Charter.

With its commitment to continuous progress, and beyond essential compliance with regulations in force, the Group has included the protection of the environment in its management system. Therefore one of the five objectives which the Group has set itself entails reducing its footprint on the environment as part of its CSR initiative. With this in mind, ARKEMA adapts its industrial practices with a view to minimising its emissions, while optimising and reducing its consumption of energy, water and non-renewable raw materials. All of the Group's manufacturing sites in fact rigorously monitor their emissions and wastes.

2.1.1.1 ORGANISATION OF THE GROUP TO TAKE ACCOUNT OF INDUSTRIAL SAFETY AND ENVIRONMENT ISSUES

The Group's environment and industrial safety policy is rolled out around the world and applies to all Group subsidiaires and in every country in which the Group is present.

Direction Sécurité Environnement Groupe (DSEG), the Group's Safety Environment Division based at the Group's headquarters, has a global remit, and operates through safety and environment experts in every region.

2.1.1.2 AN INITIATIVE BASED ON THREE PRIORITY AREAS

Prevention of safety, environment and pollution risks

The assessment of risks on the Group's industrial sites is carried out through systematic studies of (i) the manufacturing processes, (ii) operating conditions on the existing sites, (iii) transport operations (particularly those involving hazardous products), (iv) the design and construction of new installations, (v) changes to existing installations, and (vi) health and safety at work.

The identification of these risks, their ranking through a qualitative and quantitative approach based on simulation models and a network of experts, preventive measures designed to reduce the effects of these risks and the likelihood of them occurring, are all covered by the technical and organisational resources put in place for the Group's industrial sites, as well as for the transport of hazardous substances.

The Group pays careful attention to the analysis of risks connected with its business activities, particularly in the case of Seveso-rated sites (or their equivalent) for which the Group demands that the level of safety requirements increases in line with the identification of potential risks. Similarly, the Group lends much importance to feedback (both within and outside the Group) regarding in particular the level of incidents and accidents as well as best practice in industrial risk management.

At the time of the design of a new production unit or when a significant extension to an existing production unit is made, the best options for improving industrial safety are sought. In addition, the Group regularly makes improvements to its existing production units. Thus the Group's capital expenditures allocated to safety and environment and to maintaining the plants up to standard totalled €189 million in 2012.

In Europe, at the date of this reference document, 33 of the Group's production sites (including those of the activities acquired by the Group from Total and Seppic in 2011) are monitored with extra vigilance, and are subject to European Directive (EC) n° 96/82, dated 9 December 1996, which deals with the control of major accident hazards involving hazardous substances, and called the "Seveso II Directive". This directive requires, in particular, the introduction of safety management systems and the regular updating of risk assessment surveys, whose conclusions can lead to additional risk-prevention requirements for the companies operating the sites.

Law n° 2003-699 of 30 July 2003 and its implementing decrees have strengthened the obligations imposed in France on companies operating Seveso sites, by laying down the principle that the government draws up and implements "plans for the prevention of technological risks" (PPTRs), the aim of which is to control urban development around risky sites and limit the effects of accidents that could occur there. At end 2012, 17 sites operated by the Group in France are the subject of PPTRs. The Group will be required to contribute to the funding of any measures related to these PPTRs. A funding agreement was in fact signed in December 2011 for the Marseille Saint-Menet site (France). Furthermore, ministerial decree of 29 September 2005 concerning the evaluation and consideration of the probability of occurrence, the kinetics, the intensity of the effects, and the severity of the consequences of potential accidents in hazard studies for classified facilities subject to authorisation, will also entail by 2015 the introduction of additional risk control measures at the 17 sites mentioned above for which a PPTR is required.

As regards the reliability of its industrial facilities, the Group has fully endorsed the risk management objectives relating to industrial equipment (plants and pipes) as part of the nationwide industrial facilities upgrading plan. Furthermore, ARKEMA has been contributing to the work of the various working parties in this regard.

In the United States, the control of risks of industrial accidents is regulated, in particular, within the framework of Superfund Reauthorization Act (SARA), Risk Management Process (RMP) and the Emergency Planning and Community-Right-to-Know Act (EPCRA). The latter, in particular, requires companies to inform the government authorities when hazardous products, above a certain quantity, are being handled or stored, and requires companies storing such products to have emergency plans and procedures in place. Other regulations at federal, state or local levels govern certain specific aspects of the storage of chemical products, the safety of workers when handling stored products, and the storage of highly hazardous products.

Management reference master resource: AIMS, the all-in-one audit

The Arkema Integrated Management System (AIMS) reference master resource brings together within a single audit all the audits conducted by the Group concerning safety, environment and quality. It includes the Group's own requirements as well as those featured in standards endorsed by the Group (ISO 9001, ISO 14001 and OHSAS 18001). This "all-in-one" approach has a dual benefit: being part of the Group's culture, and ensuring consistency for all its safety, environment and quality management initiatives. In order to obtain external certifications, AIMS audits are conducted by mixed teams made up of Group auditors as well as auditors from a third party accreditation body. They are conducted every three years and complemented by follow-up audits every year. This new audit method will be extended to all of the Group's European sites. In the United States, the first audits based on this reference master document were conducted in 2011, and in China, in 2012.

In 2012, 42% of the Group's sites had an AIMS audit.

The target by 2020 is for 100% of the sites to have had an AIMS audit in the last 3 years.

Meanwhile, every year the Group conducts a large number of audits other than the AIMS audits, including:

- operational safety audits: construction site audits, pre-startup reviews, operational safety audits on topics such as Mechanical Integrity and Explosive Atmosphere issues, and simplified AIMS for smaller sites;
- process safety audits: these audits include *inter alia* fire protection, post-incident audits, and risk analysis reviews;
- supplier and logistics audits: transport companies and external warehouses are visited and assessed. These audits are in addition to the evaluations conducted by third parties such as the Safety & Quality Assessment System (SQAS) for land transport, Chemical Distribution Institute (CDI) for maritime transport, and the European Barge Inspection Scheme (EBIS) for river transport. Some packaging is also verified;
- safety support action: this is conducted with a number of sites, and entails sharing with the sites' management teams, their analysis of their accident records and HSE activity. The initiative also includes work on drawing up and following up action plans.

The Feedback programme entails the sharing of experience regarding incidents in order to prevent their recurrence. This sharing of experience takes place on a global scale, through various networks (geographic, professions, technologies). Through these networks, any significant incident triggers a safety alert and the implementation of corrective actions on Group sites that might encounter a similar incident.

Safety culture: training, information of employees, and tools regarding industrial safety and environment

The behaviour-based approach represents a key component in risk prevention. The development of a safety culture heightening everyone's awareness of their responsibility and the importance of their behaviour lies at the heart of the Group's initiative. In order to develop a safety culture that is shared by all employees, the Group relies on a number of resources: the Safety in Action programme, the Essentials, and field activities (peer observation, flash audits, planned general inspections, safety rounds, safety field audits, etc.).

HSE general training

As part of the induction of new recuits, general induction on site, and workstation training plans, as well as training initiatives for existing employees, HSE training is a priority. In terms of environment for example, a site's main characteristics are explained, as well as their concrete consequences: reduction and monitoring of emissions of every nature, sorting of wastes, etc.

HSE managers attend specialist training, country by country, within or outside the Group. They also regularly take part in ARKEMA HSE network meetings.

The Safety in Action program

The Group is committed to achieving an ambitious programme to inform and mobilise its personnel to encourage and support changes in behaviour. This programme reflects a will to establish relentless vigilance as regards safety. It emphasises individual and collective commitment to taking action at individual team and workstation level. The programme is based in particular on two areas targeting exchange and communication, namely:

- the production of "Site Safety" films which help deliver systematically, to all visitors, information on safety instructions applicable on the site;
- the organisation of "Safety High Points" which help generate regular debates on topics related to safety, and concluding with the construction of action plans specific to each work context and the definition of improvement topics on a team level.

The Essentials

The fourteen "Essentials" are simple and clear safety rules corresponding to everyday situations and derived from feedback. They must be known and applicable to everyone in an exemplary manner, with no allowance for compromise, across all Group sites. Employees are invited to suggest improvements that facilitate the application of a rule, and to report all substandard situations. Any employee can intervene with anyone else, whatever their position, whenever they encounter a breach of the rules. Three Essentials are rolled out per year, and each includes a specific campaign and actions over a three-month period to help every employee become familiar with the rules.

Field activities

The principle of peer observation involves observing the behaviour of others in risky situations in order to raise awareness of risks and therefore reduce the number of occupational accidents. It capitalises on positive experiences and a collective search for solutions to improve practices. Using a structured observation method, each site implements the initiative in a way that best suits their own specific features (type of risks and nature of the activities). Personnel with similar qualifications are then encouraged to observe each other while carrying out their duties on the site. The peer observation method helps identify best practice and deviations from these practices, as well as risky situations. This principle has been implemented successfully in the United States, and is being rolled out in Asia and in the major European countries in which the Group operates; it is gradually being developed at every Group production site.

In 2012, 47% of the sites put in place this programme intended to improve safety through peer observation.

The target by 2020 is for the programme to be extended to 100% of the Group's sites.

Flash audits or mini-audits are short (in general 20 to 30 minutes long), and are a new Group-wide tool designed to facilitate the collection of safety data. They help examine specific problems: review of conformity with the Essentials, evaluation of a problem specific to a production plant, examination of the implementation of a Group priority action, etc. Still under development, this tool has given satisfaction on the sites in which it has been tested.

Planned general inspections are conducted regularly with a frequency that varies from site to site (monthly or quarterly) to help check the technical conformity of the plant and equipment relative to predefined standards and levels of requirements.

The safety round is a field activity designed to show the commitment and support of the management to the plant's Health Safety Environment Quality (HSEQ) policy. It also provides an opportunity for the management and the site personnel to meet. It is neither an audit nor a check, but rather a communication tool for risk prevention and greater safety awareness.

Field safety audits to appraise external companies allow to evaluate continuously and over the long term *in situ* external companies in terms of their safety culture and commitment. This monitoring tool is also used to check HSE recommendations on major projects and promote a safety and risk prevention mindset during turnarounds.

As part of the Group's safety policy and the improvement of its safety records, communication on the subject has been emphasised to reaffirm ARKEMA's commitment, through a slogan and the displaying of safety records on each site.

2.1.2 SAFETY RECORDS

The Group's safety policies based on the three areas described in paragraph 2.1.1.2 above enable the Group to improve its safety records.

The table below shows the Group's occupational accident frequency rate, in number of accidents per million man-hours (see methodological note in section 2.6 of this reference document) for 2010, 2011 and 2012.

	2012	2011	2010
Lost-time accidents*	1.9	2.3	3.3
Total recordable accidents	3.4	4.4	5.7

* *"Lost-time accident" refers to any event causing bodily injury or psychological shock to an employee in the course of his/her duties and resulting in time off work.*

The Group's target is to achieve a 2.0 TRIR rate (total frequency rate of accidents with and without lost time) by 2020 latest. For the record, the Group's frequency rates in 2005 were 5.3 for lost-time accidents, and 13.3 for accidents with and without lost time.

The severity of accidents is characterised by the number of working days lost per lost-time accident. It stands at an average rate of 31.2 days over the last three years.

2.2 REDUCE THE ENVIRONMENTAL FOOTPRINT OF THE GROUP'S ACTIVITIES

2.2.1 GENERAL POLICY IN TERMS OF REDUCING THE ENVIRONMENTAL FOOTPRINT

Committed to continuous improvement, and over and above essential compliance with regulations, ARKEMA has included environmental protection in its management system. Accordingly, reducing its footprint on the environment is one of the five objectives that the Group has set itself as part of its CSR initiative. To achieve this, the Group adapts its industrial practices in order to minimise its emissions, while optimising and reducing its consumption of energy, water and non-renewable raw materials. Therefore the vast majority of the Group's industrial sites rigorously monitor their wastes and emissions.

2.2.1.1 ENVIRONMENTAL MANAGEMENT SYSTEM

Environmental certifications

The Group has put in place environmental management systems on its industrial sites, most of which have been granted an external environmental certification in accordance with the ISO 14001 standard. Based on the local context, certain sites have adopted other standards, e.g. the Responsible Care® Management System (RCMS) in the United States.

The environmental management system implies that each of the Group's industrial site identifies its environmental impacts (water, air including greenhouse gases (GHGs), wastes, noise, odours, soil), and defines the priority areas which represent its action plan. A periodic environmental analysis of the sites is used to measure the progress achieved and define new improvement objectives. Each site rigorously monitors its emissions (including CO_2 and GHGs) and wastes.

In addition to the audits conducted by the Internal Audit Division, Group sites are subject to two other types of audit: certifications by external bodies, and audits conducted by experts from the Group's Safety Environment (DSEG) Division.

The number of ISO 14001 accredited sites was 55% in 2012, against 54% in 2011, across the global business base excluding the vinyl activities divested in 2012.

Environmental reporting

The Group conducts its reporting, for environmental indicators, including GHGs, in accordance with its environmental reporting directive and the guidelines made available to all its subsidiaries. This reporting is based on the principles of relevance, representativeness, and consistency. The methodology used by the Group for this reporting is described in section 2.6 of this reference document.

2.2.1.2 MANAGEMENT OF DISCHARGES

ARKEMA conducts an active policy to control and reduce the impact of its activities on the environment.

Accordingly, discharges of substances are identified and quantified by discharge type (air, water, wastes) so that suitable measures can be implemented to control them.

Preventive measures

For the Group's manufacturing sites, the reduction of environmental impact consists in particular in optimising the use of raw materials, energy, and natural resources such as water. Discharges into the natural environment and other waste production are thus also reduced.

The Group also carries out regular improvements to its production facilities, such as the modification of processes to reduce waste volumes or the installation of waste treatment units.

A number of regulations place strict limits on emissions from the Group's manufacturing facilities, including, for example, the European framework directive on water 2000/60 ("DCE") as regards water emissions. The Group has also taken part in a national campaign in France on research into hazardous substances in water fulfilling the DCE objectives.

For example, under European directive (EC) n° 96/61 of 24 September 1996, called the Integrated Pollution Prevention and Control (IPPC) Directive, codified by European directive (EC) 2008/1 of 15 January 2008, the industrial sites to which it applies are subject to operating authorisations that provide for limited amounts of emissions, established on the basis of the best available techniques (BATs). This directive was in particular transposed into French law by ministerial decree of 2 February 1998 which lays down the requirements applicable to emissions from classified facilities subject to authorisation. This directive was recently recast within directive 2010/75/EU on industrial emissions, adopted on 24 November 2010 by the European Council.

Similarly, the United States Clean Air Act (CAA) sets federal standards relating to air pollution from fixed and mobile sources, and establishes national emission standards for 200 hazardous substances, based in particular on Maximum Achievable Control Technology (MACT).

European directive (EC) n° 2003/87, amended by European directive (EC) 2009/29 of 23 April 2009, established a GHG trading system within the European Union. Under this scheme, in accordance with the provisions of amended ministerial decree of 31 May 2007, the Group was allocated annual allowances of 712,000 EUAs (EU Allowance Units) from 2010, then 723,450 EUAs from 2012 onward to take into account the inclusion of the resins sites into the Group's business base. These quotas were reviewed downwards to 620,811 EUAs at end 2012 following the divestment of the vinyl activities sites.

For the 2013-2020 period, the Group has filed applications for quota allocations for phase III of the European Union Emissions Trading Scheme. Four new sites have been added to the scope of this new phase. As Group sites belong to sectors and subsectors deemed to be exposed to a significant risk of carbon leakage, they will benefit from free allocations based on their emissions performance compared to relevant reference data. Quota allocations requests amount to some 930,000 EUAs. If the allocated quotas match the requested quotas, the Group does not expect that it will need to make significant purchases of additional CO_2 allowances.

Emissions to air

ARKEMA is committed to minimising its emissions of the most polluting compounds, in particular volatile organic compounds (VOCs), substances responsible for air acidification (nitrogen oxides and sulphur dioxide) as well as dust, and accordingly conducts a large number of actions to minimise them.

The Group therefore reduces its VOC emissions:

- by collecting and processing effluents that contain them (the most widely used technology is based on the installation of a thermal oxidiser, or the scrubbing of exhaust products); and
- through regular campaigns to locate leaks and eliminate any emissions identified.

The Group also reduces its emissions of substances contributing to air acidification:

- by using, in its boilers, fuels with low or very low sulphur content, or natural gas instead of fuel oil; and
- by implementing new technologies involving low nitrogen oxide burners.

For 2010, 2011 and 2012 the levels of environmental indicators corresponding to quantified emissions to air generated by the Group's activities are shown in the table below. For 2012, the figures exclude the vinyl activities divested (see methodological note in section 2.6 of this reference document).

Emissions to air	**2012**	**2011**	**2010**
All substances contributing to acidification *(t eq SO_2)*	5,760	5,660	5,840
Carbon monoxide *(CO) (t)*	9,220	11,660	7,110
Volatile Organic Compounds *(t)*	4,150	4,190	4,120
Dust *(t)*	460	640	650

The slight increase in emissions of substances contributing to acidification is linked to the arrival of a new contributor (the Hengshui site (China) of Casda Biomaterials acquired in 2012), thereby masking on the one hand the efforts made by certain sites like Chauny (France) which has cut its emissions by half thanks to a new flue gas treatment, and on the other hand the effect of the divestment of the vinyl activities.

As regards Volatile Organic Compounds (VOCs), a review of air emissions estimation methods was conducted in 2012, which highlighted a 14% rise in VOCs, due to better quantification of corresponding discharges. This increase is globally offset by the divestment of the vinyl activities. In 2011 the acquisition of the resins activities from the Total group led to a rise of some 300 t in these VOC emissions.

2012 also saw a review of the methods used to estimate dust emissions, as well as the sites' significant efforts through installing filters or scrubbers, which has led to a 15% reduction in the amount of dust released excluding the vinyl activities. The drop shown in the above table is greater given the divestment of the vinyl activities.

Emissions to water

In environmental terms, a reduction in emissions to water is one of the Group's important objectives. It lends particular importance to the issue of effluents with high chemical oxygen demand (COD) and the discharge of suspended solids.

ARKEMA conducts a large number of actions to minimise its emissions to water, in particular by reducing its effluents with high COD and suspended solid contents by systematically processing its effluents:

- by establishing its plants on inter-company platforms operating treatment plants;
- by gradually setting up physico-chemical and/or biological treatment plants to process effluents on remote sites; and
- by optimising treatment at effluent plants or controlling more effectively the effluents sent to the plants.

A significant investment for the installation of an effluent treatment plant is under study for the Pierre-Bénite site (France).

For 2010, 2011 and 2012 the levels of environmental indicators corresponding to quantified emissions to water generated by the Group's activities are shown in the table below. For 2012, the figures exclude the divested vinyl activities (see methodological note in section 2.6 of this reference document).

Emissions to water	**2012**	**2011**	**2010**
Chemical Oxygen Demand *(COD) (t of O_2)*	3,430	3,140	3,450
Suspended solids (t)	2,840	3,450	3,890

As regards Chemical Oxygen Demand (COD), improvements to the operation of effluent treatment plants (at the Spinetta site (Italy) and the Rio Claro site (Brazil)) have helped significantly reduce COD discharges. However, these efforts are masked by the arrival of a new contributor (the Hengshui site (China) of Casda Biomaterials acquired in 2012), as well as the quantification of this emission by American sites from 2012 which did not exhaustively declare this emission in previous years.

Waste production

Production of wastes at ARKEMA is inherent in its industrial activities; however, the Group strives to control production of wastes at every stage of its operations.

This commitment is reflected in a number of areas:

- reduce wastes at source, by designing products and processes that generate as few wastes as possible;

- increase value of wastes by turning them into by-products; and
- get fuel value for wastes, where possible.

The following are examples of the latest progress achieved regarding reducing or valorising the wastes, consistent with ARKEMA's commitments:

- looking to use new valorisation sectors: using some of the waste as substitute fuel in boilers, instead of traditional fuels;
- recycling cleaning solvents and optimising cleaning cycles; and
- installing filters to reduce the volume of sludge.

The table below shows for 2010, 2011 and 2012 the amounts of hazardous and non-hazardous wastes generated by the Group's activities. For 2012, the figures exclude the divested vinyl activities (see methodological note in section 2.6 of this reference document).

Wastes *(in kt per year)*	**2012**	**2011**	**2010**
Hazardous waste excluding material recovery	160	210	190
including landfill disposal	2.4	3.9	3.6
Non-hazardous waste	157	173	202

As regards hazardous wastes, the increase between 2010 and 2011 was due to the acquisition of the resins business from the Total group (Villers St Paul site (France) and West Chester site (United States)). In 2012, a number of initiatives – reduction at source (Clear Lake site (United States)), recycling into alternative fuel (Carling site (France)), and material recycling – resulted in a 17% drop in the production of hazardous wastes for the Group, regardless of the divestment of the vinyl activities. The reduction shown in the above table is larger bearing in mind the divestment of the vinyl activities.

Other pollutions

Addressing the pollutions related to its activities with regard to the people living near its industrial sites is a major point of the Group's environmental policy. Every year, steps and taken to minimise these pollutions, and include:

Reducing odours:

- modifications to incinerators to minimise SO_2 emissions; and
- modifications to demisters.

Reducing noise levels:

- improvements to acoustic protection devices in air compressors.

ARKEMA has also put in place real-time communication with its stakeholders on any event with a sound, visual or odour impact outside the boundaries of its production sites. Moreover, most sites now have a system in place for compiling and processing complaints from local people, and so, where possible, addressing them and minimizing the nuisance concerned.

2.2.1.3 MANAGEMENT OF RESOURCES

For the Group's industrial sites, the reduction of environmental impacts consists in particular in optimising the use of raw materials, energy and natural resources like water.

From the moment of their design, new manufacturing units incorporate the environmental footprint in the choice of process and equipment.

Work is also carried out regularly on the plants' operating methods, while development investments are made to reduce the consumption of water, energy resources and raw materials of the Group's facilities.

Water consumption

The Group uses water in the course of its industrial activities for:

- its manufacturing processes in reaction medium, the need to cool the production equipment, or to scrub product or equipment;
- the production of steam; and
- the operation of hydraulic barriers intended to process groundwater contaminated by historical pollutions (case of old sites).

The Group wishes to make its contribution to an optimised consumption of fresh water both from surface water and from groundwater.

It adapts its production practices to consume less water by using devices that reduce consumption and developing closed circuits.

Based on local constraints and the sites' activities, the actions taken over the years can concern a wide variety of themes, including better monitoring of consumption, installation of flowmeters, introduction of leak detection programmes, changing the technologies, upgrading firefighting circuits, recovering rainwater, and recycling water from scrubbing or boiler condensates.

For 2010, 2011 and 2012 the levels of environmental indicators corresponding to the withdrawal and use of water by the Group's activities are shown in the table below. For 2012, the figures exclude the divested vinyl activities (see methodological note in section 2.6 of this reference document).

Use of water	2012	2011	2010
Total water withdrawn *(in Mm^3)*	130	136	142

The combined effect of the divestment of the vinyl activities and an increase in production at certain sites has meant a slight drop in the Group's withdrawal of water.

Consumption of raw materials

The Group wants to play a part in optimising the consumption of non-renewable raw materials used in its manufacturing processes.

It aims to save on the raw materials it consumes by initiatives to control its processes and develop operating best practice as part of a programme to minimise the variability of processes within its operating excellence major project, or by adapting its processes' operating conditions such as excessive amount of reagent, stirring conditions within reactors, and temperature conditions.

Furthermore, the Group develops, alone or in partnership with its suppliers, actions such as the recycling of reaction solvents used in its manufacture, or offering the recycling of spent activated carbon to its customers.

Finally, the Group develops the use of renewable raw materials by using biosourced raw materials. The Group is in fact the world's largest producer of specialty polyamides derived from castor oil. A long-standing producer of polyamide 11 from castor oil in Europe, in 2012 the Group acquired in China the companies Hebei Casda Biomaterials Co., Ltd, a producer of sebacic acid from castor oil, and Suzhou Hipro Polymers Co. Ltd, a producer of polyamides 10.10 and 10.12 from this sebacic acid.

As described in section 1.5 of this reference document, ARKEMA also conducts research into the potential use of biosourced raw materials in some of its production processes, e.g. the substitution of propylene by glycerol in the manufacture of acrylic acid.

Consumption of energy

The Group uses various sources of energy mostly as part of its manufacturing operations, but also to maintain some of its buildings at certain temperature levels.

The Group wants to play a part in optimising the consumption of energy used in its manufacturing processes and facilities.

Some years ago it set up an initiative called "Arkénergie". This initiative in Europe relies on a network of Energy Saving Leaders based on the sites.

Following an awareness period and the introduction of progress indicators, this initiative is based on two types of actions: best practice in conducting the operations and in the maintenance of the facilities, and investments designed to reduce energy consumption.

Investments in recent years designed to reduce the Group's energy consumption concern, depending on the sites, equipment such as new, more efficient compressors or motors, variable speed drives, exchangers, preheaters, and heat recovery devices in more efficient boilers and burners.

Actions such as checking and upgrading the insulation of pipework and steam traps, and locating leaks in compressed air circuits have also afforded energy savings.

Other types of actions such as replacing filament lamps by LEDs on some sites, changing windows and doors, installing thermostats in storage areas, or motion detectors, in some cases have also had an impact, albeit less significant in quantitative terms.

For 2010, 2011 and 2012 the Group's net purchases of energy are shown in the table below. For 2012, the figures exclude the divested vinyl activities (see methodological note in section 2.6 of this reference document).

Net purchases	2012	2011	2010
Total net purchases of energy *(in TWh)*	8.5	15.4	16.1

The divestment of the vinyl activities, a very large electricity consumer for their electrolyses, has led to a major drop in the Group's energy consumption. Furthermore, from 2012, energy consumption has been measured by net energy purchases without taking account of own-energy production (energy recovered from exothermic reactions), while purchases of gas used as raw material are no longer accounted for in net energy purchases.

Excluding the vinyl activities and on the basis of net energy purchases, a 2% drop in energy consumption has been recorded between 2011 and 2012, partly due to planned turnarounds and temporary shutdowns at certain sites, despite the arrival of a new contributor (the Zhangjiagang site (China) of Hipro Polymers acquired in 2012).

Usage of soils

ARKEMA wants to minimise its footprint on and use of soils.

The first type of actions conducted by the Group in this regard concerns the remediation of soils.

Some of the Group's industrial sites, particularly among those whose manufacturing activity goes back a long time, have been, or are, responsible for environmental pollution, notably of soil or groundwater, and have been the subject of actions described in paragraph 2.2.1.6 of this chapter on the management of historical pollutions.

In this regard, ARKEMA develops new soil remediation techniques through stimulation of bacteria naturally present in the soil in order to help with the degradation of chlorinated solvents historically present, at the Saint-Auban and Mont sites in France.

The second type of actions conducted by the Group concerns the management of part of some of its sites which are not or no longer taken up by production plants, in order to allow the development of certain animal species. These actions are described in paragraph 2.2.1.5 of this chapter on biodiversity.

Finally, the last type of actions conducted by ARKEMA concerns the regulatory restoration of diatomite quarries, post mining, of its CECA subsidiary. These quarries are located in Virargues and Saint-Bauzile in France.

Restoration of these sites entails firstly a partial backfilling phase for those sections of the quarries that are no longer mined as mining progresses, by limiting the slope of remodelled land, and in some cases re-establishing tributaries of streams, wetlands, and other features. Backfilling only uses barren soil from the prior mining of the quarry. This remediation work is then completed with a final backfill when topsoil is added to this remodelled land. The final restoration is very often earmarked for agricultural use.

2.2.1.4 CLIMATE CHANGE

Emissions of greenhouse gases

Emissions to air of greenhouse gases (GHGs) at ARKEMA are due to:

- operations requiring the input of energy (burning of fuel oil and gas);
- emissions from processes that generate CO_2, N_2O or CH_4 as product, by-product, co-product, waste or gas discharges like, for example, thermal oxidation used to process VOCs into CO_2;
- HFC emissions from its production plants for these products;
- fugitive emissions from cooling circuits using GHGs.

For 2010, 2011 and 2012 quantified emissions to air of greenhouse gases generated by the Group's activities are shown in the table below. For 2012, the figures exclude the divested vinyl activities (see methodological note in section 2.6 of this reference document).

Emissions of greenhouse gases	2012	2011	2010
GHGs *(kt eq CO_2)*	5,120	2,090	2,770
incl. CO_2	1,460	1,490	1,510
incl. HFC	3,610	540	1,190

2012 saw a review of the methods used to estimate air emissions, as described below, which shows an overall increase in greenhouse gases of 3,030 kt CO_2 eq.

The 3,070 kT CO_2 eq increase in hydrofluorocarbon (HFC) emissions is due essentially to new emissions at the Calvert City plant (United States) being accounted for following a change in reporting rules required by the Environmental Protection Agency in the United States for 2,880 kt CO_2 eq. Furthermore, a production increase at Changshu (China) is responsible for a 130 kt CO_2 eq increase in HFCs.

The drop in CO_2 emissions due to the divestment of the vinyl activities was offset in particular by an increase resulting from the arrival of a new contributor (the Hengshui site (China) of Casda Biomaterials acquired in 2012).

In 2006 the Group's emissions were 9,240 kt CO_2 eq. Using computation conditions comparable to those of 2006, GHG emissions declared for 2012 would amount to 2,240 kt CO_2 eq.

The investments mentioned below made in Changshu (China) and Pierre-Bénite (France) have helped considerably reduce these emissions.

ARKEMA takes action in terms of climate change, by reducing GHG emissions from its own production plants.

To reduce its impact on global warming, the Group has undertaken a number of actions and deployed effective means to minimise GHG emissions. ARKEMA was already one of the French companies within the *Association des entreprises pour la réduction de l'effet de serre* (AERES), which have made a voluntary commitment to achieve GHG reduction targets.

The following examples illustrate this initiative:

- the introduction of devices to process emissions from facilities such as the thermal treatment plants at the Pierre-Bénite (France) and Changshu (China) factories;
- the replacement of boilers with more efficient equipment allowing a reduction in their gas usage (Carling site in France) and a change of technology for burners (La Chambre site in France); and
- the replacement of air-conditioners and cooling units with more efficient models.

Adaptation to the extreme consequences of climate change

The Group operates a number of sites in the United States, in particular near the Gulf of Mexico, and in Asia which can experience extreme weather events such as tornadoes, tropical cyclones (typhoons, hurricanes), and flooding, the frequency and intensity of which could be exacerbated by climate change. ARKEMA lends particular attention to the potential impact of these extreme weather events.

The Group therefore analyses the potential impacts of these weather events when acquiring new businesses. Where the potential climate impact is regarded as liable to have a particular incidence on the safety of people or on the economic aspects of the acquisition, it may then be the subject of a specific study by third party experts.

When designing new production plants, ARKEMA applies the HAZID (HAZard IDentification) method to be able to take account of the impact of external events such as natural disasters on the mechanical strength of the construction.

The standards used for the construction of ARKEMA's plants comply with local regulations and data.

The design of facilities therefore includes extreme values of wind speed as well as data on flood risks (100-year flood) in the conditions of the sites housing new plants.

The measures implemented on sites potentially subject to such extreme events concern for example raised plants or control rooms, earth-filled dams, or concrete walls around storage facilities.

Response to these events is described in the emergency response procedures, for those sites that are potentially impacted. In all cases of alert, the sites comply with instructions from the authorities.

Emergency procedures are implemented to shut down and maintain the facilities safe in order to minimise the risk of emissions of chemical substances into the environment when these extreme events occur.

Stocks of some products are also maintained in external storage facilities that are not potentially impacted in order to prevent shortages in supplies to ARKEMA's customers.

The Group also indicates the exposure of its sites in some regions that are particularly exposed to this type of events. These extreme weather events do not include seismic risks, described in paragraph 1.6.2.3 of this reference document.

Nineteen of the Group's sites are exposed to storm risks (tornadoes and cyclones), eleven of which on the American continent and eight in Asia. A study was conducted end 2011 by a third-party body on behalf of ARKEMA. This lists the Group's eight industrial sites that are most severely exposed to tornadoes and cyclones in North America, together with the severity of these risks.

2.2.1.5 PROTECTION OF BIODIVERSITY

Measures taken to protect fauna and flora including biodiversity

In the course of its operations, the Group places the protection of the environment at the core of its objectives, and is committed to constantly improving its performance in these areas.

The protection of biodiversity first implies the protection of environment, fauna and flora and of all species that could be impacted by emissions due to the Group's activities.

Actions concern discharges from every site into water, the soil, and the air.

A periodic environmental analysis of the sites helps measure the progress achieved, identify its impacts, and define the priority areas for their action plans concerning the protection of the environment and therefore all the species that their activities might impact.

Additionally, from their design stage, new production plants include the environmental footprint in the choice of process and equipment.

The actions conducted by ARKEMA in particular within the framework of laws and regulations to minimise chemical oxygen demand (COD) in its effluents discharged into rivers are designed to protect the dissolved oxygen gas that is key to all animal aquatic life.

The actions conducted by ARKEMA *inter alia* within the framework of laws and regulations in order to minimise volatile organic compound (VOC) emissions to air are designed to reduce the formation of ground-level ozone, a super-oxidant harmful to fauna and flora. Similarly, reducing SO_2 and NOx emissions helps prevent the formation of acid rain which, in addition to its direct effect on plant life, can also alter the characteristics of soils.

The actions conducted by ARKEMA within the framework of laws and regulations on the remediation of the soil on its sites where former industrial activities were or are the cause of environmental pollution also help protect the various species which depend on their soil or groundwater.

Measures taken to develop biodiversity

Although the land it occupies is limited, the Group conducts a number of actions in Europe to contribute, on its scale, to the development of biodiversity on the sites where some of the land is not allocated to industrial activities.

In 2010, the Group conducted at its Pierre-Bénite site in France, in partnership with the Naturama environmental education association, a survey of the fauna and flora present on the site. This characterisation of the natural environment highlighted the importance and remarkable aspect of a reed bed on the site. The restoration of this reed bed, including appropriate plantations and the elimination of invasive plants, has represented the first action of the management plan put in place following the diagnosis. This reed bed has already seen visits from schoolchildren and the general public. In 2012, following the demolition of an old factory building, it was extended with the creation of a second basin.

Meanwhile, as described in paragraph 2.2.1.3 of this chapter, CECA, a subsidiary of the Group, takes care of the regulatory post-mining remediation of its diatomite quarries in France. Accordingly, CECA has commissioned the *Fédération de Protection de la Nature Ardèche* (FRAPNA) to carry out an expert survey of the fauna and flora on its Saint-Bauzile site. This survey is part of a five-year plan, launched during an inventory in 2000. The second study carried out in 2011 highlighted the presence in the quarry and its immediate surroundings of a wealth of ever-improving flora and fauna. This finding has confirmed the benefit of restoring vegetation with local plant species as recommended by FRAPNA in 2007, in terms of herbaceous as well as short and tall woody plants. These studies help redefine and adjust plant species, in line with FRAPNA recommendations, for the replanting of embankments and slopes in zones being remediated. The work in progress therefore helps redevelop the biodiversity of the land being restored.

These concrete examples do show that industrial activity and biodiversity can coexist.

2.2.1.6 MANAGEMENT OF HISTORICAL POLLUTION AND RELATED PROVISIONS

Some of the Group's industrial sites, particularly among those whose manufacturing activity goes back a long time, have been, or are, responsible for environmental pollution, notably of soil or groundwater. Under these circumstances, a number of sites currently being operated by the Group, or that were operated by the Group in the past and subsequently sold, as well as adjoining sites or sites where the Group stored waste or had waste eliminated, have been, still are, or could be in the future subject to specific demands for remediation from the relevant authorities.

Where there is a problem of soil or groundwater contamination on a site, investigations are launched to establish the extent of the area concerned and establish whether the pollution is likely to spread. The Group cooperates with the authorities to define the measures to be taken when the risk of an impact on the environment or a danger to health has been identified.

The amount of provisions for environmental risk at 31 December 2012 is given in note 20.4 to the consolidated financial statements in chapter 4 of this reference document.

2.2.2 MANAGING PRODUCTS RESPONSIBLY (PRODUCT STEWARDSHIP)

2.2.2.1 POLICY AND GENERAL ORGANISATION

The Group ensures that it markets products that are useful to society at large, are safe, and do not harm human health or the environment.

To this end the Group has an organisation, teams of experts, IT resources and databases to enable it to meet regulatory requirements on product safety.

Product Stewardship requires constantly improving knowledge of the characteristics of the products and their conditions of use. Accordingly, the Group has for many years relied on a team of expert toxicologists and ecotoxicologists who conduct the necessary studies to characterise the hazards presented by products, and work in close collaboration with regulatory experts carrying out risk evaluation in conditions of use.

In particular, the Group translates its commitment in this regard through REACH, a European regulation, probably the most ambitious in the last twenty years, aiming to thoroughly change the method for managing and controlling chemical substances that are produced, imported, or sold on the European market, by improving the level of knowledge, analysing environmental and health risks, and defining measures for managing the risks which their manufacture and use may present. The Group endorses the objectives of REACH which represents an additional means to the continuous improvement of knowledge of its substances and their safe use, thereby meeting the legitimate expectations of civil society.

The REACH regulation entails a number of processes:

- Registration: It requires all manufacturers and importers of chemicals, as such or in blends, in Europe, to file a complex registration dossier for each substance of which more than one tonne is produced or imported per year;
- Evaluation: A number of dossiers selected by the European Chemicals Agency (ECHA) will be the subject of an in-depth evaluation by the relevant authorities. This evaluation is managed as part of CoRAP (Community Rolling Action Plan) which defines over a 3-year rolling period the dossiers to be examined per year, and by which Member State. The conclusions can range from "compliant and with no follow-up required", to "a proposal to include the substance on the candidate list", or "a proposal for restriction". CoRAP is updated every year;
- Authorisation: this new authorisation procedure is required for substances "of very high concern", namely those in the following categories: carcinogenic, mutagenic and reprotoxic (CMR), persistent, bioaccumulative and toxic (PBT), and very persistent and very bioaccumulative (vPvB). An initial step entails registering these substances on a candidate list which will then be used to feed into Annex XIV. Inclusion in Annex XIV implies the filing of an authorisation dossier for the uses for which an authorisation is desired. Failure to file a dossier will imply that the substance is no longer produced, imported or marketed within 18 months following the closing date for filing the authorisation dossier;
- Restriction: The restriction procedure is designed to ban one or more targeted uses presenting a major risk to health or the environment. The dossier is prepared by a Member State.

To be in a position to conduct the major workload corresponding to the obligations of this regulation, the Group has set up a project-type organisation overseen by a Steering Committee at Executive Committee level. The core of this setup is centralised at Group level within the Safety Environment Product Division (DSEP) in charge of the health, environment and safety issues of products as well as regulatory implications, and based on a team of experts in toxicology, ecotoxicology and regulations. These various experts ensure the implementation of the REACH regulation centrally, by relying on a network of correspondents that take part in drafting parts of the dossiers concerning the Business Units, the industrial sites, the subsidiaries, R&D, for operational issues, and the Purchasing, Information Systems, Legal, and Communication divisions for functional issues. This organisation has enabled the Group to fulfil the requirements of the REACH regulation:

- Registration: 151 substances have already been registered with ECHA following the initial registration deadline set for 30 November 2010, and the Group expects to register a total of 480 substances (including the resins and specialty alkoxylates activities acquired in 2011), of which 35 to 40 are potentially subject to authorisation. The Group estimates that compliance with this new regulation will cost it around €45 million over the 2012 to 2020 period;
- Evaluation: ARKEMA had three dossiers under evaluation in 2012 the findings of which will be released end of the first quarter of 2013. These are two manufactured substances (carbon tetrachloride (CTC) manufactured by ARKEMA until 1st July 2012 then used on the Mont site (France), and diphenyl guanidine (DPG)) for which ARKEMA is acting as leader of the registration dossier, and a substance used as raw material (bisphenol A (BPA)) which is the subject of European risk studies and national bills, in particular concerning its use in materials in contact with food products. It is not anticipated particularly binding conclusions for CTC or DPG at the european level. By contrast, BPA and indirectly its derivatives may be subject to restriction measures in certain markets, in particular the food market. At the French level, a law has been published in the Official Journal of December 24th, 2012 aiming to suspend from January 1st, 2013 the manufacture, the importation and the sale on the market of any packaging, container or article comprising BPA and used to enter directly in contact with foodstuffs for babies and small children. This suspension is extended to all categories of people from January 1st, 2015. ARKEMA has little exposure on the market of food containers and in addition ARKEMA works closely with its customers to substitute products derived from BPA;

- Authorisation: In the phase to register substances on the candidate list, ARKEMA follows the proposals for registration and responds to the consultations organised by ECHA for substances the use(s) of which may be subject to authorisation (NB. substances used as synthesis intermediates are not subject to authorisation). An estimate of the problem at stake is conducted, from which actions may then be decided, such as: study for substituting the substance in the targeted uses, filing of authorisation dossier when moving on to Annex XIV, conversion of unit, planned shutdown of activity. The candidate list currently features 138 substances. These substances include in particular (i) Di Ethyl Hexyl Phthalate (DEHP) produced on the Chauny site (France), (ii) hydrazine produced on the Lannemezan site (France), and (iii) sodium dichromate used as a process aid on the Jarrie site (France). Among these substances, DEHP was the subject of registration under Annex XIV and an authorisation application dossier must be filed by 21 August 2013. At the same time, ARKEMA is studying the feasibility of converting the plant to another substance. Sodium dichromate is the subject of a recommendation for registration under Annex XIV, which should be published in the Official Journal of the European Union during the first half of 2013. ARKEMA will also file an authorization dossier, as the search for an alternative solution has not yet yielded results;
- Restriction: Cobalt chloride has gone from a recommendation for registration under Annex XIV with a view to authorisation, to a recommendation for restriction that would *a priori* only target metal coatings, an application that does not affect ARKEMA which uses it as a process aid on its Jarrie site. Nevertheless, pending a formal proposal for restriction and as a precautionary measure, ARKEMA is studying a substitution solution.

Outside Europe, the Group markets its chemicals in accordance with the mandatory inventories in the various countries or regions which use them. Due to its history and global presence, the Group has products that are already notified in many inventories. Should a need arise for a new product notification, the Group has a major database on the characteristics of its products, which means that it can file dossiers in an optimum time scale. Notifications are executed thanks to the work of experts at Group level who rely on the country subsidiaries and/or a network of local specialist consultants.

In many countries, the Group records knowledge of the products' characteristics and conditions of use in a (Material) Safety Data Sheet ((M)SDS), a document prepared to be able to market chemical products classified as hazardous to human health and/or the environment. The ((M)SDS) must feature the necessary prevention and safety data for the use of a hazardous product. These (M)SDSs are prepared in some forty languages thanks to a high performance IT infrastructure and the information compiled from a global database grouping together all product compositions as well as their toxicological, ecotoxicological and physico-chemical data, thereby ensuring consistency of information wherever the products are marketed. The Group releases (M)SDSs in accordance with regulatory requirements, and/or makes them available on its website and/or via the QuickFDS internet platform.

The organisation of the Group, the resources allocated and the motivation of all personnel have enabled extended safety data sheets to be made available (extended-(M)SDSs, the latest format established by REACH), which now include a description of exposure scenarios for identified uses, therefore allowing improved risk management.

The Group has a high performance IT system to draft its regulatory documents, and adapts it as required in order to include the latest formats and data related in particular to the implementation of GHS (Globally Harmonized System of Classification and Labelling for Chemicals) in the countries that endorse this system, which defines a common classification and labelling method.

The Group has also developed a system for publishing labels which uses validated data from its central database to print labels within a consistent classification, regardless of the country in which the product is manufactured and/or marketed.

Thanks to its organisation, its scientific and regulatory expertise, its teams of experts assisted by efficient information technologies, the Group shows its commitment, over and above these regulatory requirements, to marketing its chemical products in a safe and responsible manner, by informing its customers and the public in complete transparency.

2.2.2.2 HEALTH, SAFETY AND ENVIRONMENT FOR CONSUMERS

Product Stewardship, which goes beyond regulations, consists in ensuring that the products have no effect on the health and safety of people, or their environment. This approach involves every player in the product chain, from raw material supplier to end-customer. The Group ensures that it markets products that are useful to society, are safe, and do not endanger health, the environment, or the safety of users and consumers by taking actions that go beyond mere compliance with the regulations described in paragraph 2.2.2.1 above, in accordance with the undertakings set out in its Safety, Health, Environment and Quality Charter.

The Group has already translated its commitment to Product Stewardship by endorsing the Responsible Care® Global Charter of ICCA, as part of international programmes such as HPV (High Production Volume) conducted by the latter, and by EPA (Environmental Protection Agency) in the United States.

The Group remains committed in this regard by participating in the Global Product Strategy (GPS) programme. This commitment entails the creation of a specific web page dedicated to GPS and the regular publication of information sheets in the form of Safety Summaries on the ICCA website as well as on its own website, as and when the REACH registration dossiers are filed.

In the interest of Product Stewardship for its own products, ARKEMA goes beyond its regulatory obligations and supplies (M)SDSs even for its products that are not rated hazardous.

In order to inform its customers of the environmental performance of its products, ARKEMA also carries out Life Cycle Analyses (LCAs) on certain products; these multicriteria analyses in particular help convert the full inventory of flows related to a product's production into environmental impacts.

These analyses help evaluate the impact of the products following such parameters like emissions of carbon dioxide, ozone depletion potential, contribution to acidification, consumption of energy and water, and the use of soils during their production.

The Group has developed in-house competence within its Rhône-Alpes Research Centre in order to apply this global approach, recognised and standardised as part of its customer relations.

The Group follows the recommendations of the International Reference Life Cycle Data System (ILCD) in conducting these analyses.

2.3 PLACE SUSTAINABLE DEVELOPMENT SOLUTIONS AT THE HEART OF THE GROUP'S INNOVATION POLICY AND PRODUCT OFFERING

The Group places its product and process R&D at the service of sustainable development and the challenges of the planet by offering innovative solutions in favour of new energies, the fight against climate change, access to water, and the use of renewable raw materials.

2.3.1 DEVELOP PRODUCTS FOR NEW ENERGIES AND THEREFORE CONTRIBUTE TO CONSERVING FOSSIL RESOURCES

New energies are one of the Group's major research areas.

ARKEMA develops new products for this market, and so contributes to preserve fossil resources. The two priority areas are photovoltaics and lithium-ion batteries.

2.3.2 FIGHT AGAINST GLOBAL WARMING BY DEVELOPING TOUGH AND LIGHTWEIGHT MATERIALS

The Group develops tough and lightweight materials which are used for example in cars to reduce their weight and therefore fuel consumption. They also contribute to minimising CO_2 emissions in the transportation sector.

The Group's main innovations in this area include:

- nanostructured PMMA (polymethyl methacrylate) to replace glass;
- Rilsan® polyamide to replace metal; and
- acrylic or polyamide thermoplastic composites.

ARKEMA won the 2012 Pierre Potier Award, an annual prize rewarding chemistry innovations serving sustainable development, with Altuglas® ShieldUp, its new lightweight and ultra-tough acrylic glass based on a technology entailing the nanostructuring of the material. The outstanding properties of this material in terms of impact resistance, chemical stability and transparency, enable the replacement, in the automotive industry, of glass, which is twice as heavy. Hence it contributes to reducing the weight of vehicles and therefore fuel consumption.

The Group also develops evolutions or new applications for its products contributing to saving energy.

Its CECA subsidiary, for example, has developed a range of bitumen additives for warm mix asphalt techniques that afford energy savings of 20 to 30%, for road bitumen application.

ARKEMA has also developed the Kynar Aquatec® resin, an aqueous formulation for white paint used in reflective roofing with a lifetime far in excess of conventional paint, which allows a reduction in air-conditioning requirements in regions with strong sunlight.

2.3.3 DEVELOP PRODUCTS FOR IMPROVING WATER QUALITY AND ACCESS TO WATER

Water treatment is also one of the Group's major R&D themes. The main products and solutions developed for this purpose are fluorinated polymer membranes as well as the filter aids of its CECA subsidiary.

The Group also markets a variety of products for water treatment:

- acrylic acid is used to manufacture polyacrylates used in water treatment plants for the flocculation of suspended solids;
- hydrogen peroxide is used as an agent to minimise chemical oxygen demand. ARKEMA was presented with the Pierre Potier prize in 2011 for an innovative process which consists in using hydrogen peroxide to eliminate sulphur residues from industrial effluents. A clean reagent, hydrogen peroxide only has water and oxygen as by-products, and offers the benefit of generating neither wastewater sludge nor toxic by-products;
- Rilsan® fine powders have been chosen by many large municipalities for the coating of their drinking water systems as well as wastewater treatment equipment due to their toughness, stability and flow properties.

2.3.4 UTILIZATION OF RENEWABLE RAW MATERIALS TO PRESERVE FOSSIL RESOURCES IN THE FACE OF GROWING POPULATION NEEDS

By developing products from renewable raw materials, the Group contributes to the drive to preserve non-renewable fossil materials. Its developments concern biosourced polymers, as well as derivatives from glycerol and vegetable oils.

The Group's R&D policy and actions are described in further detail in section 1.5 of this reference document.

2.4 ENCOURAGE OPENNESS AND DIALOGUE WITH ALL STAKEHOLDERS

2.4.1 TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE GROUP'S ACTIVITY

ON EMPLOYMENT AND REGIONAL DEVELOPMENT

ARKEMA's social responsibility is embodied in the support provided to the development of the territories in which the Group is present or is involved.

The Group's activity generates tens of thousands of direct and indirect jobs around the world, and so plays a role in the economic and social development of the regions in which it operates.

In 2012, the Group's investments made a direct and indirect contribution to employment of the order of 2,800 full-time equivalent jobs. Additionally, the effect of these investments on the economic fabric of the regions concerned equates to 5,800 full-time equivalent jobs.

In France, as part of the redeployment of its activities, the Group takes steps to compensate for potential job losses and contributes to revitalising economic regions. These actions are laid down in the revitalisation agreements legal framework signed with local authorities, and take the form of a variety of measures, including:

- financial support for setting up companies;
- prospection and assistance for the development of new companies; and
- technological support for innovative companies.

The project "*Lacq Cluster Chimie 2030"* is one example that demonstrates ARKEMA's territorial commitment to the South West economic region of France.

ARKEMA and its partners, Total and Sobegi, inaugurated the "*Lacq Cluster Chimie 2030*" (LCC30) project in June 2012. This cluster represents the end-result of many years of studies by all three partners in order to put forward, in the wake of the shutdown of commercial gas operations by Total, an exemplary industrial reconversion of the site and ensure the long-term future of economic activity and employment in the Lacq region. Hence the three partners will be investing €154 million into transforming the Lacq industrial platform into a centre of excellence in fine chemicals and specialty chemicals. This investment benefits from backing from the French State and from local communities. LCC30 will help extend over the next thirty years gas extraction in Lacq, at a lower output rate, to provide energy and sulphur-based raw material to the players of the Lacq industrial platform. The new facilities, operational from fourth quarter 2013, will be designed to bring to the local chemical industry, in particular ARKEMA, competitive supplies of gas, sulphur and energy (electricity and steam). In total 950 jobs will be safeguarded as a result.

Eventually, LCC30 aims to attract other manufacturing companies, of all sizes, which will be able to benefit through Sobegi of the utilities and competitiveness needed for their activities. The project has been given French State backing of some €6 million allocated by OSEO (*Établissement public à caractère industriel et commercial* – EPIC) as part of the call for "strategic industrial sectors" projects of the *Programme d'Investissements d'Avenir*, as well as that of local and regional authorities.

Major industrial groups like ARKEMA can strengthen their policy of support to innovative small and medium-sized enterprises (SMEs) through joint projects or by acquiring a stake in them. This entails, for example, individual research centres establishing a close cluster unit with a neighbouring school or laboratory, while putting in place the conditions of a partnership with local SMEs.

The technological platforms developed by ARKEMA do not operate independently from one another, but feed into one another. Hence academic work, university research, major laboratories, manufacturers and application sectors work together in the form of large structured projects, pooling a variety of competences. Such is the role too of resources like the framework programmes for Research and Development within the European Union, or in France with Agencies such as *Agence Nationale de la Recherche* (ANR) or OSEO.

Alongside these major partnerships, a more local approach must have its place as geographic proximity between teams promotes exchanges in the field. This is the foundation of the Group's action, for example in France with the Aquitaine, Lorraine, and Rhône-Alpes regions.

This initiative aptly coincides with the growing importance given by the public authorities to the regions of Europe in terms of research, in particular through competitiveness clusters.

ARKEMA is indeed one of the founding members of Axelera, a world-scale competitiveness cluster based in Lyon area (France) which brings together and coordinates players from industry, research and education around a chemistry and environment related theme. With over 220 participants including 40% from SMEs, the cluster has generated a genuine innovation impetus, and became one of Europe's leading industrial and scientific cluster. One hundred and twenty-two R&D programmes have been accredited and funded by Axelera for a total amount exceeding €400 million, including €150 million allocated to implementing projects for establishing companies as well as plant and equipment. 400 people are involved in these projects.

Following on from Axelera, ARKEMA is also a founding member of IDEEL, the low-carbon energy and ecotechnologies institute based in Lyon working on designing the manufacturing plant of the future and on process thermal optimization.

The Group is also a member of other competitiveness clusters to underpin research and contribute to the emergence of innovative solutions that create jobs: Plastipolis (plastics cluster), EMC^2 (technological clusters dedicated to composites for aerospace, aeronautics), IAR (competitiveness cluster for Industries and Agro-resources), Mov'eo (competitiveness cluster for automobile and public transportation).

Finally, ARKEMA is involved in calls for expression of interest ("*appels à manifestation d'intérêt*"), namely projects to create major industrial sectors in France (designing photovoltaic panels and thermoplastic composites for the car of the future, to name but two).

ON LOCAL OR NEIGHBOURING POPULATIONS

The Group is fully aware of the concerns of civil society about the chemical industry, and so ten years ago put in place an innovative long-term approach to relations with people living near its industrial sites, called Common Ground®. First launched in France, the Common Ground® initiative has been gradually rolled out in every country in which the Group and its subsidiaries operate. After being first launched in Europe (Germany, Italy and Spain), it is now in place in China. In the United States, this initiative is one of the components of the Responsible Care® program approved by the American Chemistry Council (ACC).

2.4.2 RELATIONS WITH STAKEHOLDERS

2.4.2.1 CONDITIONS OF DIALOGUE

For several years now, changes to the regulatory framework has encouraged a consultation, dialogue and information process on the Group's actions that have a strong impact on the environment.

ARKEMA goes beyond the scope of the regulatory framework, and put in place conditions for dialogue with all stakeholders.

In France, 2012 saw many local information and consultation committees as part of the implementation of the "plans for the prevention of technological risks" (PPTRs) for the Pierre-Bénite, Jarrie, Saint-Auban and Marseille sites.

In the United States 60% of the Group's sites are involved in mandatory "Community Advisory Teams" or in "Community Advisory Panels" in order to share with local people information on the sites' activities, and address their concerns. These can be monthly, annual or biannual meetings. In 2012, ARKEMA plants that took part in these initiatives included Calvert City, Bayport, Beaumont, Clear Lake and West Chester.

Managers of manufacturing sites roll out the Common Ground® initiative in order to develop with elected officials and local populations relations based on mutual understanding and trust. Listening, talking, explaining, informing on the operation of plants, on the control of risks to safety, the environment and health, on innovation and the everyday application of the products manufactured, are the guiding principles of this initiative.

It is based on 3 vectors:

- **Listening in order to understand expectations**

  One of the aims of Common Ground® is to give a vital place to listening to the local communities and provide answers to the expectations voiced by stakeholders. In order to pinpoint these expectations, the Group has carried out opinion surveys designed to understand the questions and concerns of people living near its industrial sites. The findings of these surveys are used to assess the perception of our manufacturing sites by the local residents and the impact of relations developed with their local environment. Over the years, the findings of surveys have shown that the climate is now more favourable, in particular with fewer concerns on the perception of industrial and chemicals risks. These surveys also provide guidance to help improve the Group's community relations actions. A new wave of opinion surveys is planned between 2013 and 2016.

- **Talking and explaining the activities**

  Every industrial site in the Group is committed to developing and fostering regular and constructive dialogue with its stakeholders by informing them of the nature of its activities, highlights in the life of the site or its projects, its records and targets in terms of industrial safety, its environmental performance, its situation *vis-à-vis* current regulations, incidents or accidents that have occurred, and corrective measures adopted.

  The plants regularly organise Common Ground® initiatives such as open days, guided tours, exhibitions, etc. This gives participants the opportunity to become acquainted with products, manufacturing processes, measures available regarding the control of risks and the protection of health and the environment of the Group. These visits also help promote direct dialogue between the participants and the plants' personnel.

  In 2012, 278 Common Ground® initiatives were carried out worldwide, and 70% of the companies of the Group took an active part in these events.

In the United States, fourteen Common Ground® initiatives were conducted, including three open day events. Every site has put in place a program to foster community relations with the local population based on trust, and some examples of the program are presented on the Arkema Inc. website.

France and the United States were the two countries that organised the largest number of initiatives of this type for the benefit of local people.

- **Preventing risks and making progress**

The steady improvement of industrial safety, and of the protection of the environment and health in order to promote a culture of risk prevention, is a priority for all ARKEMA sites. In this regard, the Group is fully in line with the "real-time communication" approach initiated by the French chemical industry, and systematically informs the press of any incident, even minor ones, occurring in a Seveso classified industrial facility. The Group considers that "real-time communication" is key, and that it bolsters trust with local people, the local press, elected officials and other stakeholders, and so is planning to extend, as appropriate, this type of actions to all its sites around the world. As part of a proactive initiative, ARKEMA regularly organises the simulation of incidents or accidents in order to test the complementarity of emergency response resources on the site and from outside emergency services, as well as alert and information procedures and methods for the protection of local people.

2.4.2.2 PARTNERSHIP AND SPONSORSHIP ACTIONS

The "*Étonnante Chimie*" (Amazing chemistry) operation, set up in partnership with *Palais de la découverte* in Paris (France) to celebrate the International Year of Chemistry in 2011, continued in 2012 and will be extended to 2013. Almost ten thousand visitors were able to discover in 2012 the everyday uses of the products derived from the science of molecules, thanks to a programme of experiments and presentations given in an entertaining and interactive mode by the scientific mediators of *Palais de la découverte*.

In 2012, as they have done regularly since 2003, many sites in France took part in the 21st edition of the *Fête de la Science* organised by the French Ministry for Higher Education and Research focusing on the theme of "Sustainable Development".

A large number of employees rallied to help people discover the extraordinary diversity of disciplines, exchange ideas with the general public, convey their knowledge to young people, and arouse vocations.

Across the world, ARKEMA is committed to the world of education.

In 2012, ARKEMA took part in France the 16th edition of *Mondial des Métiers*, a professional show for information on jobs and career choices. Throughout the show, employees from French Group sites in Rhône-Alpes (sites of Balan, Jarrie and Pierre-Bénite plants, Coatex, CETIA and CRRA) presented the diversity of the chemical professions within ARKEMA.

Similarly, Arkema France took part in the "*Village de la chimie*" event, which attracted some 7,000 visitors.

ARKEMA has signed the "*Ordinateurs Solidaires*" charter signifying its long-term commitment to access to Information Technologies for all, and the development of jobs to help people join the world of work.

Created in October 2008 under the aegis of *Fondation de France* and ARKEMA, *Fondation ENSIC* (*École Nationale Supérieure des Industries Chimiques*) aims to promote access to the school's curricula by granting scholarships to students experiencing financial hardship. In 2011 and 2012, the foundation provided assistance globally to 20 students.

In the United States, Arkema Inc. has been running a teaching module called "Science Teacher Program" since 1996. This has already benefited hundreds of researchers and teachers, who have been able to share their experiences with tens of thousands of students over the years. This program receives funding from the Arkema Inc. Foundation, and is offered in particular to young people on scholarships or registered with social programs.

In 2012, 63 American elementary school teachers took part in this training in regions where ARKEMA operates production facilities or research laboratories. Twelve sites took part in these events.

In China, ARKEMA is involved in Albatross Foundation, a worldwide association aiming to educate young people in the protection of the environment.

At the Qingwei primary school in Shanghai (China), fourteen employees from Arkema Hydrogen Peroxide Co., Ltd took part in an educational project involving 240 pupils who each received an educational book published as part of this program.

2.4.3 FAIR PRACTICES, REJECTION OF CORRUPTION

ARKEMA is committed to complying with antitrust regulations and to rejecting corruption and fraud in all its forms.

Compliance with these rules and the rejection of corruption is based in particular on two principles: (i) integration of these rules in the Group's Code of Conduct, and the commitment of its employees potentially concerned to complying with it, and (ii) the existence of a procedure of control for minimizing the risk of corruption and fraud.

ARKEMA'S CODE OF CONDUCT AND COMPLIANCE PROGRAM

ARKEMA and its employees are guided in their actions by rules and principles of conduct.

These rules, based on the Group's values and ethics, have been set out in ARKEMA's Code of Conduct.

The ARKEMA Code of Conduct is accessible on the Company's intranet and internet websites.

The Group prevents and condemns all forms of fraud and corruption in its commercial dealings with its partners.

ARKEMA observes all international agreements and laws applicable in the countries in which the Group conducts its activities.

Accordingly, no employee may offer, supply or accept, directly or indirectly, any undue advantage of a pecuniary or any other nature, the purpose of which would be to secure a business relation or any other facility. Those partners particularly concerned are people holding public authority, customer agents or employees, financial or banking organisations, and political parties.

Additionally, ARKEMA has put in place a Compliance program designed to ensure strict compliance with competition rules by ARKEMA, its subsidiaries and their employees.

The resources employed to ensure the correct operation of this program are:

- the personal accountability of every employee, at all levels, regarding compliance with competition regulations through initiatives raising awareness of competition rules in each Business Unit (BU);
- the introduction of specific procedures in the BUs;
- information on rules and correct conduct on competition matters through a Competition Practical Guide provided to employees.

The ARKEMA Compliance Program is accessible on the Company's intranet site.

Compliance by ARKEMA and its employees with the Code of Conduct and the Compliance Program is regarded as key as part of the Group's activities.

PROCEDURES FOR MINIMIZING CORRUPTION RISKS

An ethics mediator is responsible for following up ethics-related matters in the Group.

He is appointed by Arkema's Chairman and Chief Executive Officer.

The ethics mediator is fully familiar with the Group's activities and professions, and his career situation ensures the independence of his judgement.

For all practical questions, generally, regarding an ethical issue, and particularly any problem in applying the ARKEMA Code of Conduct, the ethics mediator may be called upon either by the Senior Management or by any employee, or he may himself refer matters for his consideration.

In order to minimize the risk of situations arising that may lead to corruption, ARKEMA also takes steps to select reliable partners, through an appraisal process involving its commercial intermediaries, in particular by a commission charged with *ad hoc* examining business intermediaries contracts which meets and covers the worldwide business base in order to evaluate any new commercial intermediary of ARKEMA.

Finally, the Audit and Internal Control Division conducts regular audits of the Group's subsidiaries which involve analyzing the various management processes of these subsidiaries, help identify possible risks of fraud, and set out the necessary corrective actions, as mentioned in paragraph 1.6.1 of this reference document.

2.4.4 SUBCONTRACTING AND SUPPLIERS

SOCIAL AND ENVIRONMENTAL ISSUES IN THE PROCUREMENT POLICY

In order to build long-term relations with its suppliers, ARKEMA adopts a responsible behaviour towards them. It establishes balanced and durable relations, based on trust.

Its approach is based on the ethics principles set out in its Code of Conduct described in section 2.4.3 of this reference document. Relations with suppliers must be based on trust, develop in a straightforward manner, with contractual terms and conditions negotiated fairly, including regarding intellectual property rights.

ARKEMA is in fact a signatory to the French national inter-company charter of the buyers professional organisation (CDAF) as well as *Médiation Inter-Entreprises*, which holds out 10 responsible procurement commitments.

The procurement policy of the Group's Goods and Services Purchasing Division provides for all employees to be aware of procurement ethics rules and the need to conduct their duties both in terms of ethics principles and a sustainable development approach. These requirements are systematically recalled to the buyers during training and information events.

In some cases goods and services buyers also approach suppliers of services or equipment that promote energy savings as well as the optimisation of waste treatment and recycling activities.

As regards raw material procurement, the Group favours a collaborative approach with certain strategic suppliers, and engages in the joint improvement of the supply chain in terms of safety and the environment.

In its logistics purchases, ARKEMA includes *inter alia* a "carbon footprint" dimension when selecting its suppliers and transport methods. Generally speaking, when the technical and economic conditions are met, the choice of supplier and transport method will favour slow and low-emission methods such as rail, barge, maritime bulk or container rather than road and air. These concerns also converge with the need to control transportation risks as mentioned in paragraph 1.6.2.2 of this reference document.

SOCIAL AND ENVIRONMENTAL ISSUES IN RELATIONS WITH SUPPLIERS AND SUBCONTRACTORS

In order to build long-term relations with its suppliers, ARKEMA also expects a responsible behaviour from its suppliers. Its approach is guided by the ethics principles set out in its Code of Conduct described in section 2.4.3 of this reference document.

Suppliers are encouraged to comply with principles that are equivalent to those set out in ARKEMA's Code of Conduct.

ARKEMA's Code of Conduct develops principles of respect of cultures and traditions in the countries in which it operates, compliance with the laws and regulations applicable in particular as regards the environment, competition and social law. It also sets out the principle of rejection of all forms of corruption.

Selection of a supplier is based on fulfilling a requirement in optimum conditions of performance, cost, quality, and compliance with Responsible Care® principles, in particular on safety, environment and regulatory compliance issues.

The Group's goods and services procurement policy is provided to all suppliers and as part of calls for tenders.

The Group's goods and services procurement departments regularly analyse the performances of their main suppliers, in particular as regards safety. The safety of personnel of external companies present on its sites is just as important for ARKEMA as the safety of its own personnel. Accidents involving personnel of external companies present on ARKEMA's sites are included in the computation of ARKEMA's accident rate.

As regards its logistics purchases, ARKEMA selects its hauliers taking account of their safety, security and environment performances. The procedures used to select road hauliers for hazardous materials are based on evaluations conducted by organisations such as SQAS (Safety and Quality Assessment System) in Europe. Similarly, ships used around the world for the bulk transportation of ARKEMA's products are vetted by third parties beforehand.

In terms of raw material procurement, ARKEMA also conducts an evaluation of its suppliers on the basis of pre-approval questionnaires. These questionnaires are designed to assess their management system and/or their adherence to the principles of the Responsible Care® programme or their certifications based on ISO type reference standards.

ARKEMA's Audit and Internal Control Division also conducts audits of the Group's subsidiaries every year, which involve various tests on supplier approval and evaluation procedures and on practices and risks related to the procurement of raw materials as well as goods and services.

2.5 PROMOTE THE INDIVIDUAL AND COLLECTIVE DEVELOPMENT OF THE GROUP'S MEN AND WOMEN

ARKEMA conducts its operations through various industrial sites located essentially in Europe, America and Asia, as well as sales subsidiaries in some forty countries.

The ARKEMA's human resources policy is based on individual development actions and on actions centered on collective working conditions.

Individual development includes recruitment, training and career path. Its end-purpose is to consolidate everyone's competences and know-how. Internally it relies on a policy of recognition and fair compensation. Benchmarking studies against other companies are conducted at regular intervals.

Actions based on collective conditions are based on a continuous improvement rationale. They include all actions that improve working environment and prevention with the employees' health in mind. They also endeavour to foster a good social climate, while reinforcing diversity of origin, profile and background of the Group's employees and safeguarding the quality of corporate open dialogue in house.

Social reporting

The scope of consolidation of social data concerning ARKEMA's personnel corresponds to the Group's management scope, which includes all subsidiaries at least 50% owned by one or more Group companies. The compilation and consolidation of quantitative data and the generation of reporting are based on a management resource called AREA 1 developed in house by ARKEMA's IT Division.

Every company records personnel employed under an employment contract. Trainees/interns and temporary workers are not included in the headcount. Personnel numbers are recorded regardless of their working hours on the basis of the "one-for-one rule".

Additional information and social indicators are the subject of new reporting for 2012 via the AREA 2 compilation system developed in house by the IT Division, as with AREA 1. The scope of consolidation of this data covers all Group companies that are 50% minimum owned and have a headcount of over 30 people, which represents 97% of the Group's overall headcount. This reporting is to be rolled out over the next few years.

Further details on the compilation and computation methods used as well as on the limits they might present are given in section 2.6 of this reference document.

2.5.1 EMPLOYMENT

The figures given in the following paragraphs concern the ARKEMA headcount. For 2010 and 2011, the figures include personnel for the vinyl activities which were divested early July 2012 (see section 4.3.3 of this reference document).

2.5.1.1 TOTAL HEADCOUNT AND BREAKDOWN BY SEX, AGE AND GEOGRAPHIC REGION

Evolutions between 2010 and 2012

The evolution of headcount over the last three years and its geographic breakdown are as follows:

Total headcount by geographic region	31/12/2012	31/12/2011	31/12/2010
France	6,722	8,467	8,189
Rest of Europe	1,954	2,590	1,964
North America	2,574	2,790	2,369
Asia	2,332	1,629	1,224
Rest of the world	343	300	157
TOTAL ARKEMA	**13,925**	**15,776**	**13,903**
incl. permanent contracts (1)	*13,349*	*15,277*	*13,449*
incl. fixed term contracts	*576*	*499*	*454*

(1) See methodological note in the section 2.6 of this reference document.

The main sources of variation of headcount between 2011 and 2012 are the divestment of the vinyl activities, in July 2012, resulting in 2,521 employees leaving the Group, including 2,297 in Europe, and the acquisition of Chinese companies Suzhou Hipro Polymers Co.Ltd. and Hebei Casda Biomaterials Co.Ltd. resulting in 767 people joining the Group in Asia.

Breakdown by category and sex

At 31 December 2012, managerial positions accounted for 24.9% of Group employees. Female employees in the same year accounted for 23.4% of Group employees.

Geographic region	Managerial	Non Managerial	Male	Female
France	1,385	5,337	5,139	1,583
Rest of Europe	453	1,501	1,545	409
North America	1,103	1,471	2,022	552
Asia	437	1,895	1,685	647
Rest of the world	93	250	269	74
TOTAL ARKEMA	**3,471**	**10,454**	**10,660**	**3,265**
incl. permanent contracts	*3,411*	*9,938*	*10,314*	*3,035*
incl. fixed term contracts	*60*	*516*	*346*	*230*

Breakdown by age range, category and sex

	Managerial			Non Managerial			All		
Age range	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Under 25 years	29	11	40	436	215	651	465	226	691
25 to 29 years	127	80	207	699	250	949	826	330	1,156
30 to 34 years	239	107	346	959	348	1,307	1,198	455	1,653
35 to 39 years	304	163	467	1,114	294	1,408	1,418	457	1,875
40 to 44 years	410	163	573	1,214	342	1,556	1,624	505	2,129
45 to 49 years	452	152	604	1,260	343	1,603	1,712	495	2,207
50 to 54 years	471	126	597	1,168	261	1,429	1,639	387	2,026
55 to 59 years	372	66	438	962	240	1,202	1,334	306	1,640
60 to 64 years	157	19	176	239	78	317	396	97	493
65 years and above	22	1	23	26	6	32	48	7	55
TOTAL	**2,583**	**888**	**3,471**	**8,077**	**2,377**	**10,454**	**10,660**	**3,265**	**13,925**

2.5.1.2 EVOLUTION OF NUMBER OF EMPLOYEES: JOINERS AND LEAVERS IN THE GROUP

The recruitment policy is designed to secure the highest level of skills for the Group in order to underpin its development.

In keeping with its founding values (simplicity, solidarity, performance and accountability), ARKEMA attaches, in its recruitment process, a great deal of importance to cultural openness in applicants, their ability to work in teams and bring solutions, and their entrepreneurial skills.

ARKEMA has drawn up a recruitment charter to help promote the principles of fairness and non-discrimination in the selection of job applicants.

To facilitate the job application process and standardise recruitment procedures, ARKEMA uses a dedicated tool on its website (www.arkema.com). Used by every Group entity worldwide, this tool under the Human Resources heading of the Group's website helped receive a large number of job applications in 2011 and 2012. Interfaced with the AGEFIPH website (association for management of funds for disabled people in work), it compiles applications in response to the vacancies in the Group that fulfil the Group's diversity and equal opportunities commitments.

Relations with the world of education

Mindful of optimising recruitment, the Group fosters special relations with the best educational and training structures for all its activities.

In France, ARKEMA takes part in many school events, such as recruitment forums, presentations, and sites visits. Initiatives involving schools aim to foster exchanges around ARKEMA and its activities with undergraduates from generalist engineering schools (*Mines de Paris*, *Centrale Paris*, *Polytechnique*), schools of chemistry (ESPCI, *Chimie Paris*, ENSIC, ENSIACET, etc.), business schools, in particular ESSEC and ESCP Europe, and technical colleges in the fields of safety and maintenance.

ARKEMA is one of the industrial partners of the "Sino-French Program in Chemical Sciences & Engineering" of *Fédération Gay Lussac* and the East China University of Science and Technology in Shanghai (ECUST). These programs aim to train chemical engineers with a dual French and Chinese culture, and so help fulfil ARKEMA's expectations in terms of its development in Asia, in particular in China. In 2012, ARKEMA welcomed on two occasions students from the first ECUST/Gay Lussac class, firstly to its Shanghai site in China, and secondly to its Pierre-Bénite site in France.

In the United States, every year the Developing Engineer Program enables ARKEMA to take on four to six engineering undergraduates from the top American universities for concrete training internships on its industrial sites over five years.

Every year, ARKEMA also offers many opportunities for training, apprenticeship contracts, graduation projects, and international volunteer internships (*volontaire international en entreprise*, VIE). Graduation internships, international volunteer internships and graduation projects are managed at corporate level to ensure closer monitoring of the Group's recruitment pool.

In 2012, Arkema France adopted a proactive policy regarding work-study trainees, for both managerial and non-managerial positions, with a target of 3.5% of headcount in 2012, 4% in 2013, and 5% in 2015.

In 2012, the number of work-study trainees at Arkema France accounted for 3.1% of this company's headcount.

Recruitment trends between 2010 and 2012

During 2012, the Group recruited 883 employees under a permanent employment contract.

These recruits concerned all of the Group's worldwide activities.

Permanent recruits by geographic regions	2012	2011	2010
France	278	424	302
Rest of Europe	42	80	59
North America	254	314	269
Asia	265	229	219
Rest of the world	44	32	19
TOTAL ARKEMA	**883**	**1,079**	**868**

Geographic breakdown of recruits by category and sex

In 2012, 29.8% of recruits concerned managerial profiles. Female recruits accounted for 23.2% of the total and 30.4% of managerial recruits.

Per geographic region in 2012	Managerial	Non Managerial	Male	Female
France	72	206	221	57
Rest of Europe	16	26	34	8
North America	102	152	188	66
Asia	62	203	203	62
Rest of the world	11	33	32	12
TOTAL ARKEMA	**263**	**620**	**678**	**205**

Breakdown of recruits by age range, category and sex in 2012

	Managerial			Non Managerial			All		
Age range	Male	Female	Total	Male	Female	Total	Male	Female	Total
Under 25 years	13	7	20	111	31	142	124	38	162
25 to 29 years	29	14	43	131	42	173	160	56	216
30 to 34 years	31	13	44	87	15	102	118	28	146
35 to 39 years	32	15	47	57	14	71	89	29	118
40 to 44 years	28	12	40	44	10	54	72	22	94
45 to 49 years	26	7	33	29	6	35	55	13	68
50 to 54 years	13	8	21	26	5	31	39	13	52
55 to 59 years	9	2	11	8	2	10	17	4	21
60 to 64 years	2	2	4	1	0	1	3	2	5
65 years and above	0	0	0	1	0	1	1	0	1
TOTAL	**183**	**80**	**263**	**495**	**125**	**620**	**678**	**205**	**883**

Leavers

In 2012, ARKEMA recorded 4,092 leavers, including 2,521 resulting from the sale of the vinyl activities in early July 2012 and 158 from the divestment of Peninsula Polymers LLC and of the tin stabilizer business of Arkema Inc.

Leavers by geographic region	France	Rest of Europe	North America	Asia	Rest of the world	Total
All leavers	**2,311**	**786**	**505**	**455**	**35**	**4,092**
of which resignations	72	39	99	174	21	405
of which redundancies	17	45	120	4	5	191
of which leavers resulting from divestment/merger	1,675	622	181	201		2,679

2.5.1.3 COMPENSATION AND COMPENSATION TRENDS

Overall compensation is a key element of the Group's human resources policy. It aims to valorize and reward fairly the contribution from every employee to the Group's success.

Implemented by the management, it represents a key tool in allowing recognition of the performance and commitment of employees in areas that are essential to the Group's development such as growth, innovation, safety, industrial reliability, and competitiveness.

To strengthen the link between contribution and compensation, all executive posts have been rated in accordance with the Hay method. This initiative is being gradually rolled out to all posts, in particular in France.

The compensation structure comprises a number of components: fixed part, individual variable part, collective variable part which are applied differently based on the posts and the countries. It fulfils a number of objectives:

- compensate individual and collective performance;
- develop a sense of responsibilities in everyone, and involve all personnel in the achievement of objectives;
- ensure competitiveness within the job market;
- compensate fairly, and ensure consistency internally; and
- control costs.

Accordingly, in almost 40 Group companies, accounting for over 90% of all headcount, there are, for some employees, personal variable compensation elements, the amount of which is based on individual performance and a contribution to the collective performance of a Business Unit, a country, or the Group.

Collective variable compensation elements help about 85% of employees share in the Group's development and its economic and financial performance. In France, profit-sharing and incentive agreements are part of this framework.

Over and above fixed and variable compensation elements, Group employees also benefit from deferred compensation in the form of employee shareholding and employee savings schemes.

The vast majority of Group employees, 98%, benefits from guarantees in terms of minimum compensation.

Incentives and profit sharing

In addition to the profit-sharing scheme required by law in France, the Group's French companies have set up an incentive scheme giving all employees a share of profits and incentives to meet certain performance objectives, so as to promote the Group's growth. These schemes are specific to each subsidiary, but based on the same principles. Incentive compensation is made up of two components, firstly a bonus based on economic results, and secondly a performance bonus defined by each facility based on achieving objectives specific to each facility.

The incentive agreement of Arkema France was renegotiated by a collective agreement signed on 28 April 2011 by the CFDT, CFE-CGC, CFTC and CGT-FO trade unions. It is valid for three years, and covers the 2011, 2012 and 2013 financial years. Total incentive compensation that can be paid out for a given year represents a maximum of 5.7% of total payroll.

In accordance with the provisions of social security amending finance law n° 2011-894 of 28 July 2011 for 2011, management and trade unions met at Group level in order to negotiate the terms of the profit-sharing bonus for employees. The parties were unable to reach an agreement, and so a €300 profit-sharing bonus for every Group employee in France was put in place by unilateral decision.

Employee share ownership

Since its spinoff in 2006, ARKEMA has been conducting a dynamic employee share ownership policy, and every other year offered its employees in twenty or so countries, representing some 95% of its personnel, the opportunity to subscribe for the Company's shares under special terms, up to 1,000 shares maximum: 20% discount on the average share price of the twenty trading sessions preceding the Board of Directors meeting setting the subscription price, and possibility of spreading the subscription payment over two years, in particular.

Accordingly, share capital increase operations reserved for employees were implemented in 2008, 2010 and 2012.

The 2012 operation proved a major success with employees: 6,150 subscriptions were registered, representing an average take-up rate of 30%, a significant increase over previous operations.

In countries where the share capital increase operation cannot be offered, mostly due to legal reasons, free shares were awarded to the employees concerned.

In addition to the above measures, a "Share Incentive Plan" is also in place in the United Kingdom allowing employees to purchase Arkema shares on a regular basis under tax-efficient conditions.

As at 31 December 2012, employee share ownership at Arkema stood at 4.87%.

Employee savings schemes

A Group Savings Plan (*Plan d'Épargne Groupe* – PEG) and a Collective Pension Savings Plan (*Plan d'Epargne pour la Retraite Collective* - PERCO) allow employees of Group companies in France to make voluntary contributions and invest their profit-sharing and incentive income.

They enjoy matching funding from the employer, of up to €800/year for PEG and up to €250/year for PERCO.

The investment structures available are the "*Arkema Actionnariat France*" company investment collective fund (*Fonds Commun de Placement d'Entreprise* – FCPE) (PEG) entirely invested in the Company's shares, and a range of multi-company FCPE funds offering the choice of investment in different asset classes (equities, bonds, money market), as well as structured funds offering capital guarantees.

Performance shares and stock options

These measures, set up in 2006, complement the compensation packages described previously.

Performance share award schemes put in place in 2006 are compensation and retention tools for the benefit of employees with responsibilities whose exercise influences the Group's results, as well as employees whose performance, or participation in a project, has been outstanding.

Every year, between 600 and 700 people, *i.e.* some 5% of personnel worldwide, are awarded performance share rights.

The plan rules provide for a vesting period of two or three years, together with a holding period of two years, for employees of companies in France, and a vesting period of four years, with no lock-up period, for employees of companies outside France. The shares are definitively granted at the end of the vesting period, subject to the individual still being employed by a Group company and subject to compliance with performance criteria related to the economic performance of the Group, measured by EBITDA, and to the Group's performance compared to a panel of other chemicals producers.

In 2012, the beneficiaries of performance share rights were employed by 44 different companies in 27 countries.

Stock option plans are intended specifically for the Group's managerial employees.

The plans put in place until 2011 are designed to involve the beneficiaries in the Group's development and its stock market performance. As a retention tool, the deferment period for exercising the options has increased over the years. As a variable compensation tool based on the Group's economic performance, performance criteria conditioning the exercising of the options were introduced in 2010.

No stock options were awarded in 2012.

Further details on these compensation tools may be found in sections 3.4.4 and 5.2.6, and in note 28 to the consolidated financial statements at 31 December 2012 in chapter 4 of this reference document.

2.5.1.4 PENSION AND WELFARE BENEFITS

In most countries in which the Group is present, employees benefit from a mandatory public scheme covering risks related to death, disability, work incapacity, pension and health costs.

Additionally to these legal requirements, the various entities of the Group, both in France and abroad, are responsible for putting in place and keeping up to date social security and employee benefit provisions within the constraints of the agreed annual budgets, and in keeping with their needs and local practices. Thus, 81% of Group employees benefit from additional death cover, 89% from work incapacity supplementary cover.

As regards death cover, the aim is to put in place a guarantee representing at least 18 months' salary. Almost 73% of the global headcount benefits from this level of guarantee.

As regards retirement pension, the Group's policy is to favour defined contribution schemes rather than defined benefit schemes, and to limit very long term liabilities. The entities concerned have gradually closed their defined benefit schemes to new entrants, replacing them with defined contribution schemes.

This is the case in the United Kingdom and Germany where defined benefit schemes were closed to new entrants from 1 January 2002, on which date defined contribution schemes were set up.

In the United States, the following changes were made in 2006:

- the defined benefit plan was closed to employees recruited after 31 December 2006; and
- employees under age 50 at 31 December 2007 have frozen service in the plan; however, final pension benefits are based on actual final average earnings.

In the Netherlands, changes were made to the pension plan in 2006 to comply with new regulations, and the payment of a pension before the statutory pensionable age is no longer allowed. The corresponding pension liabilities are covered by an insurance policy in accordance with the law. In 2010, ARKEMA carried out a project to outsource pension commitments in the Netherlands concerning deferred members.

Further details may be found in note 19.3 to the consolidated financial statements at 31 December 2012 in chapter 4 of this reference document.

2.5.2 TRAINING AND INDIVIDUAL DEVELOPMENT

2.5.2.1 POLICIES IMPLEMENTED FOR TRAINING AND INDIVIDUAL DEVELOPMENT

Professional training concerns every employee, whatever their profession, level of responsibility or age. It is designed to develop or acquire the necessary skills to hold a position, facilitate moves to a new post, and fulfil the Company's expectations in terms of technical expertise or management practice. Accordingly, ARKEMA affirms its commitment to providing every employee with access to training throughout their career.

ARKEMA does not report "number of training hours per employee" data, as this indicator is currently not followed up in every country in which the Group operates. Consequently, and in order to monitor the evolution of the training drive, it has been decided to monitor over time the overall and individual expenditure for professional training. This reporting is currently under preparation, and should eventually cover all Group training expenditure.

As an example, in France ARKEMA allocates over €9 million to training its employees, *i.e.* 2.6% of the total salary bill for Group companies in France.

Career management is one of the cornerstones in the development of human resources at ARKEMA, as it helps diversify the experience of employees, as part of their career path, and so ensure that they improve their skills on a regular basis, which is essential to the Group's development. The Group's career management policy is unique, whatever the employee's status (managerial or non-managerial), country, age or sex.

2.5.2.2 CAREER MANAGEMENT

The mission of career management is therefore twofold:

- ensure that the company has the skills it needs now and in the medium term to carry through its development; and
- assist the employees in building up their career paths, by allowing them to enhance their skills and assisting them with their projects, based on the possibilities and opportunities within the Group.

The principles of this career management policy are as follows:

- provide every employee with the means to steer their career with the support they need at every stage;
- conduct a proactive internal promotion policy;
- identify and develop potential candidates in order to promote accountability and career development;
- promote functional or geographic mobility; and
- allow everyone to advance in the company, and build up their experience and skills, while ensuring the fluidity of the organisations.

2.5.2.3 INTERNATIONAL EXPERIENCE

The Group conducts its activities essentially in Europe, America and Asia. It runs three international human resources management programs that help capitalize on its international diversity by developing the skills of its personnel around the world.

International experts

Senior experts are sent to certain countries to work on major projects for the Group if their particular expertise is not already available locally. Their assignment is to launch and oversee the project, train the personnel, and transfer their skills. A number of these experts are currently involved in the Group's development projects in China.

Development program – a career landmark outside the home country

ARKEMA offers its young executives the opportunity to spend a few years abroad. This allows them to discover other practices, while giving them an additional asset in the progress of their career. Following a two to three year foreign posting, they return home, ready to share the wealth of new skills they have gained.

Exposure training

This three to six month training program allows ARKEMA personnel to broaden their field of expertise on one of the Group's sites used as training venue. This program utilizes the diversity and wealth of skills available within the Group, and is of as much benefit to those employees attending the training as it is to the host teams who can then discover another culture.

2.5.2.4 SPECIFIC PROFESSIONAL TRAINING PROGRAMS FOR EMPLOYEES

ARKEMA's training policy aims to boost its employees' skills in safety, health, the Group's professions and activities, and management.

To fulfil this ambition, new Group-wide programs are constantly being developed or updated, and various initiatives are implemented. These programs and actions relate in particular to knowledge of the Group and induction into the Group, taking up a managerial post, and raising management knowledge and skills, the prevention of stress at work, and the development of new professional skills in changing environments.

In terms of safety, ARKEMA continues to develop programs to heighten its employees' awareness of the main risks involved in their jobs, as well as adopt simple preventive behaviours.

The human resources development function communicates regularly with employees on career management principles, as well as on the professions and the vacancies in the Group.

2.5.3 ORGANISATION OF THE WORKING WEEK

2.5.3.1 WORKING HOURS

In every country, the Group implements working hours that comply with legal and professional requirements in this regard.

Employees work full time, and to a lesser extent part time. As an example, within Arkema France, working time amounts to 1,575 hours per year for a full-time employee, while the number of working hours for part-time employees ranges from 50 to 80% of the full-time quota. In the United States, working time amounts to 1,960 hours per year for a full-time employee, while the number of working hours for part-time employees ranges from 50 to 90% of the full-time quota. For the Group as a whole, part-time employees represent 3.3% of the overall headcount at 31 December 2012.

Bearing in mind the specific features of the Group's industrial activities, the organization of the working week involves, for some employee groups, continuous, discontinuous or semi-continuous work regimes.

In the event of additional workload or particular problems, the Group can, based on local current legislation and on the local job market, resort to fixed-term employment contracts, overtime, subcontracted work, or temporary staff agencies.

2.5.3.2 ABSENTEEISM

In 2012, the number of hours off work (excluding authorised leave) in the Group was 3.83% of total man-hours. Absenteeism on medical grounds represented 69.36% of the total number of hours off work.

2.5.4 DIALOGUE WITH SOCIAL PARTNERS

ARKEMA is committed to developing listening to and consultation with its employees, either directly in the form of internal surveys or *via* personnel representatives. In countries where the law does not provide for personnel representation, specific bodies can be set up locally. On a European dimension, a social exchange and dialogue body is in place, namely the European Works Council.

2.5.4.1 ORGANISATION OF DIALOGUE WITH SOCIAL PARTNERS

As part of its labor relations policy, the Group is developing an ongoing dialogue with employee representatives, across all Group entities, in accordance with cultural specifics and local laws and regulations.

At European level, the social exchange body is the European works council, comprising 23 members. Its make-up was reviewed following the changes to ARKEMA's business base following the divestment of the Group's vinyl activities in early July 2012. It holds a one-and-a-half day plenary meeting once a year to discuss issues within its remit, in particular:

- economic issues: market trends, commercial situation, level of activity, main strategic areas, development prospects, and objectives;
- financial issues: review of the Group's consolidated financial statements, review of annual report, investments;
- labor issues: the Group's labor policy, employment situation – current and future;
- environmental issues: the Group's policy, changes in European regulations; and
- organisational issues: substantial changes regarding the Group's organisation, evolution of its activities, creation or closure of activities concerning at least two European Union countries.

In 2012, the plenary meeting was held at the headquarters of Arkema on 22 June.

The liaison office of the European works council, which comprises eleven members appointed among personnel representatives within this council, meets with the management once every six months. One such meeting was held on 6 February 2012 in particular to review the vinyl activities divestment project.

Additionally, in 2012, the European works council held three extraordinary meetings, on 11 April and 3 May on the vinyl activities divestment project, and on 9 November as part of a meeting to appoint members of the council's liaison office.

In the United States, employees of union sites are covered by collective agreements negotiated with local and central trade unions. With an average three-year term, these agreements cover in particular compensation, the safety of people and processes, and the quality of life at work.

In the People's Republic of China, the first "Employee Representatives Congress" (ERC) of Arkema China Investment, ARKEMA's main structure in China, was elected on 20 December 2007 and put in place in January 2008. This body comprises at present 34 members who elected among them the four members of the "Presidium". The prerogatives of ERC are many, ranging from pay negotiations to safety and to training. This body complements the "Labour Unions" already in place at ARKEMA's industrial facilities in China.

Employee relations in relation to the Group's development

The Group's action is consistent with a structured permanent consultation approach with the personnel representative bodies, in order to accommodate changes in the Group.

In particular, the various reorganisation projects decided and implemented within the Group involve in-depth discussions with the personnel representative bodies as part of information and consultation procedures, both centrally and locally. Much attention is paid to the treatment of the social consequences of these changes. This policy was specifically implemented at the time of the divestment of the Group's vinyl activities.

- The spin-off and divestment project for ARKEMA's vinyl activities was presented to the central works council of Arkema France on 23 November 2011. This project was discussed and debated at several extraordinary meetings of this council in 2012: on 2 February, 28 and 29 March, and 26 April. In order to assist with the project, social and industrial guarantees were negotiated with the trade unions. They related in particular to the securing of strategic investments, the setting-up of social guarantees in the event of restructuring operations within the vinyl activities until 2019, the securing of the rights of employees taking early retirement, and the payment of a transfer bonus to those employees continuing to work for the activities being divested. All these guarantees were the subject of provisions in the 2012 financial statements, amounting to €33 million (see section 1.2 of this reference document);
- Following a number of meetings and exchanges on the Jarrie site of Arkema France and centrally, in particular with the intervention of an expert appointed by the site's works council, an extraordinary meeting of the Arkema France central works council was held on 8 March 2012, during which the council was consulted on a proposed new organisation. The changes to the site's organisation is the subject of a major social engineering programme (training, manpower and skill planning, support measures, etc.);
- On 21 September 2012, the central works council of Arkema France was consulted on a development project concerning the PVDF chain (Kynar®) impacting the Saint-Auban and Pierre-Bénite sites. On this occasion the project was received favourably. It had been discussed within the council on several occasions previously, in particular on 9 February and 20 June 2012. Problems encountered with local implementation have led to the project being withdrawn.

2.5.4.2 OVERVIEW OF PERSONNEL REPRESENTATION IN 2012

Percentage of Group employees, by geographic area, benefiting from personnel representation or/and trade union representation.

Personnel representation	2012
France	100%
Rest of Europe	98%
North America	98%
Asia	74%
Rest of the world	68%
TOTAL ARKEMA	94%

2.5.4.3 REVIEW OF COLLECTIVE AGREEMENTS SIGNED IN 2012

At Group level in France, an agreement was signed 5 January 2011 regarding Amendment n° 2 to the agreement establishing the European works council.

Arkema France reached ten company agreements since the beginning of 2012, as follows:

- amendment to agreement of 20 December 2002 on the harmonization of compensation structures – integration of ex Cray Valley personnel, reached on 11 January 2012;
- amendment n° 4 to company agreement on the *Ark'Santé* healthcare costs refund scheme, reached on 11 January 2012;
- agreement on the prevention of harsh working conditions within Arkema France, reached on 11 January 2012;
- amendment to agreement of 19 November 2006 on early retirement provisions as part of the reorganization of the Carling site taking account of the impact of the 2012 Social Security Financing Act, concluded on 9 March 2012;
- amendment relating to the impact of the 2012 Social Security Financing Act on early retirement provisions, concluded on 9 March 2012;
- agreement relating to the impact of the 2012 Social Security Financing Act on voluntary early retirement provisions, concluded on 9 March 2012;
- three-year agreement on gender equality in the workplace, concluded on 30 March 2012;
- agreement on the renewal of provisions for exemption from duties in favour of shift personnel, concluded on 30 March 2012;
- agreement on part-time working, concluded on 29 June 2012;
- agreement on 2013 salaries, concluded on 20 December 2012 as part of mandatory annual negotiations.

Within the French subsidiaries the following agreements were signed in 2012:

- Coatex:
  - agreement relating to 2012 salaries concluded on 11 January 2012,
  - agreement on standby duties, concluded on 20 January 2012,
  - agreement of taking people off shift work, concluded on 14 May 2012,
  - PERCO (*Plan d'Épargne pour la Retraite Collective*) agreement, concluded on 23 May 2012;
- CECA:
  - agreement relating to 2012 salaries, concluded on 9 February 2012,
  - agreement on prevention of harsh working conditions, concluded on 22 June 2012,
  - agreement on renewal of provisions for exemption from duties in favour of shift personnel, concluded on 10 July 2012,
  - framework agreement on the weighting of job functions for non managerial personnel, concluded on 21 December 2012,
  - agreement on the composition of the central works council, concluded on 21 December 2012, with six pre-election memoranda of understanding for all sites;
- Altuglas International S.A.:
  - agreement on gender equality in the workplace, concluded on 16 January 2012,
  - agreement on prevention of harsh working conditions, concluded on 16 January 2012,
  - agreement on the extension of the composition of the central works council, concluded on 23 February 2012,
  - agreement on 2012 salaries, concluded on 24 February 2012,
  - agreement relating to the composition of the central works council, concluded on 4 May 2012,
  - amendment to the agreement of 2 February 2010 on early retirement provisions as part of the reorganisation of the Sheet Europe business and applicable to the Bernouville and La Garenne-Colombes sites, concluded on 12 September 2012;

- MLPC International:
  - amendment to 2012 incentive payment, signed on 18 June 2012,
  - agreement on introduction of provisions for exemption from duties in favour of shift personnel, concluded on 12 July 2012.

Outside France, the employee relations policy within the Group and its affiliates is carried out based on local practices applicable to staff representation and employee/management relations:

- Germany: agreements reached with central works council and works councils of the various sites of Arkema GmbH concerned in particular on the use of the electronic travel schedule for sales people, on health, safety and quality in the workplace, on the smoking ban on company premises, and on an approach to working hours in tune with the different stages of life;
- Spain: Arkema Coating Resins concluded an agreement on short-time working measures for 50 days in 2012 and 50 days in 2013;
- Italy: Arkema Srl and Arkema Coating Resins Srl concluded a total of seven collective agreements in 2012, in particular on working hours, safety, and production stoppages; CECA Srl concluded three agreements, two of which on the performance bonus and the other on working hours at the head office;
- Netherlands: discussions took place over five meetings with the trade unions of the Vlissingen and Rotterdam sites, which resulted in company agreements;
- United States: six agreements were signed by Arkema Inc. They concern primarily the control of salary costs in a constraining environment, the security and safety of plants, and the quality of working life.

2.5.5 HEALTH AT WORK

2.5.5.1 CONDITIONS OF HEALTH AT WORK

In matters of prevention and protection of health at work, ARKEMA has undertaken continuous progress actions in two areas: stress and risks at the workstation.

Prevention of stress at work

Arkema France launched in 2008 a voluntary medical individual prevention initiative for stress at work. This is based on a diagnosis of employees' stress levels established at a medical check-up. ARKEMA also launched in 2009 a voluntary collective prevention initiative for stress at work designed to take action on the work environment where it has been identified as an "at-risk area" based on relevant indicators.

Protection of health at the workstation

Arkema France has developed a tool for monitoring individual exposure to toxic products, which is used jointly by occupational physicians and HSE departments in France. Another tool, called "MRT – *Management des risques et des tâches*" (Risk and Task Management) was rolled out in France, and in the United States. This comprehensive workplace risk analysis software helps with overseeing improvement actions. Ergonomic issues applied to existing working conditions or during the design of new plants have also been strengthened.

Awareness actions are also conducted on a regular basis on sleep, nutrition, and the risk of addiction.

Health and wellbeing

In 2012, Arkema Inc. further confirmed its commitment to the health of its employees and their families by formalizing the notion of a "Health Culture". Health Culture at Arkema Inc. includes projects and programs that encourage employees and their families to favour a healthy living environment in order to enhance productivity, support safety, and help minimize the need for medical care.

In France, the Group has organized training called "*Sommeil, Alimentation, Travail*" (Sleeping, Eating, Working) for members of occupational health departments.

"No drugs, no alcohol"

ARKEMA launched a drug and alcohol prevention initiative across the Group, the rollout of which was completed on 1 January 2008. One of the fourtheen Safety Essentials (as described in section 2.1.1.2 of this reference document) is devoted to this initiative.

2.5.5.2 MEDICAL CARE

Regular medical check-ups are available in 94% of the Group's companies, representing 84% of the Group's employees.

2.5.5.3 REVIEW OF AGREEMENTS SIGNED WITH TRADE UNIONS OR PERSONNEL REPRESENTATIVES ON MATTERS OF OCCUPATIONAL HEALTH

Prevention of stress

ARKEMA's voluntary initiative for the collective prevention of stress at work was the subject of an agreement for Arkema France, signed by four out of five trade unions, in May 2010. With this agreement, ARKEMA reaffirms its aim to offer each of its employees a working environment that is conducive to well-being at work.

This agreement covers collective preventive actions (such as training, communication and support to people) and the introduction of a procedure for identifying risk areas, analyzing them with a view to identifying stress factors, and putting in place corrective actions.

The consolidated findings of employee stress measurement questionnaires completed during medical checkups are part of the at-risk area identification process. Since 2010 the return rate for these questionnaires for all Arkema France sites has been 57% overall, with some disparity depending on the sites.

In accordance with this agreement, an Arkema France "occupational stress observatory" was rolled out in 2010. Centrally, it comprises occupational health departments, HSE and human resources representatives, as well as three employee representatives appointed by the trade unions signatory to the agreement. It meets at least once a year. At individual site level, it is represented at annual meetings attended by occupational physicians, human resources and HSE representatives, and two representatives appointed by the trade unions signatory to the agreement. The chairman of the works council and the CHSCT secretary (or his representative) are also invited to attend the meeting.

Since its creation, the role of the observatory has been one of monitoring the rollout over time of the action plans, and overseeing the impact of actions undertaken. It can formulate recommendations on action plans, and propose the extension, across the Company, of best practice observed at individual Group sites.

Accordingly, its work has involved:

- the Arkema France consolidated results of the medical observatory of stress;
- the design of stress prevention training actions;
- the drawing-up of monitoring indicators;
- the referencing of consultancies liable to analyze stress factors in depth in risk environments;
- communication and awareness actions on issues such as the use of mobile devices; and
- ways of strengthening social support at ARKEMA.

Early retirement of employees at asbestos classified sites

In France, eight sites previously or still in the Group were included by ministerial decree on a list of sites qualifying for early retirement provisions for asbestos workers. The Group cannot exclude the possibility that other sites may be added to this list in future.

Accordingly, on 30 June 2003 Arkema France concluded with all trade unions an agreement aimed at improving the retirement terms of its employees as part of these measures, and at accommodating the retirement date for those employees concerned in order to facilitate the transfer of skills and know-how within the Group. These measures were extended to all Group companies in France by a Group agreement concluded on 1st September 2007 with all trade unions. Further details may be found in note 21 to the consolidated financial statements at 31 December 2012 in chapter 4 of this reference document.

Harsh working conditions

- Arkema France concluded on 11 January 2012 an agreement on the prevention of harsh working conditions. This agreement marks the Company's commitment to engaging in an initiative for the continuous and measured improvement of working environments. This action is based on an ergonomic approach with external specialists approved by the *Institut National de Recherche et de Sécurité* (INRS) for the prevention of occupational accidents and diseases;
- Other agreements and action plans on the prevention of harsh working conditions signed by the French subsidiaries Sunclear (16 December 2011), Altuglas International (16 January 2012), Coatex (31 January 2012) and CECA (22 June 2012) embody in practice this desire to roll out the initiative across all Group companies in France.

2.5.5.4 OCCUPATIONAL ILLNESS

In manufacturing its products, ARKEMA uses and has in the past used toxic or hazardous substances. Despite the safety and monitoring procedures that have been instituted at Group level and for each production site, Group employees may have been exposed to such substances and may develop specific pathologies as a result of such exposure.

In this respect, like most industrial companies, in the past, the Group has used a variety of insulating or heat-proofing materials containing asbestos in its production facilities. Consequently, certain employees may have been exposed to such materials before these were gradually phased out and replaced with substitute products.

Claims for occupational illness related to past asbestos exposure have been filed against the Group, mostly for periods before 1980. Risks related to occupational illness are described in section 1.6.2 of this reference document.

2.5.6 DIVERSITY AND EQUAL OPPORTUNITIES – EQUAL TREATMENT

Equal opportunities represent, with the prevention of discrimination in general, a strong vector of ARKEMA's human resources policy. The Group therefore takes steps in particular to ensure gender equality, promote the inclusion of disabled employees, and observe the principle of non discrimination as regards age and nationality.

The various measures put in place to ensure equal opportunities and obtain measurable results include:

- a programme of periodical review of job descriptions to ensure that they accurately reflect the related duties and responsibilities, as well as an annual review of the posts, their titles and the profiles required, department by department, in order to safeguard equality and consistency within the professions;
- a recruitment policy based on the single criterion of relevance of the profile with the post. In the United States for example, Arkema Inc. provides training to the people involved in the recruitment process, provides them with the descriptions of the posts and the profiles required, and remedies any situation showing a lack of employment of minorities or women within the Company's sites.

2.5.6.1 MEASURES TAKEN FOR GENDER EQUALITY

The Group has developed over recent years a policy of gender equality and equal pay.

The actions identified concern the following four areas:

- strengthen the principle on non discrimination in access to employment;
- ensure the principle of equal pay;
- promote and facilitate career paths; and
- promote parenting within the Company as regards gender equality.

Over and above the recruitment charter which sets out the non-discrimination principle, an agreement on equality at work was signed for Arkema France. Arkema France also intends to sign a parenting charter which commits companies to the issue of gender equality.

ARKEMA ensures that female employees enjoy the same career development opportunities as their male counterparts. Accordingly at Arkema France, from the fourteen promotions to executive posts offered in 2012, six, *i.e.* a 42.8% quota, concerned women, while women represented 18% of non-executive posts and 24.6% of overall headcount at 31 December 2012.

In the United States, Arkema Inc. created an Affirmative Action plan supporting gender and pay equality between all employees and job applicants, given similar applications and regardless of race, ethnicity, country of origin, religion or sex. The Affirmative Action Plan is updated annually for the period of June 1st through May 31.

Across the Group, women hold 18% of management posts at level 15 and above based on the Hay classification.

2.5.6.2 MEASURES TAKEN FOR THE EMPLOYMENT AND INTEGRATION OF DISABLED PEOPLE

The Management and the various trade unions at Arkema France signed on 9 June 2008 an initial company agreement in support of maintaining disabled people in employment or helping them find employment. This agreement covered the 2008-2009-2010 period. It agreement was renewed on 16 June 2011 for the 2011-2012-2013 period, and ratified on 20 July 2011 by the Hauts-de-Seine Prefect. Based on a qualitative and quantitative report of actions undertaken in the last three years, it consolidates the measures taken and puts in place further actions which, together, help achieve the objectives set:

- maintain disabled people in employment and guarantee them access to training and career development;
- conduct an open recruitment and integration policy;
- provide training to disabled people to enable them to take up employment;
- develop partnerships with the protected sector; and
- raise awareness of these issues within the Company.

The aggregate achievements over the 2011 and 2012 period are globally in line with the recruitment objectives set by this agreement:

- seven permanent employment contracts in 2012, additionally to the nine contracts concluded in 2011, namely sixteen recruits under permanent contracts over the two years, against a target of eighteen for 2011-2013;
- six fixed-term employment contracts, fourteen temporary working assignments, and eight work-study traineeship agreements were signed in 2012;
- the drive to train disabled people also entailed welcoming ten trainees as part of their initial training course or their vocational retraining course. Arkema France also launched a vocational qualifications initiative for disabled people, which was also taken up by other chemicals manufacturers in the Rhône-Alpes region. This training is offered as part of a professional training contract, and leads to a production operator professional qualification certificate. Eight people benefited from this training, including two at Arkema France.

Recourse to the protected sector continued to grow in 2012, with various actions launched in previous years being established over the long term: digitisation of files, maintenance of bicycles, disposal of waste electrical and electronic equipment, catering services, etc.

The training of Company employees entailed four training sessions for disability officers, resulting in the training of some thirty Arkema France employees in understanding disability and assisting disabled employees in the Company.

2.5.6.3 ANTI-DISCRIMINATION POLICY

Arkema France has undertaken as part of its actions promoting diversity, an action plan on the Management of careers of older people, signed by the management on 10 December 2009 covering the period 1 January 2010 to 31 December 2012.

Under this plan, Arkema France reaffirms its commitment to implementing a career management policy for older people, ensuring their ongoing suitability for employment, and taking account of the capital of experience that this population represents.

This plan entailed three areas for action:

- anticipating career development;
- developing skills and qualifications as well as access to training; and
- transferring knowledge and skills, and developing tutoring and mentorship.

The plan set a recruitment target for employees aged 50 and over at 5% on average over three years. The aggregate percentage achieved over 2010, 2011 and 2012 was 7.7%, significantly above the targets set.

Taking on board the changes in the law regarding retirement and maintaining older people in work, in France, has also resulted in an adjustment of the corresponding employee liabilities as indicated in note 20 to the consolidated financial statements at 31 December 2012 in chapter 4 of this reference document.

2.5.7 PROMOTION AND COMPLIANCE WITH THE PROVISIONS OF THE CORE CONVENTIONS OF THE WORLD LABOUR ORGANISATION

Generally speaking, ARKEMA scrupulously complies with the constitutional texts, treaties, conventions, laws and regulations in force in the countries or territories in which the Group conducts its business.

Accordingly, ARKEMA confirms its adherence to:

- the principles of the Universal Declaration of Human Rights and the European Convention on Human Rights;
- the core conventions of the World Labour Organisation; and
- the guiding principles of the OECD targeting multinational companies.

To confirm this adherence, ARKEMA has put in place a Code of Conduct which sets out the requirements imposed on the Group wherever it operates, *vis-à-vis* its shareholders, customers, employees and any other stakeholders. It also lays down the individual behaviour principles and rules which employees are required to observe within the Group.

2.5.7.1 RESPECT FOR FREEDOM OF ASSOCIATION AND RIGHT TO COLLECTIVE BARGAINING

Among the fundamental principles and rights at work, the right to freedom of association and to collective bargaining is a factor of social progress which ARKEMA encourages to put in place wherever the Group operates. Accordingly, over and above compliance with legal and regulatory provisions in the countries in which it conducts its business, ARKEMA facilitates and promotes the creation of employee representation in order to put in place a suitable collective bargaining process. The organisation of dialogue with social partners and a review of the collective agreements within the Group are given in section 2.5.4 of this reference document.

2.5.7.2 ELIMINATION OF DISCRIMINATION ON MATTERS OF EMPLOYMENT AND PROFESSION

As part of its policy of non-discrimination and promotion of gender equality and diversity, ARKEMA is committed to promoting the banning of discrimination of all kind. The policy of diversity, equal opportunities and equal treatment of employees within the Group is covered in section 2.5.6 of this reference document.

2.5.7.3 ELIMINATION OF FORCED OR COMPULSORY LABOUR, EFFECTIVE ABOLITION OF CHILD LABOUR

ARKEMA fully endorses the initiative to ban forced labour and is committed not to engage in child labour.

2.6 METHODOLOGICAL NOTE

2.6.1 METHODOLOGICAL NOTE ON ENVIRONMENTAL AND SAFETY INDICATORS

2.6.1.1 ENVIRONMENTAL REPORTING BASE AND TOOLS

The Group's quantitative environmental data are compiled by its environmental reporting system, REED (Reporting of Environmental and Energy Data), accessible globally via the web platform of a service provider.

The data are input by the HSE (Health Safety Environment) departments of the Group's sites, and validated on 2 levels.

The environmental reporting consolidation base covers all Group sites for which operating (and emissions) permits at 31 December are in the name of ARKEMA or one of its majority-owned subsidiaries.

Activities sold or shut down in the course of 2012 are not included in the 2012 reporting, but remain in the reporting scope of previous years. This concerns in particular the vinyl activities divested in 2012.

Activities acquired in the course of 2012 are included in the 2012 reporting for all their 2012 operations.

Activities started up in the course of 2012 are included in the reporting from their startup date.

2.6.1.2 SAFETY REPORTING SCOPE AND TOOLS

Quantitative data concerning safety:

- are input into the SafetyLog application accessible on the Group's intranet;
- are input by the individual sites and validated centrally;
- cover all the industrial sites operated by ARKEMA or its majority-owned subsidiaries, headquarters, and R&D centers;
- do not include in 2012 the sites of the vinyl activities divested in 2012.

2.6.1.3 CHOICE OF INDICATORS, MEASUREMENT METHODS, AND INFORMATION OF USERS

The Group has defined these indicators in order to monitor various emissions and consumption that are relevant to its activities and in accordance with French law on *Nouvelles Régulations Economiques* (NRE) and its decree of 2 February 2002.

These indicators were set out at the Group's creation, and have been followed up since the 2006 reporting year.

They also comply with the regulatory requirements of Article 225 of French law Grenelle II, published on 12 July 2010, and its implementing decree of 24 April 2012.

Environmental reporting is covered by an "Environmental Reporting" directive issued by the Group Safety Environment (DSEG) Division and accessible to all personnel on the ARKEMA intranet.

The computation and estimation methods used may evolve, for example because of changes to national or international regulations, for the sake of consistency between geographic regions, or in the event of problems in their application.

The "Environmental Reporting" directive may then be adapted into a guide which is accompanied by training sessions per geographic region, where required.

Safety reporting is the subject of a "Monthly Safety Reporting" directive issued by DSEG and accessible to all personnel via the ARKEMA intranet.

2.6.1.4 FURTHER EXPLANATIONS ON ENVIRONMENTAL AND SAFETY INDICATORS

The following information is provided by way of clarification of the definition of the indicators applied by the Group.

Total substances contributing to acidification

This indicator is calculated from SOx and NOx emissions converted into tonnes of SO_2 equivalent.

Volatile Organic Compounds (VOCs)

The list of products regarded as VOCs may vary from country to country, and in particular between Europe and North America.

The VOC definitions used by the Group are those recommended in Europe by directive 2010/75/UE on industrial emissions (IED).

Emissions from American sites are therefore obtained by adding to the national reported data products such as fluorinated organic compounds.

Chemical Oxygen Demand (COD)

COD emissions reported are those emitted into the natural environment.

In cases where water from a Group facility is treated in an external treatment plant, the reported data takes account of the effectiveness of treatment by the external treatment plant.

In cases where a Group site takes in external COD-laden water, ARKEMA's reported data concerns the COD load effectively introduced by ARKEMA (outgoing minus incoming).

Wastes

Segregation of hazardous wastes and non-hazardous wastes may vary from one geographic region to another. The definitions used by the Group are those of the Basel Convention on the control of transboundary movements of hazardous wastes and their disposal.

Water consumption

All sources of water are included in the reported data, namely groundwater/well, river, sea, public or private networks, drinking water, excluding rainwater collected in separate networks.

Energy consumption

Reported consumption corresponds to net purchasing of energy.

Autoproduction corresponding to the energy produced by exothermic chemical reactions which do not amount to withdrawal from the planet's energy resource is not included.

Sales of energy are deducted from purchases of energy. This is for example the case of the sites fitted with steam and electricity cogeneration from purchased gas (reported) which sell electricity back (deducted).

In cases where sites do not have any December data due to late reporting by energy providers, the values for the year are extrapolated from the data at end November.

Greenhouse gases (GHGs)

Reported GHG emissions are direct GHG emissions corresponding to the Kyoto Protocol.

Their impact is calculated in tonnes of CO_2 equivalent.

In this reporting, 2012 emissions have been computed using the Global Warming Potential values published in 2007 by the IPCC (Intergovernmental Panel on Climate Change).

In 2012, reporting of American data included fluorinated gases, which were not required to be declared by the national authorities in 2011.

Accidents

Total recordable injury rates (TRIR) and lost-time injury rates (LTIR) are computed for all of the Group's own personnel as well as for subcontracted personnel working on ARKEMA sites on the basis of standard USA 29 CFR 1904.

2.6.2 METHODOLOGICAL NOTE ON SOCIAL AND SOCIETAL INFORMATION/INDICATORS

2.6.2.1 REPORTING SCOPE AND TOOLS

The Group's quantitative social data are compiled from various reporting procedures.

Data concerning headcount:

- are input in the AREA 1 application accessible via the Group's intranet;
- are input by human resources managers or general managers of companies of the Group (depending on size);
- are validated at an aggregate level for the Arkema, Altuglas International, CECA, Coatex, Sartomer groupings;
- cover all 50% minimum owned Group companies.

The quantitative and qualitative data concerning the other social and societal information:

- are input into the AREA 2 application accessible on the Group intranet;
- are input by human resources contributors of companies or geographic subsidiaries;
- are validated by human resources managers of geographic zones or general managers of subsidiaries;
- cover all 50% minimum owned ARKEMA Group companies with a headcount exceeding 30 employees, which accounts for 97% of the Group's overall headcount.

2.6.2.2 CHOICE OF INDICATORS, DETERMINATION METHODS AND INFORMATION OF USERS

The Group has defined relevant indicators relative to its activities and its social policy.

Indicators concerning the personnel and the safety records were put in place at the time of the Group's creation, and have been followed up since the 2006 reporting year.

Additional social, as well as societal, information and indicators are the subject of new reporting for 2012 via the AREA 2 compilation system. Their use will be gradually extended over the coming years.

This information and these indicators also comply with the regulatory requirements of Article 225 of French law Grenelle II, published on 12 July 2010 and its implementing decree of 24 April 2012. 2012, except for the requirements on training for which the "number of training hours per employee" is not currently computed in all the countries in which the Group operates.

This social reporting is the subject of a number of procedure documents, namely AREA 1 and AREA 2 guides which have been provided to all contributors and validators of these reports.

The computation methods may have limitations and may evolve, for example because of national social regulations or practices that vary from one region to another, difficulties in reporting back certain information in some areas, or the availability of certain information based on the countries.

2.6.2.3 FURTHER EXPLANATIONS ON SOCIAL INFORMATION AND INDICATORS

Headcount

Reported headcount includes employees on the Group's payroll (employees present and employees whose employment contract – of whatever nature – has been suspended) at 31 December of the year being reported.

Permanent employees are those benefiting from an employment contract for an indefinite period of time. In China, given local specific conditions, employees engaged for a 3-year period are also included among permanent employees.

Categories of personnel

Data are presented by professional category. In France, employees have the executive status (*cadre*) as defined in the collective agreements governing the companies concerned.

Outside France, employees have the executive status (*cadre*) if their "Hay" post level is 10 or above.

Recruitment

These data cover the recruitment of employees on permanent contracts (permanent headcount) only.

Compensation

Collective variable components are those variable components that depend on global economic criteria as well as the economic and financial results of the company which the employee reports to. In France, these are incentive bonus and profit-sharing payments.

Social security

Social security cover refers to benefits from a collective or mutual insurance scheme providing coverage for incapacity/disability/death risks.

Training

Training expenditure covers training costs *per se* as well as salary costs corresponding to the time spent by employees in training.

Absenteeism

The absenteeism rate corresponds to the total number of hours of absence in the year (sickness, accident, maternity, strike, unpaid leave, excluding paid leave) relative to the total number of man-hours in the year.

3

CORPORATE GOVERNANCE

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3.5 STATUTORY AUDITORS' REPORT PURSUANT TO ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE AFR 121

The different parts constituting the Annual Financial Report are identified in this content by the pictogram AFR

Chapter 3, complemented by section 1.6.1 of this reference document, constitutes the Chairman's report required under article L.225-37 of the *Code de commerce* (French Commercial Code). This report by the Chairman was prepared by a working group in the Finance department consisting of representatives from the Legal department and the head of the Internal Control department. It was submitted to the Audit and Accounts Committee on 26 February 2013 and approved by the Company's Board of Directors on 27 February 2013.

The other information required under the above-mentioned article L.225-37, namely conditions of shareholder participation in annual general meetings, information regarding the structure of the Company's share capital, and factors likely to have an impact in the event of a public offering, is given in paragraphs 5.5.1, 5.2.1 and 5.3.1, 5.3.2 and 5.3.3 of this reference document respectively.

3.1 COMPLIANCE WITH CORPORATE GOVERNANCE SYSTEM

As regards corporate governance, the Company has decided to refer to the recommendations of the Corporate Governance Code for listed companies of the AFEP and MEDEF dated April 2010, available on the MEDEF website (www.medef.com) ("AFEP-MEDEF Code"). With the exception noted in paragraph 3.4.2 of this chapter, the Company thereby meets the standards of corporate governance applicable in France.

3.2 COMPOSITION OF ADMINISTRATIVE AND MANAGEMENT BODIES

3.2.1 BOARD OF DIRECTORS

As of the date of this reference document, the Company is run by a Board of Directors comprising eleven members, two of whom are women, *i.e.* 18% of the Board members, in accordance with law n° 2011-103 of 27 January 2011 relating to balanced gender representation within boards of directors and supervisory boards and to professional equality.

Pursuant to articles L.225-17 paragraph 2 and L.225-37 paragraph 6 of the *Code de commerce* (French Commercial Code), the Board of Directors ensures that the principle of balanced gender representation among its members is applied, in particular when renewing the directors' terms of office. Accordingly, the Nominating, Compensation and Corporate Governance Committee will issue recommendations, over the coming years, and in particular for the general shareholders meeting called to approve the 2013 financial statements, with a view to meeting the objectives set by the above-mentioned law.

Pursuant to the AFEP-MEDEF Code and to the AMF recommendations in this regard, the above-mentioned Committee also regularly reviews the boardroom diversity objectives.

The composition and functioning of the Board of Directors are determined by current laws and regulations, by the Company's Articles of Association, and by the Board's internal regulations. Hence, in accordance with current regulations, the Board of Directors includes one director representing shareholder employees.

The Board of Directors consists of nine independent directors out of eleven directors (for further details on the qualification of independent directors, see paragraph 3.2.1.3 of this chapter).

Each director, except for the director representing shareholder employees, must hold at least 300 of the Company's shares throughout their term of office. The director representing shareholder employees must hold individually or through a *Fonds Commun de Placement d'Entreprise* (FCPE) (company mutual investment fund) governed by article L.214-40 of the *Code monétaire et financier* (Monetary and Financial Code), at least one share in the Company, or a number of shares of the said fund equivalent to at least one share in the Company.

The age limit for directors is 70, as laid down in the Company's Articles of Association.

Subject to the laws applicable to provisional appointments made by the Board of Directors, the directors shall serve for a term of office of four years.

The directors' terms of office being staggered, the general shareholders meeting is therefore called every year to decide upon the renewal of several terms of office.

In the course of 2012, the composition of the Board of Directors was changed as follows:

- Mrs Isabelle Kocher resigned as Director on 11 July 2012;
- Mrs Victoire de Margerie was co-opted at a Board of Directors meeting on 7 November 2012, to replace Mrs Isabelle Kocher. This co-opting is subject to ratification by the general shareholders meeting on 4 June 2013.

3.2.1.1 COMPOSITION OF THE BOARD OF DIRECTORS AT 31 DECEMBER 2012

THIERRY LE HÉNAFF **Main office held within the Company:** Chairman and Chief Executive Officer **Date of first appointment:** 6 March 2006 **Date of last renewal:** 23 May 2012 **Date appointment expires:** AGM held to approve accounts for 2015 financial year **Number of shares held at 31 December 2012:** 40,167	***Current:*** **France** ▸ Chairman of the Board of Directors, Arkema France ▸ Director, Eramet* **International** ▸ None ***Held in the past five years but now expired:*** **Expired in 2012** ▸ None **Expired 2008 to 2011** ▸ None
PATRICE BRÉANT **Main office held within the Company:** Director representing shareholder employees **Date of first appointment:** 1 June 2010 **Date appointment expires:** AGM held to approve accounts for 2013 financial year **Number of FCPE shares held at 31 December 2012:** 285	***Current:*** **France** ▸ Member of the FCPE Arkema Actionnariat France Supervisory Board **International** ▸ None ***Held in the past five years but now expired:*** **Expired in 2012** ▸ None **Expired 2008 to 2011** ▸ None
FRANÇOIS ÉNAUD **Main office held within the Company:** Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 24 May 2011 **Date appointment expires:** AGM held to approve accounts for 2014 financial year **Number of shares held at 31 December 2012:** 301	***Current:*** **France** ▸ Executive Manager, Groupe Steria SCA* ▸ Director and Chairman and Chief Executive Officer, Steria S.A. ▸ Chairman of the Board of Directors, Agence Nouvelle des Solidarités Actives (ANSA) **International** ▸ Director, Steria UK Limited ▸ Director and Chairman of the Board of Directors, Steria Holding Limited ▸ Member of the Board of Directors, Steria Mummert Consulting A.G. ***Held in the past five years but now expired:*** **Expired in 2012** ▸ Director, Steria Limited ▸ Director, Steria Services Limited **Expired 2008 to 2011** ▸ Chairman and Director, Steria Iberica

BERNARD KASRIEL	
Main office held within the Company: Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 15 June 2009 **Date appointment expires:** AGM held to approve accounts for 2012 financial year **Number of shares held at 31 December 2012:** 800	***Current:*** **France** ▸ Director, L'Oréal* **International** ▸ Director, Nucor* (USA) ***Held in the past five years but now expired:*** **Expired in 2012** ▸ None **Expired 2008 to 2011** ▸ Partner at LBO France
VICTOIRE DE MARGERIE	
Main office held within the Company: Director **Date of first appointment:** 7 November 2012 **Date appointment expires:** AGM held to approve accounts for 2014 financial year **Number of shares held at 1 March 2013:** 300	***Current:*** **France** ▸ Director, Ecoemballages ▸ Director, Eurazéo* **International** ▸ Chairman, Rondol Industrie ▸ Director, Norsk Hydro* (Norway) ▸ Director, Morgan Crucible* (UK) ***Held in the past five years but now expired:*** **Expired in 2012** ▸ Director, Ciments Français ▸ Director, Groupe Flo **Expired 2008 to 2011** ▸ Director, Outokumpu
LAURENT MIGNON	
Main office held within the Company: Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 24 May 2011 **Date appointment expires:** AGM held to approve accounts for 2014 financial year **Number of shares held at 31 December 2012:** 300	***Current:*** **France** ▸ Chief Executive Officer Natixis S.A.* ▸ Director, Sequana* ▸ Permanent Representative of Natixis, censor at the Supervisory Board of BPCE ▸ Director of NGAM (Natixis Global Asset Management) and Chairman of the Board of Directors ▸ Chairman of the Board of Directors of Coface SA **International** ▸ Director, Lazard Ltd* ***Held in the past five years but now expired:*** **Expired in 2012** ▸ Chairman of the Board of Directors of Coface SA ▸ Chairman, Coface Holding SAS ▸ Permanent Representative of Natixis on the Board of Directors of Coface SA **Expired 2008 to 2011** ▸ Chairman and Chief Executive Officer, Oddo Asset Management ▸ Permanent Representative, Oddo et Cie, Managing Partner, Oddo Corporate Finance ▸ Director, Cogefi S.A. ▸ Director, Génération Vie ▸ Member of the Supervisory Board, Banque postale gestion privée ▸ Chairman of the Supervisory Board, Oddo Corporate Finance

THIERRY MORIN **Main office held within the Company:** Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 15 June 2009 **Date appointment expires:** AGM held to approve accounts for 2012 financial year **Number of shares held at 31 December 2012:** 1,000	***Current:*** **France** ▸ Chairman of the Board of Directors, Institut National de la Propriété Industrielle (INPI) ▸ Chairman, Thierry Morin Consulting (TMC) **International** ▸ None ***Held in the past five years but now expired:*** **Expired in 2012** ▸ None **Expired 2008 to 2011** ▸ Chairman and Chief Executive Officer, Valeo ▸ Chairman, Valeo Finance ▸ Chairman, Valeo Service ▸ Chairman, Valeo Thermique Habitacle ▸ Manager, Valeo Management Services ▸ Chairman, Valeo SpA ▸ Chairman, Valeo Japan Co. Ltd ▸ Chairman, Valeo (UK) Limited ▸ Manager, Valeo Auto-Electric Beteiligungs GmbH ▸ Manager, Valeo Germany Holding GmbH ▸ Manager, Valeo Grundvermögen Verwaltung GmbH ▸ Manager, Valeo Holding Deutschland GmbH ▸ Director, Valeo Service España S.A. ▸ Director, Valeo Iluminacion S.A. ▸ Director, Valeo Termico S.A. ▸ Director, Valeo Systèmes de Liaison ▸ Chairman of Valeo Espana S.A. ▸ Chairman, Société de Participations Valeo ▸ Chairman, Valeo Bayen ▸ Chairman, Valeo International Holding BV ▸ Chairman, Valeo Holding Netherlands BV ▸ Director, Valeo Climatisation ▸ Director, Valeo Services Ltd ▸ Director, CEDEP
MARC PANDRAUD **Main office held within the Company:** Director **Date of first appointment:** 15 June 2009 **Date appointment expires:** AGM held to approve accounts for 2012 financial year **Number of shares held at 31 December 2012:** 500	***Current:*** **France** ▸ Chairman, Deutsche Bank in France **International** ▸ None ***Held in the past five years but now expired:*** **Expired in 2012** ▸ None **Expired 2008 to 2011** ▸ None
CLAIRE PEDINI **Main office held within the Company:** Director **Date of first appointment:** 1 June 2010 **Date appointment expires:** AGM held to approve accounts for 2013 financial year **Number of shares held at 31 December 2012:** 300	***Current:*** **France** ▸ None **International** ▸ None ***Held in the past five years but now expired:*** **Expired in 2012** ▸ None **Expired 2008 to 2011** ▸ Permanent representative of Alcatel on the Board of Directors of Thalès

JEAN-PIERRE SEEUWS	*Current:*
Main office held within the Company: Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 23 May 2012 **Date appointment expires:** AGM held to approve accounts for 2015 financial year **Number of shares held at 31 December 2012:** 2,900	**France** ▸ None **International** ▸ None ***Held in the past five years but now expired:*** **Expired in 2012** ▸ None **Expired 2008 to 2011** ▸ None
PHILIPPE VASSOR	*Current:*
Main office held within the Company: Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 15 June 2009 **Date appointment expires:** AGM held to approve accounts for 2012 financial year **Number of shares held at 31 December 2012:** 1,300	**France** ▸ Chairman, Baignas SAS ▸ Chairman, V.L.V. SAS ▸ Chairman, DGI Finance SAS ▸ Director, BULL* **International** ▸ None **Held in the past five years but now expired:** **Expired in 2012** ▸ Director, Groupama S.A. **Expired 2008 to 2011** ▸ Director and Chairman, Infovista

* Listed company.

The following will be proposed to the combined annual general meeting on 4 June 2013:

- the renewal, for a four-year period, of the terms of office of Messrs Bernard Kasriel, Thierry Morin, Marc Pandraud and Philippe Vassor;
- the appointment of Mrs Victoire de Margerie for the remainder of the term of office of Mrs Isabelle Kocher, who has resigned.

For further details on these resolutions, see paragraph 6.2.2 of this reference document.

3.2.1.2 INFORMATION ON THE MEMBERS OF THE BOARD OF DIRECTORS [(1)]

Thierry Le Hénaff, born in 1963, holds degrees from *École Polytechnique* and *École Nationale des Ponts et Chaussées* and a Master's degree in Industrial Management from Stanford University in the United States. He is a *Chevalier de l'Ordre National du Mérite*.

After starting his career with Peat Marwick Consultants, in 1992 he joined Bostik, Total S.A.'s Adhesives Division, where he held a number of operational positions in France and worldwide.

In July 2001, he was appointed Chairman and Chief Executive Officer of Bostik Findley, the new entity resulting from the merger of Total S.A.'s and Elf Atochem's Adhesives divisions.

On 1 January 2003, he joined Atofina's Executive Committee, where he was in charge of three BUs (Agrochemicals, Fertilizers and Thiochemicals) and three functional divisions.

He has been Chairman and Chief Executive Officer of Arkema since 6 March 2006, and Chairman of the Board of Directors of Arkema France since 18 April 2006.

Patrice Bréant (Director representing shareholder employees), born in 1954, is a graduate of the Rouen *Institut National Supérieur de la Chimie Industrielle,* and holds a doctorate in Organic Chemical Engineering. He is an Expert Engineer in Experimental Methodology and in Statistical Process Control.

He began his career within the Group in 1983 at the CDF Chimie, later Orkem, Nord Research Center as Polyethylene Formulation and Modification Research Engineer. In 1990 he joined the Cerdato R&D Center in Serquigny, and later the Technical Polymers Division within the Materials Study Laboratory.

He serves as a member of the Supervisory Board of the Arkema Actionnariat France Mutual Investment Fund (*Fonds Commun de Placement d'Entreprise* FCPE), in which he held 285 shares at 31 December 2012. He has been a member of the Serquigny Works Council since 1994. He was also *rapporteur* to the research commission of Arkema France's Central Works Council from 1994 to 2007. He has also been union representative for ARKEMA's Serquigny site, and CFE-CGC central trade union representative for Arkema France since 2004.

François Énaud, born in 1959, holds a degree from the *École Polytechnique* and graduated as a civil engineer from the *École Nationale des Ponts et Chaussées.* He has been Chairman and Chief Executive Officer of Steria since 1998.

After spending two years with Colas as works engineer (1981-1982), François Énaud joined Steria in 1983, where he held various management positions (Technical and Quality division, Chief Executive Officer of a subsidiary, Transport division and Telecom division), before becoming Chief Executive Officer.

Bernard Kasriel, born in 1946, holds a degree from *École Polytechnique,* and an MBA from Harvard Business School and from INSEAD. He was a partner of LBO France from September 2006 to September 2011.

He joined Lafarge in 1977 as Executive Vice-President (and then Chief Executive Officer) of the health division. He was appointed Executive Vice-President of the Lafarge group and member of its Executive Committee in 1981. After spending two years in the United States as Chairman and Chief Operating Officer of National Gypsum, in 1989 he became Director and Chief Executive Officer, then Vice-Chairman and Chief Executive Officer of Lafarge in 1995. He was Chief Executive Officer of Lafarge from 2003 to end 2005.

Before joining Lafarge, Bernard Kasriel began his career at the *Institut de Développement Industriel* (1970), before becoming Chief Executive Officer in regional companies (1972), and then joining the *Société Phocéenne de Métallurgie* as Executive Vice-President (1975).

Victoire de Margerie, born in 1963, is a graduate of *École des Hautes Etudes Commerciales* (HEC) in Paris and of *Institut d'Études Politiques* (IEP) in Paris, and she holds a DESS in Private Law from the Université de Paris 1 Panthéon-Sorbonne, and a PhD in Management Science from the Paris 2 Panthéon-Assas University. She has been Chairman and principal shareholder of Rondol Industrie, a British micromechanics SME, since 2009.

She previously held operational posts in industry in Germany, France and the United States within Elf Atochem, Carnaud MetalBox and Péchiney. Between 2002 and 2011, she also taught strategy and management of technology at the Grenoble School of Management.

Laurent Mignon, born in 1963, is a graduate of *École des Hautes Etudes Commerciales* (HEC) and the Stanford Executive Program. He has been Managing Director of Natixis since May 2009.

From September 2007 to May 2009, he was Managing Partner of Oddo et Cie alongside Philippe Oddo, in charge particularly of asset management (Oddo Asset Management), corporate finance (Oddo Corporate Finance), and of overseeing permanent control. Prior to this, he was Managing Director of the AGF Group, Chairman of the Executive Committee, and a member of the International Executive Committee of Allianz from January 2006 to June 2007. He joined AGF in 1997 as Chief Financial Officer, and was appointed member of the Executive Committee in 1998. In 2002 he was appointed to head the investment activities of Banque AGF, of AGF Asset Management, AGF Immobilier, and, in 2003, of the Life and Financial Services sector (asset management, banking, real estate) and of Credit Insurance (Euler Hermes Group).

Before joining the AGF Group, for over 10 years he held various positions in the banking business within Indosuez Bank, ranging from trading to investment banking. In 1996 he joined Schroders Bank in London, in charge of mergers and acquisitions of financial institutions in France.

Thierry Morin, born in 1952, holds an MBA from Paris IX – Dauphine University. An *Officier de l'Ordre National du Mérite*, and a *Chevalier de la Légion d'Honneur et des Arts et des Lettres*, he is also Chairman of the Board of Directors of INPI *(Institut National de la Propriété Industrielle)*, and Chairman of Thierry Morin Consulting.

(1) The information given below was up to date as at 31 December 2012.

Thierry Morin joined the Valeo group in 1989, where he held various positions (business segment financial director, group financial director, and director for purchases and strategy) before becoming Executive Vice-President in 1997, Chief Executive Officer in 2000, Chairman of the Executive Board in 2001, then Chairman and Chief Executive Officer from March 2003 to March 2009. Prior to that, he had been in charge of various functions at Burroughs, Schlumberger and Thomson Consumer Electronics.

Marc Pandraud, born in 1958, is a graduate of *École Supérieure de Commerce de Paris* (ESCP). He has been Chairman of Deutsche Bank's activities in France since June 2009.

He began his career as an auditor with Peat Marwick Mitchell (1982-1985). Subsequently he was Vice-President of Bear Stearns & Co Inc. (1985-1989), Chief Executive of SG Warburg France S.A. (1989-1995), Chief Executive of Deutsche Morgan Grenfell (1995-1998), then Chief Executive in charge of investment banking (1998). He later joined Merrill Lynch as Chief Executive of Merrill Lynch & Co Inc. (1998) and Chief Executive of Merill Lynch France (1998) before becoming President of Merrill Lynch France (2005-2009). Marc Pandraud is a *Chevalier de l'Ordre National du Mérite*.

Claire Pedini, born in 1965, is a graduate of *École des Hautes Études Commerciales* (HEC), and holds a Master's in Media Management from ESCP. She has been Senior Vice-President of Compagnie Saint-Gobain in charge of Human Resources since 1st June 2010.

After holding a number of finance and management control posts at Total, Claire Pedini headed the group's financial communication from 1992 to 1994, after completing the group's IPO on the New York stock exchange in 1991.

She was Head of Total's Press department from 1995 to 1997. She then joined Alcatel in September 1998 as Director of Financial Communication and Investor Relations. In 2002 she became Director of Financial Communication and Corporate Relations. In February 2004 she was appointed Deputy Chief Financial Officer for the Group.

In 2006, she was appointed Director of Human Resources and a member of Alcatel-Lucent's Executive Committee, Director of Human Resources and Communications in June 2006, then Head of Human Resources and Transformation in 2009.

Jean-Pierre Seeuws, born in 1945, holds a degree from *École Polytechnique*.

In 1967 he joined Rhône-Poulenc, where he was responsible for the production and chemical engineering sectors. In 1981, he became Chief Executive Officer of the Base Mineral Chemicals, Films and then Fine Minerals businesses. In 1989 he joined Orkem as divisional Chief Executive Officer and became Deputy Chief Executive Officer of Total's Chemicals business (and a member of the Management Committee) in 1990. He has been Chief Executive Officer of Total's Chemicals business since 1995 and Chairman of Hutchinson since 1996. He was a member of Total S.A.'s Executive Committee between 1996 and 2000.

Between 2000 and 2005, Jean-Pierre Seeuws was Total's general delegate for Chemicals in the United States and Chief Executive Officer of Atofina Chemicals Inc. and Total Petrochemicals Inc.

Philippe Vassor, born in 1953, holds a degree from *École Supérieure de Commerce de Paris* (ESCP), and is also a chartered accountant and auditor.

He has been the president of Baignas S.A.S. since June 2005.

Philippe Vassor spent the core of his professional career (1975 to 2005) at Deloitte where he became Chairman and Chief Executive Officer for France and a member of the worldwide Executive Group, responsible for human resources (from 2000 to 2004).

3.2.1.3 INDEPENDENCE OF DIRECTORS

Mesdames Claire Pedini and Victoire de Margerie as well as Messrs François Énaud, Bernard Kasriel, Laurent Mignon, Thierry Morin, Marc Pandraud, Jean-Pierre Seeuws and Philippe Vassor have all been qualified as independent directors by the Board of Directors, *i.e.* 9 directors from the 11 making up the Board of Directors (82%). This quota exceeds the recommendation of the AFEP-MEDEF Code, which provides for at least half the Board members to be independent.

As part of the evaluation of the independence of its members, the Board takes account of all criteria of the AFEP-MEDEF code which it has adopted for its internal regulations. Accordingly, a director is deemed independent if he/she has no relationship whatsoever with the Company, the Group or its management, *i.e.*, in particular, a director who:

- is not an employee or executive of the Company, an employee or director of its parent company, if any, or of a company consolidated within the Group and who has not served in such a capacity during the previous five years;
- is not a corporate officer of a company in which the Company directly or indirectly holds a seat as director, or in which an employee appointed as such or a corporate officer of the Company (who currently holds such a position or has held such a position during the previous five years) holds a seat as director;
- is not a significant customer, supplier, corporate banker, or investment banker of the Company or its Group, or for whom the Company or the Group accounts for a material part of its business;
- has no close family ties with a corporate officer of the Company;
- has not, during the previous five years, served as statutory auditor of the Company, or of a company that holds at least 10% of the Company's share capital or of the share capital of a company in which the Company held an interest of at least 10% as of the end of their term of service;
- has not been a director of the Company for more than twelve years;

- is not or does not represent a significant shareholder in the Company, *i.e.* a shareholder holding more than 10% of the Company's share capital or voting rights.

The annual evaluation of the independence of each Board member, in accordance with the AFEP-MEDEF Code and the Board's own internal regulations, took place at the Board of Directors meeting on 24 January 2013, on a proposal from the Nominating, Compensation and Corporate Governance Committee. At that meeting the Board examined in particular whether any business relationship with some directors may be material or not. Following this review of the situation of each director, the Board of Directors agreed that all Board members could be qualified as independent, except for Mr Thierry Le Hénaff, Chairman and Chief Executive Officer of the Company, and Mr Patrice Bréant, an employee of a Group company.

Note that in accordance with the provisions of the Board of Directors' internal regulations, every director is required to notify the Company of any conflict of interest, whether direct or indirect, even potential, with the Company (see paragraph 3.2.3.3 of this reference document).

3.2.2 MANAGEMENT

3.2.2.1 CHAIRMAN & CHIEF EXECUTIVE OFFICER

Since the Company's stock market listing in 2006, ARKEMA has undertaken a transformation project in a chemical industry marked by many changes over the years, notably in the regulatory and competition fields. Accordingly, in 2006 the Board of Directors decided not to separate the roles of Chairman of the Board and Chief Executive Officer in order to put in place a simple, reactive and responsible decision-making process.

This governance structure put in place within the Group, which operates strictly in accordance with the respective prerogatives of the Company's various bodies as provided for under French law (shareholders general meetings, chief executive officer and board of directors) also entails:

- a close association to the Group's strategy of all the independent members of the Board of Directors, who exclusively sit on the Strategy Committee;
- the presence on the Board of Directors of a large majority of independent members;
- the introduction by the Board of Directors within its internal regulations, of limitations on the powers of the Chairman & Chief Executive Officer, who is required to inform or submit for prior approval by the Board the most significant operations. These limitations on the powers of the Chairman & Chief Executive Officer are set out in detail in paragraph 3.3.1 of this chapter; and
- an annual assessment of the Board of Directors by all directors, except for the Chairman (see paragraph 3.3.2.4 of this chapter).

The Company's management approach, the effectiveness of which has been proven since 2006, and which is not in doubt at the date of this reference document, is therefore applied in accordance with corporate governance best practice.

Consequently, insofar as this governance structure still appears to be the most suitable to carry through the ARKEMA project over time, the Board of Directors, at a meeting on 23 May 2012 held immediately after the Company's general shareholders meeting that had renewed the term of office of Thierry Le Hénaff as director, reelected him to the position of Chairman & Chief Executive Officer.

3.2.2.2 EXECUTIVE COMMITTEE

The Chairman and Chief Executive Officer has put in place an Executive Committee to assist him in the management of the Group, comprising two operational executive vice-presidents and four functional executive vice-presidents who report to him directly.

The Executive Committee is in charge of the Group's operational management. It is a decision-making body that focuses on strategic matters and on performance monitoring, and examines major issues regarding organisation and large projects. It also ensures the effective implementation of internal control.

The Executive Committee meets twice a month.

At the date of this reference document, the following people sit on the Executive Committee:

- Thierry Le Hénaff: Chairman & Chief Executive Officer

Four functional executive vice-presidents:

- Luc Benoit-Cattin: Executive Vice-President Industry for the Group, overseeing Industrial Safety, Environment and Sustainable Development, Technology, Logistics, Quality, and the Purchasing of Goods and Services.
- Bernard Boyer: Executive Vice-President with responsibility for the Group's Strategy, responsible for strategic planning, economic research, acquisitions and disposals, internal auditing, insurance and risk management.
- Michel Delaborde: Executive Vice-President with responsibility for Human Resources and Communication for the Group.
- Thierry Lemonnier: Executive Vice-President and Chief Financial Officer for the Group supervising accounting, management control, cash management, legal affairs, tax, investor relations and IT systems.

Two operational executive vice-presidents:

- Pierre Chanoine: Executive Vice-President in charge of the High Performance Materials segment, and of the Fluorogases and Hydrogen Peroxide Business Units within the Industrial Specialties segment.
- Marc Schuller: Executive Vice-President in charge of the Coating Solutions segment, and of the Thiochemicals and PMMA business units within the Industrial Specialties segment, as well as energy and raw material global procurement.

Otto Takken, former Executive Vice-President Vinyl Products and a member of the Executive Committee left ARKEMA on 1st July 2012 on completion of the divestment of the vinyl activities on that date.

Information on members of the Executive Committee:

Luc Benoit-Cattin, born in 1963, is a graduate of *École Polytechnique* and *École des Mines de Paris*.

Between 1988 and 1995 he held a number of positions in administration at the French Ministry for Economy, Finance and Industry. From 1995 to 1997 he was Technical Adviser to the Minister for Industry. In 1997 he joined the Pechiney Group as Plant Manager and later on as Head of a business unit for rolling and aluminium. In 2002 he joined CGG Veritas, where he was successively Director of Resources and Operating Performance, Director of Offshore, and, from 2009, Managing Director of Geophysical Services and a member of the Executive Committee. He has been a member of Arkema's Executive Committee since March 2011.

Bernard Boyer, born in 1960, holds degrees from *École Polytechnique* and *École nationale supérieure des pétroles et moteurs*.

He has spent his whole career working in the chemicals industry in operational positions, starting out in a factory then moving to Elf Atochem's head office (Finance & Strategy), from 1992 to 1998. In 1998, he joined Elf Atochem's Adhesives affiliate as Executive Vice-President. He was appointed Atofina's Director of Acquisitions and Divestitures in 2000, then Director of Economy, Planning and Strategy, Acquisitions and Divestitures at the end of 2003. He has been a member of Arkema's Executive Committee since its creation in 2006.

Michel Delaborde, born in 1956, holds a degree in economics from *Université de Paris, Sorbonne*.

In 1980 he joined Total where he was in charge of human resources for both head office and refineries. After two years as head of the Human Resources department Trading & Middle East, he was put in charge of communication for Total in 1996, serving as director of communications first for TotalFina, then for TotalFinaElf after the merger in 1999. In 2002 he joined Atofina as director of human resources and communication and was appointed to the Chemicals Executive Committee of Total. He has been a member of Arkema's Executive Committee since its creation in 2006.

Pierre Chanoine, born in 1949, is a graduate of *École Supérieure de Commerce* in Reims and also holds an MBA from Sherbrooke University (Canada).

He began his career in 1974 at Elf Aquitaine. After holding a number of financial positions, he joined Texas Gulf in the US in 1989, in charge of commercial development export. From 1991 to 2001 he was in charge of Corporate Planning and Strategy, and later the Chlorine/Caustic Soda business at Elf Atochem. After holding a position in Spain, in 2002 he became Head of Atofina's Urea Formaldehyde Resins business, and in 2004 he became Group President in charge of this business, and Director of the Fluorogas BU in 2005. He has been a member of the Company's Executive Committee since 2008.

Thierry Lemonnier, born in 1953, is a graduate of *École nationale supérieure de géologie* in Nancy and holds a Master's degree from Stanford University (United States).

He joined Total in 1979 as an economist engineer at the Exploration/Production segment. In 1983, he joined Total's Finance/Treasury department. In 1987, he was appointed head of Downstream Affiliates Operations, and in 1993 became Chief Financial Officer for Refining/Marketing. In 2000 he was appointed director of Chemical Affiliates Operations. He then joined Total's Chemical branch in 2001 and was appointed to the Executive Committee, in charge of finance, controlling and accounting. He has been the Group's Chief Financial Officer and a member of Arkema's Executive Committee since its creation in 2006.

Marc Schuller, born in 1960, a graduate of *École supérieure des sciences économiques et commerciales* (ESSEC), he joined Onkem in 1985 as product manager for acrylics.

In 1990 he joined the Strategy Segment of Total Chimie and in 1992 he became deputy managing director of the Structural Resins department at Cray Valley. In 1995, he was appointed commercial director Petrochemicals/Special Fluids at Total, and later director Base Petrochemicals at TotalFina. In 2000, Marc Schuller was appointed director of Atofina's Butadiene/Aromatics BU, and special project manager for the Chairman. In 2003, he became Director of the Thiochemicals and Fine Chemicals BU. After being a member of Atofina's management committee, he became a member of Arkema's Executive Committee at its creation in 2006.

3.2.3 ADDITIONAL INFORMATION ON THE MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT

3.2.3.1 ABSENCE OF FAMILY TIES

To the Company's knowledge, there are no family ties between (i) the members of the Board of Directors, (ii) the members of the Executive Committee, and (iii) between the members of the Board of Directors and those of the Executive Committee.

3.2.3.2 PENALTIES APPLICABLE TO DIRECTORS AND MANAGERS

To the Company's knowledge, no member of the Board of Directors or the Executive Committee has been:

- convicted of fraud during the past five years;
- implicated in a bankruptcy, receivership or liquidation during the past five years;
- charged with any offence or any official public sanction taken against them by statutory or regulatory authorities during the past five years.

To the Company's knowledge, no corporate officer or director, acting as a member of an administrative, management or supervisory body of an issuer, has been barred by a court from participating in the management or conducting the business of a listed company over the past five years.

3.2.3.3 ABSENCE OF CONFLICTS OF INTEREST

To the Company's knowledge, there are no potential conflicts of interest between the duties to the Company of the members of the Board of Directors, the senior management and their private interests. The Company has set up measures to prevent potential conflicts of interest between the directors and the Company, as described in sections 3.2.1.3 and 3.3.2.2 of this reference document. Each director has also undertaken, in accordance with the Board of Directors internal regulations, to maintain under all circumstances, their independence of analysis, judgment, decision-making and action, and, in this respect, to inform the Board of any situation of conflict of interest, direct or indirect, even potential, with the Company.

To the Company's knowledge, no arrangements or agreements have been made with the main shareholders, customers or suppliers of the Company by which a member of the Board of Directors or of the management would have been selected.

To the Company's knowledge, there are no restrictions accepted by the members of the Board of Directors or the management concerning the transfer of their holding in the Company's share capital, other than those set out in paragraph 3.4.4.2 of the reference document.

3.2.3.4 INFORMATION REGARDING SERVICE CONTRACTS

To the Company's knowledge, there are no service contract binding the members of the Board of Directors or the Executive Committee to the Company or any of its subsidiaries and providing for the granting of benefits under the terms of such a contract. The members of the Executive Committee, however, are all employees of the Company except for Thierry Le Hénaff.

3.3 FUNCTIONING OF ADMINISTRATIVE AND MANAGEMENT BODIES

The duties and functioning rules of the Company's administrative and management bodies are laid down by the law and by the Company's Articles of Association as well as by the Board of Directors internal regulations as first adopted by the Board on 31 May 2006 and amended on several occasions to take account of changes in the way the Company's administrative and management bodies operate as well as changes in terms of corporate governance, in particular the recommendations of the AFEP-MEDEF code.

3.3.1 MANAGEMENT AND LIMITATION ON THE POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and Chief Executive Officer is invested with the most extensive powers to act in the Company's name in all circumstances. He exercises these powers within the limits of the Company's corporate purpose and subject to those powers expressly vested by law in the general meetings and the Board of Directors. He represents the Company in its relationships with third parties.

The Board of Directors may set limits on the powers of the Chairman and Chief Executive Officer, but such limits are not enforceable against third parties.

In 2006, the Board of Directors introduced a right of preliminary review by the Board of Directors whereby the Chairman and Chief Executive Officer shall inform the Board of the most significant transactions or submit them to its prior approval.

Therefore the Board of Directors shall authorise beforehand:

- any industrial investment in excess of €80 million, with the annual investment budget also to be submitted to the Board of Directors for approval;
- any acquisition or divestment project with an enterprise value in excess of €130 million; and
- annual liquidations of investment exceeding the annual budget by over 10%.

In addition, the Board of Directors shall be informed after the event:

- of any industrial investment in excess of €30 million; and
- of any acquisition or divestment project with an enterprise value in excess of €50 million.

The general powers of the Chairman and Chief Executive Officer were confirmed by the Board of Directors meeting on 23 May 2012.

At its meeting on 24 January 2012, the Board of Directors also authorised the Chairman and Chief Executive Officer, with powers of sub-delegation, to issue in the name of the Company, deposits, commitments and guarantees up to a limit of €80 million, and to continue the deposits, commitments and guarantees previously made.

This authorization was renewed under the same terms at the Board of Directors meeting on 24 January 2013.

3.3.2 DUTIES AND FUNCTIONING OF THE BOARD OF DIRECTORS

3.3.2.1 DUTIES

The Board of Directors determines the guidelines governing the Company's activity and oversees their application. Subject to those powers expressly conferred on the shareholders and within the limits of the Company's corporate purpose, the Board of Directors considers any issue involving the proper operation of the Company, and decides on issues concerning the Company.

To this end, it must in particular review strategic developments in the Group, appoint the executive directors responsible for managing the Company in line with the strategy, monitor the implementation of this strategy, take decisions regarding major transactions, monitor the quality of information supplied to shareholders and the markets, in particular through the financial statements, and ensure the quality of the Board of Directors' functioning.

In accordance with the internal regulations of the Board of Directors and of its committees, some subjects are submitted for prior review by the appropriate committee before being presented to the Board of Directors for approval.

The committees exercise their proceedings under the responsibility of the Board of Directors.

3.3.2.2 FUNCTIONING

In accordance with its internal regulations, the Board of Directors meets at least four times a year and as often as the interests of the Company demand. The convening notice stipulates the venue of the meeting, and may be delivered by any means, even verbally, and without notice in urgent cases.

The Board of Directors meetings are chaired by the Chairman of the Board or, in his absence, by the oldest director in attendance.

The Board of Directors may legitimately deliberate even in the absence of a notice of meeting if all members are present or represented. In accordance with its internal regulations, in all cases permitted by law and if specified in the notice of meeting, directors participating in the meeting by means of videoconferencing or other telecommunication method meeting the technical characteristics set by current laws and regulations, are deemed present for the purpose of quorum and majority requirements.

Decisions are taken by majority vote of the members present, deemed present or represented. In the case of a split vote, the Chairman has the casting vote.

In accordance with corporate governance best practice, the Board of Directors internal regulations also set out the rights and obligations of the directors.

The Internal Regulations provide for the following in particular:

- the directors must, before accepting the functions of Company director, ensure that they are acquainted with the Company's articles of association, the Board's internal regulations, and the legal and regulatory texts governing the functions of director of a *société anonyme* (public limited company) and in particular the rules relating to the definition of the powers of the board of directors, the plurality of terms, the agreements referred to under article L.225-38 of the *Code de commerce* (French Commercial Code), the holding and use of privileged information, the declarations of trading in the Company's shares and the abstention periods during which members may not trade in the shares;
- the directors undertake to maintain their independence of analysis, judgment, decision-making and action under all circumstances, and, accordingly, in particular notify the Board of any conflict of interest, whether direct or indirect, actual or potential, with the Company. Directors also undertake to inform the Chairman of the Nominating, Compensation and Corporate Governance Committee of any new directorship or executive directorship that they might accept in a company outside the Group or affiliated group;
- the directors undertake to notify the Board of any agreement between them and the Company, entered into directly, indirectly or via an intermediary, prior to entering into such agreement. Furthermore, the directors undertake not to assume any duties in companies or business activities that are in competition with the Company without previously notifying the Board of Directors and the Chairman of the Nominating, Compensation and Corporate Governance Committee;
- prior to each Board of Directors meeting, a file is sent to each director in sufficient time before the meeting, unless an emergency arises justified by particular circumstances, providing information on items on the agenda to be discussed that require special analysis and prior consideration, whenever this can be accomplished without any breach of confidentiality. The directors may also request from the Chairman and Chief Executive Officer any additional information they may consider necessary to properly fulfil their duties, particularly in the light of the meeting's agenda;
- if they may consider necessary, they may also request, at the time of their appointment or during their term of office, additional training on the Group's specific features, businesses, and areas of activity. This training is organized by the Company, which supports the related costs;
- all documents provided for Board meetings and all information collected during or outside Board meetings are confidential, without exception, whether or not the information collected is presented as being confidential. Directors undertake not to express their individual views outside the boardroom on matters discussed during Board of Directors' meetings.

3.3.2.3 ACTIVITY OF THE BOARD OF DIRECTORS

The Board of Directors met seven times in 2012. The average attendance rate for all directors at these meetings was 89.6%.

The agenda for the meetings, aside from recurring annual topics (in particular approval of corporate and consolidated financial statements and of the related management report, approval of reference document, review of quarterly and half-yearly results, approval of half-yearly financial report, and review of related press releases, approval of the Chairman of the Board's report, notice of annual general meeting, review of reports on the work of the expert committees, drawing-up of forecast management documents, setting and allocation of attendance fees, annual assessment of the Board of Directors, assessment of the independence of directors) included the following points in particular:

- review of 2012 budget;
- approval of the strategy, on a proposal from the Strategy Committee;
- setting of the powers of the Chairman and Chief Executive Officer in the granting of deposits, advance payments and guarantees for 2012;
- review of the annual reports of the expert committees;
- proposed share capital increase reserved for Group employees and former employees;
- recording of share capital increase resulting from the exercising of stock options;
- review of compensation for the Executive Committee;
- setting of the fixed and variable parts of the compensation for the Chairman and Chief Executive Officer for 2012;
- appointment of the Chairman and Chief Executive Officer and confirmation of his powers;
- performance share allocation plans and general policy for the award of performance shares;
- coopting of Mrs Victoire de Margerie, replacing Mrs Isabelle Kocher who has resigned;
- appointment of Mrs Victoire de Margerie to the Nominating, Compensation and Corporate Governance Committee;
- environmental review of sites;
- safety update;
- report on Investor Day and road shows;
- authorisation to issue bonds; and
- examination of various strategic, investment or divestment projects.

Since the beginning of 2013, the Board of Directors met twice, with an attendance rate of 100%.

During these meetings, the Board closed the corporate and consolidated accounts for the year ended 31 December 2012 and reviewed the related management report, approved the Chairman's report pursuant to article L.225-37 of the *Code de commerce* (French Commercial Code), the 2012 reference document, the text of the resolutions submitted to the shareholders meeting and the notice of the annual general meeting, reviewed the 2013 budget, assessed the independence of directors, reviewed the terms of office of the Chairman and Chief Executive Officer including the fixing of his powers in terms of deposits, advance payments and guarantees for 2013, fixed and allocated the attendance fees for 2012, fixed and defined the allocation conditions for attendance fees for 2013, reviewed the Group's insurance programme for 2013, the Board of Directors assessement method, the directors' term of office renewal, the principles for the 2013 performance share plan, a review of human resources policy, the compensation of Executive Committee members (variable part due for 2012, fixed compensation for 2013, and criteria for 2013 variable part), ARKEMA's corporate governance, modified the internal regulations of the Nominating, Compensation and Corporate Governance Committee, and reviewed the annual reports of the Audit and Accounts Committee, of the Nominating, Compensation and Corporate Governance Committee and of the Strategy Committee.

3.3.2.4 ASSESSMENT OF THE FUNCTIONING OF THE BOARD OF DIRECTORS

In accordance with the AFEP-MEDEF code and its internal regulations, the Board of Directors conducts an annual self-assessment of its operation, while every three years a formal assessment is conducted by an external consultancy. The form and terms of the Board's assessment are debated by the Nominating, Compensation and Corporate Governance Committee.

For 2011, the functioning of the Board of Directors was assessed by an external consultancy at the beginning of 2012, who produced a report, the summary of which was presented to the Board of Directors. This assessment showed that generally speaking the functioning of the Board has continued to improve since 2009 and that its performance and compliance with corporate governance rules were considered to be satisfactory, if not very satisfactory. The areas for improvement identified in the external consultancy's report and agreed by the Board of Directors are:

- the introduction of a human resources review once a year, and the ongoing improvement of the succession plan;
- the consolidation of the environmental review;
- more comprehensive feedback from annual and half-yearly road shows; and
- ongoing communication on economic parameters impacting the Company's results.

The self-assessment of the Board of Directors for 2012 was debated by the Board at its 24 January and 27 February 2013 meetings respectively as follows: (i) submission to the directors of a questionnaire prepared by the Nominating, Compensation and Corporate Governance Committee and approved by the Board, followed by (ii) analysis and report by the said Committee to the Board of Directors of the directors' replies. This assessment showed that the directors were overall very satisfied with the functioning of the Board in 2012 and the quality of the information provided, as well as the consideration given to the areas for improvement agreed following the 2011 assessment.

3.3.3 BOARD OF DIRECTORS' COMMITTEES

The Board of Directors has set up three permanent expert committees: an Audit and Accounts Committee, a Nominating, Compensation and Corporate Governance Committee, and a Strategy Committee. Internal regulations have been established for each of these expert committees.

Each of these three committees comprises independent members only.

The role, organisation and functioning of each committee are set out in their respective internal regulations, as approved by the Board of Directors.

The internal regulations of each committee provide for the term of office of committee members to coincide with their term of office as directors, and for the Board of Directors to be allowed to modify the composition of the committees at any time.

Furthermore, committee members may receive from the Company only those attendance fees due with respect to their term of office as directors and members of a committee.

The proceedings of each committee will be valid only if at least two members are present. No committee member may be represented by another person.

Each committee reports on its work to the Board of Directors and presents an annual assessment of its functioning drawn up on the basis of the requirements of its internal regulations, as well as any suggestion for improving its functioning.

3.3.3.1 THE AUDIT AND ACCOUNTS COMMITTEE

Composition and functioning

The Audit and Accounts Committee consists of three directors: Philippe Vassor (Chairman), Claire Pedini, and Jean-Pierre Seeuws, in accordance with the provisions of article L.823-19 of the French Commercial Code. Willing to devote himself fully to his duty as a director of the Company, Mr. Laurent Mignon resigned as a member of the Audit and Accounts Committee by a letter dated 25 February 2013 sent to the Board of Directors. He shall not be replaced.

In accordance with the AFEP-MEDEF code, no member of this Committee holds a management position in the Company, and every member of the Committee has been qualified as independent by the Board.

In accordance with article L. 823-19 of the French Commercial Code, it should be noted that Philippe Vassor, Chairman of the Audit and Accounts Committee, has particular expertise in financial and accounting matters, as he has spent most of his career (from 1975 to 2005) with the Deloitte consultancy of which he was Chairman and Chief Executive Officer in France. In selecting the Committee members, the Board of Directors pays particular attention to their qualifications in the area of finance and accounting (see biographies of the members under paragraph 3.2.1.2 of this reference document).

The Committee members benefited from a presentation of the Group's accounting, financial and operational specifics.

The Audit and Accounts Committee meets several times a year, in particular to review the periodic consolidated financial statements. It meets at the request of its Chairman, two of its members or the Chairman of the Company's Board of Directors. The timetable of Committee meetings is set by the Committee Chairman.

The statutory auditors are invited to attend every Committee meeting. The Audit and Accounts Committee hears their conclusions after the meeting outside the presence of representatives of the Company.

The Chairman and Chief Executive Officer does not take part in the meetings of the Audit and Accounts Committee.

Unless a reasoned decision to the contrary by the Board of Directors, no committee member shall hold more than two other offices as a member of the Audit and Accounts Committee of a listed company in France or abroad. The Board of Directors also ensures that it does not appoint to the Audit and Accounts Committee a director from a company on whose audit and accounts Committee one of the Company's directors also holds a seat.

Duties

In order to enable the Company's Board of Directors to ensure the quality of internal control and the reliability of information provided to shareholders and to the financial markets, the Audit and Accounts Committee exercises the prerogatives of expert committees provided for under article L. 823-19 of the French Commercial Code, and in the AMF working group's final report on the audit committee dated 22 July 2010. Accordingly, the audit and accounts Committee is responsible for monitoring (i) the financial information preparation procedure, (ii) the effectiveness of the internal control and risk management systems, (iii) the statutory auditing of the annual and consolidated financial statements by the statutory auditors, and (iv) the independence of the statutory auditors. Accordingly, and in accordance with its internal regulations, it performs the following duties in particular:

- it submits recommendations on the appointment of the statutory auditors and their remuneration, in compliance with independence requirements;
- it ensures compliance with all applicable laws and regulations when statutory auditors are commissioned to perform work other than auditing the accounts;
- it reviews the options and assumptions used in preparing financial statements, reviews annual consolidated accounts, half-yearly and quarterly financial information and the full year financial statements and forecasts of the Company prior to their consideration by the Board of Directors, and assesses the accounting content of press releases prior to their issue;
- it oversees the statutory auditing of the annual and consolidated accounts by the statutory auditors, and the financial information preparation procedure;
- it assesses the suitability and consistency from year to year of accounting principles and policies;
- it assesses internal control procedures;
- it reviews the work programs of external and internal auditors;
- it reviews audit work;
- it assesses the organisation of delegations of commitment authority;
- it oversees the effectiveness of internal control and risk management systems;
- it reviews the conditions for using derivatives;
- it considers major transactions planned by the Group;
- it remains regularly updated on developments in significant claims and disputes;
- it reviews the main off balance sheet undertakings, particularly the most significant new undertakings; and
- it prepares and submits reports as provided by the internal regulations of the Board of Directors, and presents to the Board in draft form that portion of the annual report and, more generally, any documents required by the applicable regulations, falling within its remit.

Activity of the Audit and Accounts Committee

The Audit and Accounts Committee met five times in 2012, with an average attendance rate for its members of 90%.

The Chief Financial Officer (appointed as secretary to the Committee), the head of the accounting department and the statutory auditors attended every meeting.

The work of the Audit and Accounts Committee over the year focused mainly on (i) a review of the 2011 financial statements (consolidated and corporate, and review of the provisions at 31 December 2011), and the related 2011 draft management report, the 2011 draft reference document, the 2012 quarterly accounts, the half-yearly accounts at 30 June 2012, and the draft half-yearly financial report at 30 June 2012, as well as the Company's forecast management documents, (ii) approval of the statutory auditors' fees for 2012, and (iii) a review of internal control procedures, the Internal and External Audit work schedule, (iv) developments in the main claims and disputes involving the Group, a review of the Group's risks and consequently of the mapping of risks, and a review of the information systems.

Since the beginning of 2013, the Audit and Accounts Committee met once. All Committee members were present at the meeting which focused in particular on the review of the 2012 consolidated financial statements, the provisions at 31 December 2012, the related 2012 draft management report, the Company's annual financial statements and forecast documents, the 2012 draft reference document, the activity report of the Committee and the annual assessment of its work in 2012.

In accordance with the AFEP-MEDEF code and its internal regulations, the Audit and Accounts Committee conducts an annual self-assessment of its work. The assessment for 2012 shows that the Committee members were satisfied with the functioning of the Committee.

3.3.3.2 THE NOMINATING, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

Composition and functioning

The Nominating, Compensation and Corporate Governance Committee comprises four directors since 7 November 2012 (three until this date): Thierry Morin (Chairman), François Énaud, Bernard Kasriel, and Victoire de Margerie (since 7 November 2012). In accordance with the AFEP-MEDEF code, no member of this Committee holds a management position in the Company, and every member of the Committee has been qualified as independent by the Board.

The Nominating, Compensation and Corporate Governance Committee meets several times a year.

Duties

In accordance with its internal regulations, as amended by the Board of Directors meeting on 27 February 2013, the Nominating, Compensation and Corporate Governance Committee is responsible for (i) recommending to the Board of Directors the persons who should be appointed directors or executive director, (ii) examining the current procedure and practices in place regarding the succession plans for members of the Executive Committee, and the progress of the Group's senior managers within the management bodies, examining the compensation policies for managers implemented in the Group, and proposing the compensation of corporate officers to the Board, and (iii) recommending to the Board the corporate governance principles implemented in the Group.

Accordingly, its duties include, regarding:

(i) nominations:

- it submits to the Board of Directors recommendations on the composition of the Board of Directors and its committees,
- it reviews annually the current procedure and practices in terms of succession plan for Executive Committee members, and of the progress of the Group's senior managers within the management bodies, and issues recommendations in this regard,
- every year, it submits to the Board of Directors a list of directors who can be considered as independent directors of the Company, in accordance with the provisions of Article 2.1 of the internal regulations of the Company's Board of Directors,
- it assists the Board of Directors in appointing and evaluating the corporate officers, the directors, and the directors serving as committee members, and
- it prepares and submits an annual report on the committee's operation and work;

(ii) compensations:

- it reviews the compensation of the Company's executive officers, whether they are corporate office or not, as well as the main objectives proposed by the senior management in this regard including stock option and performance share plans, pension schemes, contingency funds and benefits in kind,
- it submits to the Board of Directors policy recommendations and proposals in the areas of compensation, pension schemes and contingency funds, benefits in kind, and allocation of options to subscribe or purchase shares (stock options) or receive performance shares, especially allocation to corporate officers,
- it reviews the procedures for allocating attendance fees among Board members and the conditions for reimbursing any expenses incurred by the directors, and

- it prepares and submits reports as provided for by the internal regulations, and presents to the Board of Directors that part of the annual report in draft form, and, more generally, any documents required by the applicable regulations and falling within its remit, in particular information on the compensation of corporate officers, stock options and performance shares;

(iii) corporate governance:

- it analyzes and oversees corporate governance principles,
- it recommends corporate governance best practice,
- it prepares the annual assessment of the Board's work,
- it examines cases arising from conflicts of interest, as the case may be,
- it discusses corporate governance and ethical issues referred by the Board of Directors or its Chairman for examination, and
- it examines the Code of Conduct and proposes modifications as the case may be.

Activity of the Nominating, Compensation and Corporate Governance Committee

In 2012, the Nominating, Compensation and Corporate Governance Committee met three times, with a 100% attendance rate for Committee members.

The Group's Human Resources and Communication Executive Vice-President (appointed secretary to the Committee) attended every meeting.

The work of the Nominating, Compensation and Corporate Governance Committee mainly focused on a review of the compensation of corporate officers and the Executive Committee, the annual assessment of the Board of Directors, the examination of profiles for the post of director, and in particular the replacement of Mrs Isabelle Kocher, who resigned, and the implementation of performance share allocation plans.

Since the beginning of 2013, the Nominating, Compensation and Corporate Governance Committee met twice. All members attended both meetings. These meetings concerned in particular the assessment of the Board of Directors in 2012, the Committee's annual assessment, the functioning of the Board, and in particular the independence of directors, the setting of the amounts and the allocation of attendance fees for 2012, the setting of the amounts and the terms for allocating the attendance fees for 2013, the evolution of long-term incentives programmes, the renewal of the terms of office of Messrs Bernard Kasriel, Thierry Morin, Marc Pandraud and Philippe Vassor, the compensation of Executive Committee members (variable part due for 2012, fixed part for 2013, and criteria for 2013 variable part), and the compensation of the Chairman and Chief Executive Officer (variable part for 2012, fixed compensation for 2013, and criteria for 2013 variable part), the principles for the 2013 performance share plan, the modification of its internal regulations, and the Company's corporate governance approach.

3.3.3.3 THE STRATEGY COMMITTEE

Composition and functioning

Given the importance for members of the Board of Directors to be well acquainted with ARKEMA's strategy, the Strategy Committee comprises every member of the Board of Directors qualified as independent, namely 9 members, including Jean-Pierre Seeuws as Chairman.

The Strategy Committee meets as it sees fit, at least once for an annual meeting to review and analyse the strategy.

Duties

The duties of the Strategy Committee include the following:

(i) examine the Group's main strategic guidelines, including:

- the main strategic options or projects proposed by the Management,
- opportunities for external growth or divestment, and
- strategic financial operations and stock transactions;

(ii) prepare and present to the Board of Directors an annual report on the operation and activities of the Strategy Committee.

Activity of the strategy committee

The Strategy Committee met once in 2012, with a 78% attendance rate for Committee members.

The work of the Strategy Committee during the year focused primarily on the analysis of the Group's strategy as well as the examination of operational projects.

3.4 COMPENSATION AND BENEFITS IN ALL KIND AWARDED TO EXECUTIVE AND CORPORATE OFFICERS

The principles and rules for determining the compensation and benefits in all kind awarded to the corporate officers and executives, corporate officers or otherwise, of the Company are laid down by the Board of Directors based on recommendations by the Nominating, Compensation and Corporate Governance Committee.

The following information is given pursuant to the AFEP-MEDEF code, the AMF recommendation on the compensation of corporate officers dated 22 December 2008, recalled in the AMF recommendation n°2012-02 on corporate governance and executive compensation dated 9 February 2012 and the AMF recommendation n°2012-14 (2012 AMF Report on corporate governance and executive compensation for listed companies dated 11 October 2012).

In accordance with the provisions of the internal regulations of the Board of Directors and the Nominating, Compensation and Corporate Governance Committee, the latter issues recommendations or proposals concerning the compensation of the Company's directors (see paragraph 3.3.2 of this reference document).

3.4.1 COMPENSATION OF MEMBERS OF THE EXECUTIVE COMMITTEE EXCLUDING THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER (1)

The total gross fixed compensation awarded for 2012 to members of the Executive Committee other than the Chairman and Chief Executive Officer, amounted to €1,957,000.

Furthermore, the total variable compensation paid in 2012 for 2011 to the members of the Executive Committee by the Company or one of its consolidated subsidiaries was €1,250,892.

The Board of Directors meeting on 7 March 2012 also approved the criteria to be used in determining the variable element of the compensation of the members of the Executive Committee for 2012, based on specific qualitative and quantitative targets relating mainly to growth in EBITDA, recurring cash flow, and margin on variable costs of new developments. In application of these criteria, the Board of Directors meeting on 27 February 2013 approved the variable part awarded for the year 2012 to Executive Committee members, amounting to €1,199,450. It also approved the criteria to be used in determining the variable element of their compensation for 2013, which will remain based on specific qualitative and quantitative targets related primarily to growth in EBITDA, recurring cash flow, and margin on variable costs of new developments.

The Board also approved the total gross fixed compensation to be paid to the Executive Committee members for 2013, amounting to €1,726,000.

Members of the Executive Committee did not receive any attendance fees in relation to any directorships held within Group companies.

They benefit from a defined contribution pension scheme applicable to the part of their compensation exceeding eight times the social security annual threshold, and for which there is no mandatory legal scheme.

Finally, and as part of the Group's overall compensation policy, members of the Executive Committee benefit from the award of stock options and/or performance shares (see paragraphs 3.4.4 and 5.2.6 and note 28 to the consolidated financial statements in chapter 4 of this reference document).

(1) In 2012, the composition of the Executive Committee was modified following the departure of Mr Otto Takken on 30 June 2012.

3.4.2 COMPENSATION OF THE EXECUTIVE DIRECTORS

The Chairman and Chief Executive Officer is the Company's sole executive director.

The compensation of Mr Thierry Le Hénaff in his role as the Company's Chairman and Chief Executive Officer is set by the Board of Directors on a recommendation from the Nominating, Compensation and Corporate Governance Committee, based in particular on market surveys of similar companies.

Mr Thierry Le Hénaff is not present when the Board of Directors and the Nominating, Compensation and Corporate Gorvenance Committee review its compensation.

The compensation of Mr Thierry Le Hénaff consists of:

- a fixed annual compensation; and
- a variable compensation of up to 150% of the annual fixed compensation on achieving specific and demanding quantitative and qualitative targets. For 2012, the variable part is paid on the basis of quantitative targets, linked to the Company's financial performance, with their maximum relative weight broken down as follows: EBITDA level for 55%, recurring cash flow level for 27.5%, and level of margin on variable costs for new developments for 27.5%, and on the basis of qualitative targets related essentially to the implementation of the Group's strategy for 40% maximum.

  For reasons of confidentiality, the value of the targets to be achieved, which was established in detail, is not disclosed.

In application of article L. 225-42-1 of the *Code de commerce*, the annual general meeting of 23 May 2012 approved the agreement authorised by the Board of Directors on 7 March 2012 on the indemnity due to Thierry Le Hénaff in the event of early termination of contract (termination or non-renewal of his term of office) or termination linked to a change of control of the Company or a change of strategy decided by the Board of Directors, and, except in the event of serious or gross misconduct, the amount of which shall be calculated on the basis of the fulfilment of five performance conditions, as detailed below:

FIRST CRITERION – TRIR

TRIR (Total Recordable Injury Frequency Rate) shall have dropped by at least 5% (average compound rate) per year between 31 December 2005 and the date at which this performance condition has been fulfilled as defined above.

SECOND CRITERION – COMPARATIVE EBITDA MARGIN

This economic performance indicator shall be compared to that of chemical manufacturers in competition with and comparable to ARKEMA.

The growth in ARKEMA's EBITDA margin shall be at least equal to the average growth in the EBITDA margin of the companies in the reference panel between 31 December 2005 and the date at which this performance condition has been fulfilled.

THIRD CRITERION – WORKING CAPITAL (WC)

The year-end WC over annual sales ratio shall have decreased by at least 2.5% (average compound rate) per year between 31 December 2005 and the date at which this performance condition has been fulfilled.

FOURTH CRITERION – EBITDA MARGIN

The EBITDA over sales margin shall have grown by at least 3% (average compound rate) per year between 31 December 2005 and the date at which this performance condition has been fulfilled.

FIFTH CRITERION – RETURN ON CAPITAL EMPLOYED

The average of net operating income over capital employed ((recurring operating income – actual income tax [(1)])/(capital employed – provisions)) for the last 3 years prior to the date of early termination of contract, shall exceed the cost of capital (8.5%). Capital employed and provisions are those for year-end, and recurring operating income for acquisitions made during the year shall be assessed on a full year basis and corrected for divestments.

Thierry Le Hénaff was appointed Chairman and Chief Executive Officer at the beginning of 2006, therefore the reference index applicable when computing these five performance criteria shall be the index based on Group data at 31 December 2005. This date corresponds to the last financial period preceding the Company's stock market listing and the introduction of a separate and autonomous strategy.

The value of the end-of-period index to be taken into account in the computation of the criteria below shall be the average of the index calculated at Group level over the two years for which accounts have been published prior to the date of early termination of contract.

If 4 or 5 criteria have been fulfilled, Thierry Le Hénaff shall receive 100% of the sums provided for in the event of early termination of contract.

If 3 out of 5 criteria have been fulfilled, Thierry Le Hénaff shall receive 75% of the sums provided for in the event of early termination of contract.

If 2 out of 5 criteria have been fulfilled, Thierry Le Hénaff shall receive 50% of the sums provided for in the event of early termination of contract.

If fewer than 2 criteria have been fulfilled, Thierry Le Hénaff shall receive 0% of the sums provided for in the event of early termination of contract.

In accordance with the AFEP-MEDEF code, indemnity is due only in the event of forced dismissal of the Chairman & Chief Executive Officer, and the amount of this indemnity shall not exceed twice his total annual gross compensation (fixed and variable). The basis for calculating the termination indemnity shall be the fixed annual compensation for the year in which the early termination of contract has occurred and the average of the last two annual

(1) On recurring activity (in particular excluding impact of M&A, restructuring operations).

variable compensation payments made prior to the date of early termination of contract.

It should be noted, however, that the rule whereby forced dismissal should be aggregated with departure following a change of control or strategy as provided for by the AFEP-MEDEF Code, has not been taken into account in order to compensate for the loss of benefits, in particular in terms of seniority, related to his status as a salaried executive of the Total group for 17 years, at the time of the Company's spin-off and stock market listing, and of his appointment as Chairman & Chief Executive Officer of the Company.

Moreover, Mr Thierry Le Hénaff does not benefit from an indemnity resulting from a non-compete agreement.

Additionally, in his role as Chairman and Chief Executive Officer, Mr Thierry Le Hénaff receives the following benefits:

- a company car;
- a director unemployment insurance; and
- a supplementary pension scheme applicable to certain senior executives of the Group.

There are no special pension arrangements for the Chairman and Chief Executive Officer. The Chairman and Chief Executive Officer benefits from a supplementary defined benefit pension scheme offered to certain senior executives of the Group with an annual compensation exceeding eight time the annual ceiling of the Social Security, for which provisions are made in the consolidated and Company's accounts (see note 4 to the Company's financial statements in chapter 4 of this reference document). This supplementary pension scheme, funded by the Company, is subject to the beneficiary completing his career in the Group. Future pension benefits from this supplementary scheme will be paid after deduction of the benefits from the defined contribution pension scheme offered to certain senior executives of the Group. The Company's pension liabilities relating to its Chairman and Chief Executive Officer corresponded, at 31 December 2012, to an annual retirement pension calculated in particular on the basis of the average compensation of the last three years, equal to 25.7% of his current annual compensation.

Mr Thierry Le Hénaff is not bound to any Group company by an employment contract. He receives no attendance fees in his role as Director and Chairman of the Board of the Company.

On a proposal by the Nominating, Compensation and Corporate Governance Committee, the Board of Directors meeting on 27 February 2013, Mr Thierry Le Hénaff being absent of the meeting at the time, decided as follows:

- the variable part due for 2012, based on the criteria laid down by the Board of Directors meeting on 7 March 2012 was set at €1,042,726;
- the gross annual fixed compensation of Mr Thierry Le Hénaff for 2013 would remain fixed at €750,000;
- the variable part of his compensation in respect of 2013 will remain determined on the basis of the same performance criteria with an identical relative weight. In any case, this shall be capped at 150% of his annual fixed compensation.

Mr Thierry Le Hénaff also benefits from stock options and/or performance shares as part of the stock option and performance share allocation plans put in place by the Board of Directors under the terms described in paragraph 3.4.4 of this reference document.

Furthermore, in the event of early termination of contract (termination or non-renewal of his term of office), or termination linked to a change of control of the Company or a change of strategy decided by the Board of Directors, and except in the event of serious or gross misconduct, Thierry Le Hénaff will keep his rights to stock options, as well as free share or performance share allocation for plans agreed by the Board of Directors before he leaves.

COMPENSATION, STOCK OPTIONS AND SHARES GRANTED TO THE CHAIRMAN & CEO

	2012 (Gross amounts in euros)		2011 (Gross amounts in euros)	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Fixed compensation	750,000*	695,057	610,000	610,000
Variable compensation**	1,042,726	915,000	915,000	902,800
Exceptional compensation	Nil	Nil	Nil	Nil
Attendance fees	Nil	Nil	Nil	Nil
TOTAL	**1,792,726**	**1,610,057**	**1,525,000**	**1,512,800**
Benefits in kind – Car	6,720	6,720	6,720	6,720
Director unemployment insurance	17,001	17,001	16,524	16,524
Valuation as per method used for consolidated accounts for stock options allocation (detailed in note 28.1 to the consolidated financial statements at 31 December 2012)		N/A		744,705
Valuation as per method used for consolidated accounts for performance share allocation (detailed in note 28.2 to the consolidated financial statements at 31 December 2012)		1,175,850		921,926

* *Annual fixed basis from 23 May 2012.*

** *Variable compensation is paid in the year following the period for which it has been calculated. The criteria defined above were applied to the exclusion of all other criteria entailing the fulfilment of objectives.*

3.4.3 COMPENSATION OF NON-EXECUTIVE DIRECTORS AND CORPORATE OFFICERS

The annual general meeting of 1st June 2010 set the maximum annual amount of attendance fees allocated to the Board of Directors at €470,000.

On a proposal by the Nominating, Compensation and Corporate Governance Committee, the split of the annual amount allocated by the annual general meeting between the members of the Board of Directors and of the expert committees was set by the Board of Directors as follows:

- an annual fixed part of €15,000 per director (paid *prorata temporis* in the event of a change in the course of the year); and
- a variable part taking account of the director's attendance at Board meetings:
  - of €3,000 per director present at a Board meeting, and
  - €2,000 per member present at a meeting of one of the expert committees, except for the Chairman's variable part which is €3,500.

Total attendance fees allocated to the Directors amounted to €374,750 for 2012 (€367,000 for 2011), split as follows:

In euros	Amounts paid in 2013 for 2012	Amounts paid in 2012 for 2011
M. Patrice Bréant, Director representing shareholder employees since 1st June 2010 Attendance fees	Nil *	Nil
M. François Énaud, Director Attendance fees	39,000	43,000
M. Bernard Kasriel, Director Attendance fees	44,000	43,000
Mrs Isabelle Kocher, Director, resigned on 11 July 2012 Attendance fees	13,500	27,000
Mrs Victoire de Margerie, Director since 7 November 2012 Attendance fees	6,750	Nil
M. Laurent Mignon, Director Attendance fees	35,000	35,000
M. Thierry Morin, Director Attendance fees	48,500	49,000
M. Marc Pandraud, Director Attendance fees	38,000**	26,000 **
Mrs Claire Pedini, Director Attendance fees	48,000	45,000
M. Jean-Pierre Seeuws, Director Attendance fees	49,500	46,500
M. Philippe Vassor, Director Attendance fees	52,500	52,500

* *Mr Patrice Bréant is on the payroll of Arkema France as an Expert Engineer in Experimental Methodology and Statistical Process Control, and, as such, does not receive any attendance fees. His total compensation for 2012 was €89,941.*

** *At Marc Pandraud's request, his attendance fees have been paid by the Company to a charity.*

On a proposal by the Nominating, Compensation and Corporate Governance Committee, the Board of Directors meeting on 24 January 2013 also agreed the principle whereby those directors who so wish may be awarded their 2013 attendance fees in the course of the year, at the end of each quarter, as follows:

- the annual fixed part of €15,000 per director paid *prorata temporis*, *i.e.* €3,750 per quarter;
- the variable part taking account of the director's attendance at Board meetings:
  - of €3,000 per director present at a Board meeting held during the quarter, and
  - €2,000 per member present at a meeting of one of the expert committees, except for the Chairman's variable part which is €3,500, held during the quarter.

Except for Patrice Bréant, director representing shareholder employees for whom information is given above, members of the Board of Directors received no other compensation and no other benefits in the year. The directors were not awarded any stock options or performance shares.

No compensation, other than that mentioned above and paid by the Company, was paid to directors of the Company by other Group companies in 2012.

3.4.4 STOCK OPTION AND PERFORMANCE SHARE PLANS

3.4.4.1 STOCK OPTION AND PERFORMANCE SHARE ALLOCATION GENERAL POLICY

The Board of Directors put in place since 2006 stock option and free share or performance share allocation plans for employees of the Group in order to involve them closely in the Group's future growth as well as its stock market performance.

ARKEMA's performance share allocation policy, in particular, is designed to reward and retain the Group's top performers among its employees. Consequently, these performance shares are not reserved just for the senior management, but also benefit a large number of employees (over 650 beneficiaries every year).

Details of the stock option and free share or performance share allocation plans put in place by the Board of Directors since 2006 are given in paragraph 5.2.6 and in note 28 to the consolidated financial statements at 31 December 2012 in chapter 4 of this reference document.

The Board of Directors meeting on 9 May 2012, as authorised by the general shareholders meeting on 15 June 2009, decided to award 242,000 performance shares whereby the definitive allocation of rights is subject to presence in the Group at the date of definitive acquisition of the rights, and to the fulfilment of two performance criteria, namely one external criterion (ARKEMA's performance compared to that of a representative group of companies for the sector) and one internal criterion (EBITDA level). These performance shares have been awarded to 714 beneficiaries (excluding shares granted as part of the share capital increase reserved to employees made in 2012 and detailed in paragraph 5.2.7 of this reference document).

This award was the subject of a debate within the Nominating, Compensation and Corporate Governance Committee as well as a presentation of the work of the said committee to the Board of Directors.

In 2012, the Board of Directors put in place no new stock option plan.

Since 2010 all the stock option and performance share allocation plans from which the Executive Committee members benefit have been subject to the fulfilment of the performance conditions set out in paragraph 5.2.6 of this reference document.

The Board of Directors, meeting on 27 February 2013, on a proposal from the Nominating, Compensation and Corporate Governance Committee, set out the principles of the capital-based compensation policy applicable from 2013, pending ratification of the twelfth resolution that will be proposed to the general shareholders meeting on 4 June 2013, and its validity period.

Accordingly, the Board confirmed the following principles in allocating performance share plans:

- its commitment to involving closely the senior managers and certain employees of the Group to its development and its share performance in the medium term;
- its commitment to pursuing the award policy put in place since 2006, with grants not just reserved for executive managers, but concerning also some 700 Group employees who have shown outstanding performance, or should be retained in the Group;
- an increase in the vesting period for the rights to a minimum of three years, in order to firmly establish a medium-term compensation dimension as part of overall compensation;

- the application, mandatory for executive managers, of two demanding performance criteria, each applying to 50% of the rights being awarded:
  - an internal criterion related to the growth of ARKEMA's EBITDA, fully consistent with the financial targets disclosed to the market,
  - an external benchmark criterion related to ARKEMA's average EBITDA margin compared to the average EBITDA margin of a panel of chemical companies[1] over a same period of at least three years;
- the final award of existing shares, acquired as part of the buy-back program resulting in no dilution for shareholders;
- the withdrawal of stock option plans.

Furthermore, the Board reaffirmed its desire to pursue a dynamic employee shareholding policy by regularly offering Group employees the opportunity to subscribe for Arkema shares under favourable terms (20% discount, subscription limited to 1,000 shares), and in particular the award of free shares to employees in countries other than France participating in the operation, in order to strengthen the attractiveness of the offer.

The Board also examined the principles of the plans to be implemented in 2013, and set out the performance criteria to be applied as follows:

- EBITDA growth (50% of the allocation).

  The target permitting the award of all rights with respect to this criterion will be an EBITDA of €1,280 million euros in 2016 (in line with the financial targets presented at the last Investor Day);
- comparative EBITDA margin (50% of the allocation).

  All the rights will be awarded if ARKEMA's average EBITDA margin over the period 2013 to 2016 is superior or equal by one point to the average of the chosen panel.

  If ARKEMA's average over the same period is equal to the average of the chosen panel, the award rate will be 85%.

  No shares will be awarded if ARKEMA's average EBITDA margin over the period 2013 to 2016 is inferior by 2.5 points or more than the average of the chosen panel.

3.4.4.2 HOLDING REQUIREMENTS

In accordance with the law and with the AFEP-MEDEF code, the Board of Directors set, and amended on two occasions, and for the last time in 2012, the number of shares arising from the exercise of stock options or performance shares that the Chairman and Chief Executive Officer and the Executive Committee members are required to hold.

Accordingly, the Board of Directors decided from the 2010 plans, the following share holding requirements for the Chairman and Chief Executive Officer and for the members of the Executive Committee, until termination of their duties:

- at least 30% of the shares definitively awarded to the Chairman and Chief Executive Officer;
- at least 20% of the shares definitively awarded to the members of the Executive Committee, excluding the Chairman and Chief Executive Officer;
- a number of shares resulting from the subscription options exercised corresponding to at least 40% of the net capital gain on acquisition for all members of the Executive Committee (including the Chairman and Chief Executive Officer).

These obligations shall be suspended once the number of Arkema shares held, whatever their origin, represents a global amount equivalent to:

- 200% of gross annual fixed compensation for the Chairman and Chief Executive Officer;
- 150% of gross annual fixed compensation for members of the Executive Committee, excluding the Chairman and Chief Executive Officer.

However, when the Chairman and Chief Executive Officer owns a quota of shares, whatever their origin, representing twice the fixed part of his current gross annual compensation, the share holding requirements shall apply under the following terms:

- at least 10% of the shares definitively awarded, after this threshold has been reached;
- a number of shares resulting from the subscription options exercised corresponding to at least 10% of the net capital gain on acquisition.

(1) The panel is made of AkzoNobel (specialty chemicals), BASF (excluding Oil and Gas), Clariant, Lanxess, Solvay, Celanese (restated for the joint ventures), Chemtura, Dow. This panel can be modified if the competitive landscape changes significantly.

3.4.4.3 ALLOCATION OF STOCK OPTIONS AND PERFORMANCE SHARES TO THE CHAIRMAN & CEO

The award of stock options to the Chairman and Chief Executive Officer is given special attention by the Nominating, Compensation and Corporate Governance Committee and is the focus of specific deliberation by the Board of Directors every year.

Stock options

No share subscription or purchase options were awarded to the Chairman and Chief Executive Officer in 2012.

SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED BY THE CHAIRMAN & CEO IN 2012

	N° and date* of plan	Number of options exercised	Exercise price
Thierry Le Hénaff	2006 Plan Date: 4 July 2006	28,530	€28.36
	2007 Plan Date: 14 May 2007	14,000	€44.63
	2008 Plan Date: 13 May 2008	24,000	€36.21

* *Date of Board of Directors meeting.*

In accordance with the AFEP-MEDEF code, Mr Thierry Le Hénaff has no hedging instruments in place for his stock options.

Performance shares

PERFORMANCE SHARES GRANTED TO THE CHAIRMAN & CEO IN 2012

	N° and date of plan	Number of shares granted	Acquisition date	Availability date
Thierry Le Hénaff	Date: 9 May 2012			
	Plan 2012 n°1 (2+2)	13,000	10 May 2014	10 May 2016
	Plan 2012 n°2 (3+2	13,000	10 May 2015	10 May 2017

No performance share granted to the Chairman and Chief Executive Officer became available in the course of 2012.

3.4.5 STOCK TRANSACTIONS BY THE COMPANY'S EXECUTIVE OFFICERS AND MEMBERS OF THE EXECUTIVE COMMITTEE

Pursuant to Article 223-26 of the General Regulation of the *Autorité des marchés financiers*, the following table features the operations declared by the individuals mentioned in article L. 621-18-2 of the *Code monétaire et financier* (Monetary Financial Code) in 2012:

	Financial Instrument	Nature of operation	Date of operation	Place of operation	Unit price	Amount of operation
Thierry Le Hénaff	Shares	Exercised stock options	25 June 2012	Paris	€28.36	€148,890
	Shares	Exercised stock options	2 August 2012	Paris	€28.36	€255,240
Person related to Thierry Le Hénaff	Shares	Sale	2 August 2012	Paris	€62.37	€187,118
Person related to Thierry Le Hénaff	Shares	Sale	2 August 2012	Paris	€62,37	€187,118
Person related to Thierry Le Hénaff	Shares	Sale	2 August 2012	Paris	€62,37	€187,118
Thierry Le Hénaff	Shares	Exercised stock options	6 August 2012	Paris	€28.36	€255,240
	Shares	Sale	6 August 2012	Paris	€64.28	€578,563
	Shares	Exercised stock options	10 August 2012	Paris	€44.63	€624,820
	Shares	Sale	10 August 2012	Paris	€64.85	€907,994
	Shares	Exercised stock options	22 November 2012	Paris	€36.21	€434,520
	Shares	Sale	22 November 2012	Paris	€74.20	€886,666
	Shares	Exercised stock options	30 November 2012	Paris	€28.36	€149,741
	Shares	Exercised stock options	5 December 2012	Paris	€36.21	€434,520
	Shares	Sale	5 December 2012	Paris	€78.52	€942,240
Person related to Thierry Le Hénaff	Shares	Sale	12 December 2012	Paris	€81.24	€142,182
Person related to Thierry Le Hénaff	Shares	Sale	12 December 2012	Paris	€81.24	€142,182
Person related to Thierry Le Hénaff	Shares	Sale	12 December 2012	Paris	€81.24	€142,182
Thierry Le Hénaff	Shares	Sale	21 December 2012	Paris	€81.10	€17,031
Luc Benoit-Cattin	FCPE shares	Subscription	18 April 2012	Paris	€54.51	€40,000
Bernard Boyer	FCPE shares	Subscription	18 April 2012	Paris	€54.51	€54,510
	Shares	Exercised stock options	27 August 2012	Paris	€30.47	€198,055
	Shares	Sale	27 August 2012	Paris	€68.75	€343,750
	Shares	Exercised stock options	27 August 2012	Paris	€36.21	€181,050
	FCPE shares	Sale	28 August 2012	Paris	€68.74	€226,976
	Shares	Exercised stock options	3 September 2012	Paris	€44.63	€267,780
Person related to Bernard Boyer	Shares	Sale	4 September 2012	Paris	€69.08	€138,173
Person related to Bernard Boyer	Shares	Sale	4 Septembre 2012	Paris	€69.08	€138,173
Person related to Bernard Boyer	Shares	Sale	4 September 2012	Paris	€69.08	€138,173
Bernard Boyer	Shares	Exercised stock options	10 December 2012	Paris	€36.21	€108,630
	Shares	Sale	10 December 2012	Paris	€79.82	€239,475
Patrice Bréant	FCPE shares	Subscription	18 April 2012	Paris	€54.51	€7,200
Pierre Chanoine	Shares	Exercised stock options	23 January 2012	Paris	€44.63	€357,040
	Shares	Sale	23 January 2012	Paris	€61.80	€494,400
	FCPE shares	Subscription	18 April 2012	Paris	€54.51	€54,510
	Shares	Exercised stock options	7 September 2012	Paris	€30.47	€50,915
	FCPE shares	Sale	7 September 2012	Paris	€67.25	€58,022
	FCPE shares	Sale	27 September 2012	Paris	€72.64	€20,577
	Shares	Exercised stock options	2 October 2012	Paris	€28.36	€38,116
	Shares	Exercised stock options	2 October 2012	Paris	€44.63	€178,520
	Shares	Exercised stock options	4 October 2012	Paris	€30.47	€19,623
	Shares	Exercised stock options	13 December 2012	Paris	€36.21	€217,260
	Shares	Sale	13 December 2012	Paris	€81.04	€486,264
Michel Delaborde	FCPE shares	Subscription	18 April 2012	Paris	€54.51	€54,510
	Shares	Exercised stock options	2 August 2012	Paris	€44.63	€357,040
	Shares	Sale	2 August 2012	Paris	€63.42	€507,390
	Shares	Exercised stock options	22 August 2012	Paris	€36.21	€171,997
	Shares	Sale	22 August 2012	Paris	€68.52	€142,116
	Shares	Exercised stock options	22 August 2012	Paris	€30.47	€121,880
	Shares	Sale	22 August 2012	Paris	€69.79	€331,526
	Shares	Exercised stock options	29 November 2012	Paris	€36.21	€181,050
	Shares	Sale	29 November 2012	Paris	€77.05	€386,888

	Financial Instrument	Nature of operation	Date of operation	Place of operation	Unit price	Amount of operation
Thierry Lemonnier	FCPE shares	Subscription	18 April 2012	Paris	€54.51	€54,510
	Shares	Exercised stock options	31 August 2012	Paris	€30.47	€79,222
	Shares	Sale	31 August 2012	Paris	€66.55	€82,241
	Shares	Exercised stock options	30 November 2012	Paris	€44.63	€89,260
	Shares	Sale	30 November 2012	Paris	€78.44	€156,896
	Shares	Exercised stock options	3 December 2012	Paris	€28.36	€66,986
	Shares	Exercised stock options	10 December 2012	Paris	€44.63	€89,260
	Shares	Sale	10 December 2012	Paris	€80.07	€160,156
Marc Schuller	Subscription	Parts of FCPE	18 April 2012	Paris	€54.51	€54,510
	Shares	Exercised stock options	8 August 2012	Paris	€30.47	€198,055
	Shares	Sale	8 August 2012	Paris	€64.66	€232,228
	Shares	Exercised stock options	25 September 2012	Paris	€44.63	€223,150
	Shares	Sale	25 September 2012	Paris	€73.00	€365,000
	Shares	Exercised stock options	27 September 2012	Paris	€44.63	€223,150
	Shares	Sale	27 September 2012	Paris	€74.00	€370,000
	Shares	Exercised stock options	12 November 2012	Paris	€44.63	€312,410
	Shares	Sale	12 November 2012	Paris	€74.48	€521,419
Otto Takken	Subscription	Parts of FCPE	18 April 2012	Paris	€54.51	€54,510

3.5 STATUTORY AUDITORS' REPORT PURSUANT TO ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE

This is a free translation of a report issued in the French language and it is provided solely for the convenience of English-speaking users.

This report should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

KPMG Audit

Département de KPMG S.A.
1, cours Valmy
92923 Paris La Défense Cedex

Commissaire aux comptes
Membre de la Compagnie de Versailles

ERNST & YOUNG Audit

1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux comptes
Membre de la Compagnie de Versailles

Arkema

Registered office: 420, rue d'Estienne d'Orves – 92700 Colombes
Share capital: €628,772,150

Statutory auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code *(Code de commerce)* on the report prepared by the Chairman of the Board of Directors of Arkema

Year ended 31 December 2012

To the shareholders

Ladies and Gentlemen,

In our capacity as statutory auditors of Arkema S.A., and in accordance with the provisions of article L. 225-235 of the French Commercial Code *(Code de commerce)*, we hereby report on the report prepared by the Chairman of your Company in accordance with article L. 225-37 of the French Commercial Code *(Code de commerce)* for the year ending 31 December 2012.

It is the Chairman's responsibility to prepare and submit to the Board of Directors' approval a report describing the internal control and risk management procedures implemented by the Company, and providing the other information required under article L. 225-37 of the French Commercial Code *(Code de commerce)* relating in particular to the corporate governance plan.

Our role is to:

- report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information; and
- confirm that this report contains the other information required under article L. 225-37 of the French Commercial Code *(Code de commerce)*, it being specified that we are not responsible for verifying the fairness of this other information.

We conducted our work in accordance with French professional standards.

Information concerning the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These procedures consisted in particular in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based, as well as of existing documentation;
- obtaining an understanding of the work involved in the preparation of this information, and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our assignment were duly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with article L. 225-37 of the French Commercial Code *(Code de Commerce)*.

Other information

We hereby confirm that the report prepared by the Chairman of the Board of Directors contains the other information required by article L. 225-37 of the French Commercial Code *(Code de Commerce)*.

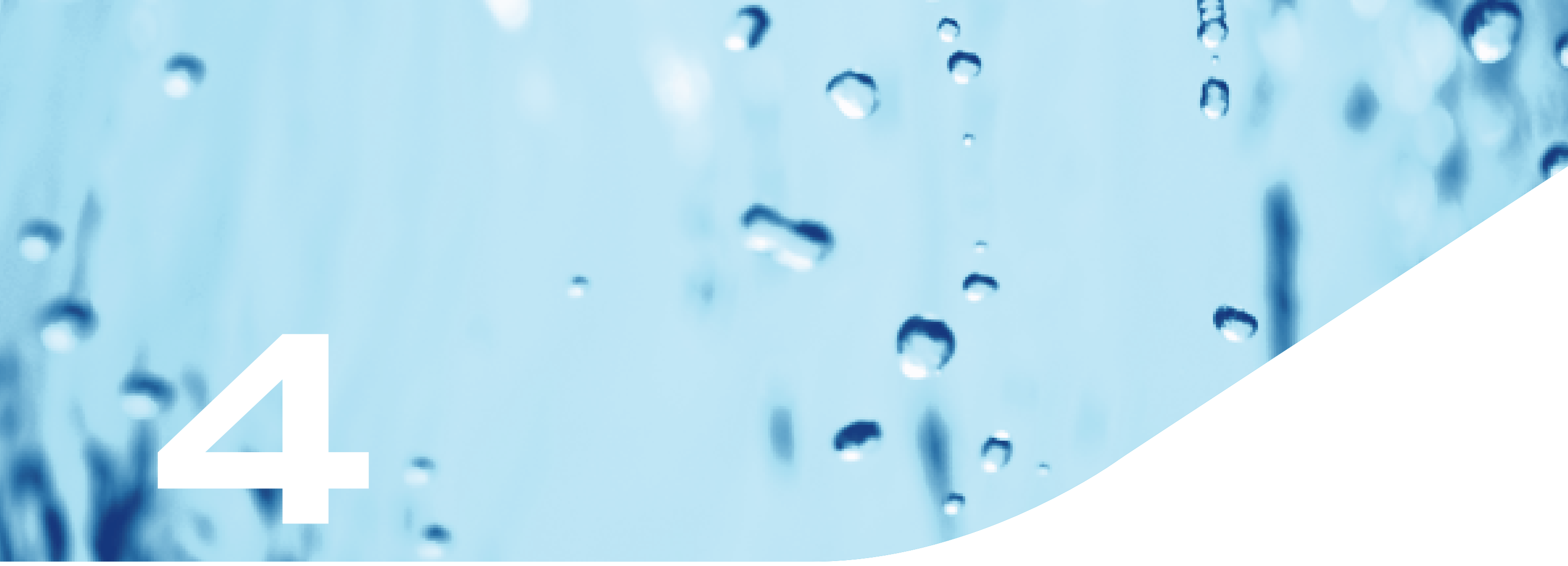
Paris La Défense, 27 February 2013

The statutory auditors

French original signed by

KPMG Audit
Département de KPMG S.A.
Jacques-François Lethu
Partner

ERNST & YOUNG Audit
Valérie Quint
Partner



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The different parts constituting the Annual Financial Report are identitfied in this content by the pictogram AFR

Following the divestment of its vinyl activities at the beginning of July 2012, ARKEMA announced changes to its organisation and reporting with three new business segments: High Performance Materials, Industrial Specialties, and Coating Solutions. This chapter provides information based on this new organisation, which was presented in September 2012 at an Investor day, and which is described in more detail in chapter 1 of this reference document.

4.1 COMMENTS AND ANALYSIS ON CONSOLIDATED FINANCIAL STATEMENTS

This section should be read jointly with the notes to the consolidated financial statements at 31 December 2012 and in particular the accounting principles and methods described in note B – Accounting principles and methods to the consolidated financial statements presented in section 4.3 of this reference document.

4.1.1 INDICATORS USED IN MANAGEMENT ANALYSIS

The main performance indicators used by ARKEMA are defined in note B. 19 to the consolidated financial statements presented in section 4.3 of this reference document.

In analyzing changes in its results, particularly changes in sales, ARKEMA identifies the influence of the following effects (such analysis is unaudited):

- **effect of changes in scope of business:** effects of changes in scope of business arise on acquisition or disposal of an entire business or on first-time consolidation or deconsolidation of an entity. An increase or reduction in capacity is not analyzed as creating a change in the scope of business;
- **effect of foreign currency movements:** the effect of foreign currency movements is the mechanical impact of consolidation of accounts denominated in currencies other than the euro at different exchange rates from one period to another. The effect of foreign currency movements is calculated by applying the foreign exchange rates of the prior period to the figures of the current period;
- **effect of changes in prices:** the impact of changes in average sales prices is estimated by comparing the average weighted unit net sales price of a range of related products in the current period with their average weighted unit net sales price in the prior period, multiplied, in both cases, by the volumes sold in the reference period;
- **effect of changes in volumes:** the impact of changes in volumes is estimated by comparing quantities delivered in the reference period with the quantities delivered in the prior period, multiplied, in both cases, by the average weighted unit net sales prices of the relevant prior period.

4.1.2 IMPACT OF SEASONALITY

ARKEMA's standard pattern of business shows seasonality effects. Various characteristics contribute to these effects:

- demand for products manufactured by ARKEMA is generally weaker in the summer months (July-August) and in December, notably as a result of the slowdown in industrial activity during these months, particularly in France and Europe;
- in some of ARKEMA's businesses, particularly those serving the paint and coatings as well as the refrigeration markets, the level of sales is generally higher in the first half of the year than in the second half;
- the major multi-annual maintenance turnarounds at ARKEMA's production plants have an impact on seasonality.

These seasonal effects in the past are not necessarily representative of future trends, but can have a material effect on the changes in results and working capital from one quarter of the year to another.

4.1.3 DESCRIPTION OF THE MAIN FACTORS WHICH AFFECTED SALES AND RESULTS IN THE PERIOD

A number of factors affected the performance achieved by the Group's activities in 2012 and 2011 to varying degrees:

- a more volatile and globally less favorable macro-economic environment in 2012 than in 2011:
  - the market conditions between the various regions in which the Group operates were mixed. They were challenging in Europe throughout the year. North America, where the Group achieved 34% of its total sales, benefited from a solid economic environment, supported in particular by automotive growth and favourable energy costs thanks to shale gas production. However, the North American construction and decorative paint markets remained weak and below their pre-crisis levels. Finally, following an exceptional first part of 2011, China experienced noticeably lower growth in 2012,
  - 2012 was marked, like the previous year, by the traditional year-end seasonality. However, the destocking that was observed in 4th quarter 2011, in particular in Industrial Chemicals, was not repeated even though, as anticipated, customers managed their inventory levels with caution at year end,
  - variations in foreign exchange rates and in particular the US dollar versus the euro, had a positive impact on the income statement thanks mostly to the strengthening of the US dollar versus the euro. By contrast, the translation impact on the balance sheet was slightly negative due to the decline of the US dollar versus the euro by the accounts closing date;
- market conditions specific to certain product lines of the Group:
  - in 2012, acrylic monomers returned to mid-cycle conditions following their 2011 peak,
  - a decline in demand was observed in 4th quarter 2012 in certain specific markets like photovoltaics,
  - in some fluorogases, prices and margins decreased, significantly in some cases, compared to 2011;
- the Group's many internal and external growth projects, with:
  - the finalisation of several significant acquisition and divestment operations such as the acquisition of Total's specialty resins in July 2011, alkoxylates in late December 2011, Chinese companies Hipro and Casda in biosourced specialty polyamides in February 2012, and an acrylic additives and emulsions site in Brazil in October 2012. These acquisitions are perfectly in line with the Group's strategy to focus primarily on acquisitions in High Performance Materials and downstream acrylics.

    On 1st July 2012 the Group also divested its vinyl activities representing annual sales of approximately €1 billion, which have been accounted for as "discontinued operations" in accordance with IFRS 5 standard. In 2012, the net result of the discontinued operations stood at -€200 million. Finally, the Group finalised the sale of its tin stabilizer business on 1st October 2012, accounting for annual sales of some €180 million. This latter operation helped achieve half the divestment programme announced by the Group for the 2013 to 2016 period,
  - the implementation of several development projects in higher growth countries. Such developments proceeded in Asia with the start-up of a 50% capacity extension in PVDF in Changshu, China, and a capacity increase for HFC-125 fluorogases and blends as well as the construction of a new emulsions plant in Changshu, China. The Group also began the construction of its Thiochemicals platform in Malaysia, its largest industrial project to date. These developments resulted in an increase in capital expenditure between 2011 and 2012;
  - the development of solutions in the field of sustainable development where demand is sustained and growing (biosourced materials, lightweight materials, etc.).

4.1.4 ANALYSIS OF ARKEMA'S INCOME STATEMENT

In accordance with standard IFRS 5, the results of the vinyl activities, divested in early July 2012, have been accounted for in the Group's consolidated income statement as "discontinued operations" for both 2012 and 2011.

(In millions of euros)	2012	2011	Variations
Sales	**6,395**	**5,900**	**+8.4%**
Operating expenses	(5,137)	(4,632)	+10.9%
Research and development expenses	(148)	(132)	+12.1%
Selling and administrative expenses	(432)	(374)	+15.5%
Recurring operating income	**678**	**762**	**- 11.0%**
Other income and expenses	(27)	(45)	-40.0%
Operating income	**651**	**717**	**-9.2%**
Equity in income of affiliates	10	17	-41.2%
Financial result	(54)	(37)	+45.9%
Income taxes	(186)	(125)	+48.8%
Net income of continuing operations	**421**	**572**	**-26.4%**
Net income of discontinued operations	**(200)**	**(587)**	**-**
Net income	**221**	**(15)**	**-**
Minority interests	1	4	-75.0%
Net income – Group share	**220**	**(19)**	**-**
EBITDA	**996**	**1,034**	**-3.7%**
Adjusted net income	**368**	**500**	**-26.4%**
Adjusted net income of continuing operations	**441**	**574**	**-23.2%**

SALES

Sales reached €6.4 billion, +8.4% up on 2011. This growth includes a +9.4% change in the scope of business effect reflecting the contribution of acquisitions (specialty resins acquired on 1st July 2011, Chinese companies Hipro Polymers and Casda Biomaterials, alkoxylates, and an acrylic additives and emulsions site in Brazil) and the impact of the divestment of the tin stabilizer business finalized on 1st October 2012. Volumes decreased slightly (-2.0%) compared to 2011 which represented, over the first six months of the year, a high basis of comparison marked by restocking and exceptional growth in Asia. Towards the end of the year, volumes in certain product lines were affected by weak demand in Europe and destocking in some sectors like photovoltaics and automotive. The evolution of prices (-2.6% compared to 2011) essentially reflects the decrease expected in acrylic monomers and some fluorogases. The translation effect, primarily related to the strengthening of the US dollar against the euro, was positive (+3.6%).

The breakdown of sales by geographic region was balanced and stable compared to 2011, with Europe representing 40% of the Group's total sales, North America 34%, Asia 21%, and the rest of the world 5%.

The breakdown of sales by business segment is equally evenly balanced, with High Performance Materials and Industrial Specialties each representing 33% of the Group's total sales, and Coating Solutions 34%. In 2011, this split was as follows: 33% of the Group's total sales in High Performance Materials, 36% in Industrial Specialties, and 31% in Coating Solutions (which in 2011 only included the contribution over the 2nd half of the year of the specialty resins acquired from Total).

EBITDA AND RECURRING OPERATING INCOME

In a less favorable and more volatile economic environment than in 2011, EBITDA stood at €996 million, close to last year's record level (€1,034 million) and fully in line with the Group's stated objective to generate EBITDA close to €1 billion in 2012. At 15.6%, the EBITDA margin remained among the highest in the chemical industry, reflecting the Group's positioning in higher added value specialty businesses.

The solid results of its activities in North America where the Group has developed a significant presence (34% of the Group's total sales), the net contribution of acquisitions and divestments, the optimization of the product mix in High Performance Materials, and the positive impact of the translation effect have helped partially offset the slight decrease in volumes, a return to mid-cycle conditions in acrylic monomers, and noticeably lower unit margins for some fluorogases.

Operating expenses stood at €5,137 million against €4,632 million in 2011. In an environment of ongoing high raw material costs, this increase comes mostly from variations in the scope of business, a translation effect, and an inflation of fixed costs.

Selling and administrative expenses stood at €432 million against €374 million in 2011. This increase corresponds to variations in the scope of business, the translation effect, and the increase of sales teams in some high growth activities.

Research and development expenses reached €148 million, *i.e.* 2.3% of sales, against €132 million (2.2% of sales) in 2011. This increase corresponds to an increase in research efforts, variations in the scope of business related in particular to the acquisition of specialty resins, and includes the impact of fluctuations in the US dollar versus the euro.

Recurring operating income stood at €678 million against €762 million in 2011, after deduction of €318 million depreciation and amortization (€272 million in 2011). The €46 million increase in depreciation and amortization is due primarily to the acquisition of specialty resins, Chinese companies Hipro and Casda and Seppic's alkoxylates, the start-up of new production plants, and the translation effect related to the strengthening of the US dollar against the euro.

OPERATING INCOME

Operating income stood at €651 million against €717 million in 2011. This includes other income and expenses amounting to -€27 million in 2012 against -€45 million in 2011.

In 2012, other income and expenses mainly corresponded to the impact of a shortage in the supply of CDT (raw material for polyamide 12) following an accident on the Evonik site in Marl, Germany, amounting to -€17 million, and to various expenses related to divestment and acquisition operations.

In 2011, other income and expenses mostly included charges related to the acquisition of Total's specialty resins, especially the inventory step-up at market price of sold inventories, as well as restructuring charges and a capital gain on the sale of non-consolidated shares.

EQUITY IN INCOME OF AFFILIATES

Equity in the income of affiliates came to €10 million against €17 million in 2011. This reflects primarily the performance of Qatar Vinyl Company, in which ARKEMA has a 13% shareholding.

FINANCIAL RESULT

The financial result stood at -€54 million against -€37 million in 2011. This variation is due in particular to the cost of the €230 million bond issue underwritten in April 2012 bearing annual interest of 3.85%, and that of the additional €250 million tranche issued in October 2012 with an annual yield just below 3%. In 2012, the average interest rate was 3.4% (3.5% in 2011). The financial result includes certain items relating to provisions for employee benefits and in particular actuarial losses related to lower discount rates for long-service awards amounting to some -€5 million.

INCOME TAXES

Income taxes amounted to €186 million in 2012, representing 27.4% of the recurring operating income. This rate reflects the geographic breakdown of the results, with a significant part of the Group's results generated in North America and a smaller part in Europe.

In 2011, income taxes amounted to €125 million, representing 16.4%. This low rate may be explained in particular by the use of tax loss carry-forwards and the recognition of deferred tax assets mostly in France amounting to €22 million.

RESULT OF DISCONTINUED OPERATIONS

As part of its refocus on specialty chemicals, the Group had announced in November 2011 a project to divest its vinyl business to the Klesch group, which specializes in commodity industrial activities. The project was finalized on 3 July 2012 with effect 1st July 2012. The divested activities generated annual sales of around €1 billion, and represented virtually all of the Group's chlorochemicals/PVC, PVC pipes and profiles, and PVC compounds activities. The Group however has retained the Jarrie site (France) and the Saint-Auban site (France), except for the PVC Paste business which was transferred to the Klesch group.

The results, balance sheet items (only for 2011) and cash flows of these activities have been classified as discontinued operations in 2012 and 2011.

In 2012, the net result of discontinued operations stood at -€200 million and includes:

- the net result from operations at -€73 million. This result reflects the sluggish environment in the European construction market, as well as the complexity of simultaneously conducting a major divestment project and day-to-day operational management of the activity;
- other income and expenses totalling -€127 million. These expenses include the impact of the implementation of the warranties negotiated during the workers' council's information/consultation process, the cost of establishing the business into a stand-alone structure (information systems, legal and accounting costs related to the transfer of activities, etc.) and post-closing adjustments.

In 2011, the net result of discontinued operations stood at -€587 million, corresponding to (i) the -€82 million net result of the vinyl activities excluding the impact of the divestment project, and (ii) a €505 million exceptional expense related primarily to the write-off of tangible and intangible assets to be transferred, a provision relating in particular to the contractual commitments regarding working capital, and the negative impact on the Group's net debt related to the cash to be transferred.

NET INCOME – GROUP SHARE AND ADJUSTED NET INCOME OF CONTINUING OPERATIONS

Net income Group share stood at €220 million in 2012, against -€19 million in 2011.

Excluding the after-tax impact of non-recurring items, adjusted net income of continuing operations amounted to €441 million, against €574 million in 2011, representing 6.9% of sales.

4.1.5 ANALYSIS OF RESULTS BY SEGMENT

4.1.5.1 HIGH PERFORMANCE MATERIALS SEGMENT

(In millions of euros)	2012	2011	Variations
Sales	**2,101**	**1,952**	**+7.6%**
Recurring operating income	**252**	**238**	**+5.9%**
Other income and expenses	(18)	33	-
Operating income	**234**	**271**	**-13.7%**
EBITDA	**361**	**337**	**+7.1%**
EBITDA margin	**17.2%**	**17.3%**	**-**

High Performance Materials sales reached €2,101 million, +7.6% up on 2011. This increase reflects the contribution of portfolio management (acquisition of Hipro Polymers and Casda Biomaterials in China in biosourced specialty polyamides (PA 10) and of alkoxylates, and divestment of the tin stabilizer business), the optimization of the product mix, and the positive effect of the strengthening of the US dollar against the euro. Volumes decreased compared to 2011 (-3%), reflecting weak demand in Europe and, in the last quarter, destocking in photovoltaics and automotive, as well as the postponement of a few projects in the oil and gas sector.

EBITDA rose by 7% to €361 million, while EBITDA margin stayed at historically high levels, above 17%. Despite a slowdown towards the end of the year mostly in Europe, Technical Polymers recorded an excellent performance which reflects their successful positioning in high added value niche markets (oil and gas, biosourced polymers, lightweight materials designed for saving energy in transport), the benefit of a unique product range in specialty polyamides (PA 10, 11 and 12), and an evenly balanced geographic presence between each region. Organic peroxides continued to improve their result while optimizing their product portfolio with the divestment of the tin stabilizer business finalized on 1st October. The Filtration and Adsorption activity benefited in particular from the integration of alkoxylates, and once again recorded a very solid result.

Recurring operating income amounted to €252 million in 2012 against €238 million in 2011. This increase mostly reflects the EBITDA growth and a €10 million increase in depreciation and amortization primarily linked to changes in the scope of business (acquisition of Hipro, Casda and alkoxylates, and divestment of tin stabilizers).

Operating income stood at €234 million in 2012 against €271 million in 2011. It includes other income and expenses which totalled -€18 million (+€33 million in 2011), mostly related to the impact of the shortage in the supply of CDT (the raw material of polyamide 12) following the accident at the Evonik site in Marl, Germany, amounting to -€17 million. In 2011, other income and expenses mostly reflected the result of the sale of non-consolidated securities.

4.1.5.2 INDUSTRIAL SPECIALTIES SEGMENT

(In millions of euros)	2012	2011	Variations
Sales	**2,096**	**2,114**	**-0.9%**
Recurring operating income	**285**	**332**	**-14.2%**
Other income and expenses	3	(30)	-
Operating income	**288**	**302**	**-4.6%**
EBITDA	**399**	**441**	**-9.5%**
EBITDA margin	**19.0%**	**20.9%**	**-**

Industrial Specialties sales stood at €2,096 million against €2,114 million in 2011. The positive translation effect related to the strengthening of the US dollar against the euro virtually offset (i) the very slight decline in volumes compared to 2011, which represented a particularly high basis of comparison in the first six months marked by restocking and exceptional growth in Asia, and (ii) an anticipated decrease in the price of some fluorogases.

Industrial Specialties maintained very high performance levels with €399 million EBITDA and a 19% EBITDA margin, reflecting the Group's world leading positions in this segment's activities. All of this segment's business units benefited from the very solid performance of their activities in North America (Thiochemicals for animal feed, PMMA supported by strong growth in the automotive market, Fluorogases in air-conditioning and refrigeration, and Hydrogen Peroxide), which helped partially offset the expected decrease in the margins of several fluorogases, particularly HFC-125 in China, as well as the slowdown in demand for PMMA in electronics (LED TV).

Recurring operating income amounted to €285 million in 2012 against €332 million in 2011, reflecting primarily the EBITDA variation.

Operating income amounted to €288 million in 2012 against €302 million in 2011. It includes other income and expenses amounting to +€3 million. In 2011 other income and expenses (-€30 million) primarily corresponded to exceptional impairments and restructuring expenses.

4.1.5.3 COATING SOLUTIONS SEGMENT

(In millions of euros)	2012	2011	Variations
Sales	**2,175**	**1,814**	**+19.9%**
Recurring operating income	**192**	**221**	**-13.1%**
Other income and expenses	(8)	(50)	-
Operating income	**184**	**171**	**+7.6%**
EBITDA	**279**	**284**	**-1.8%**
EBITDA margin	**12.8%**	**15.7%**	**-**

Coating Solutions sales stood at €2,175 million, 19.9% up on 2011. This increase primarily reflects the impact of the acquisition of specialty resins effective 1st July 2011. On a like-for-like business scope basis, volumes showed a slight decline compared to 2011, which represented a high basis of comparison in the first six months marked by restocking, and reflect the ongoing weak demand in decorative paints in Europe and North America. The price evolution mostly reflects the expected decrease in the price of acrylic monomers. The translation effect, related to the strengthening of the US dollar versus the euro, was positive, and partly offset the impact of the decrease in volumes and prices.

Coating Solutions delivered €279 million EBITDA in 2012, virtually stable compared to 2011, and a 12.8% EBITDA margin reflecting in particular the dilutive impact, compared to 2011 levels, of the integration over a full year of the resins acquired from Total. In line with the assumptions used for 2012, market conditions in acrylic monomers returned to mid-cycle levels following their peak in 2011. Coating resins benefited from strong demand in industrial coatings, partly offsetting the continuing weak demand in decorative paints. Coatex's rheology additive activities and Sartomer's photocure resin business confirmed their good performance, supported by both innovation and geographic expansion.

After deduction of depreciation and amortization €24 million up in 2012 over 2011 mostly due to the integration of the assets of the specialty resins acquired from Total, and to the start-up of new plants in particular in Acrylics, recurring operating income reached €192 million in 2012 against €221 million in 2011.

Operating income stood at €184 million in 2012 against €171 million in 2011. It includes other income and expenses amounting to -€8 million related primarily to acquisition and divestment costs and restructuring expenses. In 2011, other income and expenses (-€50 million) mainly related to the acquisition of the specialty resins business and in particular the revaluation at market value of inventories sold, and to some restructuring operations.

4.1.6 BALANCE SHEET ANALYSIS: COMPARISON OF 2012 WITH 2011

In accordance with standard IFRS 5, the balance sheet items of the vinyl activities concerned by the divestment project announced in November 2011 and finalised in July 2012 have been accounted for in the Group's consolidated financial statements as "assets held for sale" for 2011.

(In millions of euros)	31/12/2012	31/12/2011	Variations
Non-current assets*	3,068	2,693	+13.9%
Working capital	971	960	+1.1%
Capital employed	**4,039**	**3,653**	**+10.6%**
Provisions	832	750	+10.9%
Net debt	900	603	+49.3%
Shareholders' equity	2,311	2,217	+4.2%

* *Excluding deferred tax.*

Between 2011 and 2012, non-current assets increased by €375 million. This variation was due primarily to:

- a €331 million increase in net tangible and intangible assets related primarily to:
  - the integration of the assets related to Chinese companies Hipro Polymers and Casda Biomaterials and the additives and emulsions assets in Brazil, and the impact of the closing of the allocation of the price of acquisitions carried out in 2011 amounting to €254 million in total (including €210 million goodwill);
  - capital expenditures which amounted to €438 million including €351 million recurring expenditures, €75 million non-recurring capital expenditures related mainly to the construction of the Thiochemicals platform in Malaysia, the Lacq 2014 project designed to secure access to sulphur-based raw materials for the Group's thiochemical activities on the Lacq site (France), and the conversion of electrolysis from mercury to membrane at the Jarrie site (France), and €12 million relating to the threefold capacity increase in Hipro's PA 10.10 production in China. In 2011, capital expenditures represented €365 million. The increase in capital expenditures between 2011 and 2012 reflects the Group's growth ambition, and mainly corresponds to an increase in capital expenditure related to growth projects (future Thiochemicals platform in Asia and significant capital expenditure program in Acrylics in the United States totalling US$110 million over three years);
  - net depreciation and amortization amounting to €323 million;
  - the disposal of assets totalling €27 million related mostly to the divestment of the tin stabilizer business in early October 2012;
  - and a €14 million negative currency translation effect, related to the weakening of the US dollar versus the euro at year-end;
- a €44 million increase in other non-current assets, including (i) a €19 million tax receivable on the French State related to research tax credit, (ii) a €14 million receivable related to a trust put in place following the negotiations, with workers council, of a warrantie relating to the financing of potential redundancy plans at Kem One (which groups the vinyl activities divested early July 2012), (iii) the purchase of a €6 million stake in CJ Bio Malaysia Sdn Bhd (as part of the Thiochemicals platform project in Malaysia), and (iv) a -€3 million translation effect related to the weakening of the US dollar versus the euro at year-end.

Working capital increased by just €11 million between 2011 and 2012 in an environment of continuing high raw material costs and despite (i) the impact of acquisitions and divestments corresponding mainly to the integration of working capital for the activities acquired in 2012 (Hipro and Casda in China, and acrylic additives and emulsions in Brazil), and the removal of working capital for the tin stabilizer activity, and (ii) a debt owed to the Group by its insurers as part of the insurance coverage of the consequences of the accident that took place at a supplier in Germany impacting the supply of CDT to ARKEMA. Working capital represented 15.2% of Group sales in 2012 against 15.0% in 2011 (on proforma sales [1]) in line with the target set by the Group to maintain its working capital to sales ratio at around 15%. This performance reflects the continuous control of working capital through the strict operational discipline put in place since ARKEMA's spin-off.

Between 2011 and 2012, ARKEMA's capital employed increased by €386 million to €4,039 million. In 2012, the breakdown of capital employed (excluding Corporate) was as follows: 35% for High Performance Materials (32% in 2011), 31% for Industrial Specialties (33% in 2011), and 34% for Coating Solutions (35% in 2011). The geographic breakdown of capital employed was as follows: the share of Asia and the rest of the world stood at 19% in 2012 (12% in 2011), the share of North America at 26% against 31% in 2011, and the share of Europe at 55% against 57% in 2011.

At 31 December 2012, gross provisions amounted to €832 million against €750 million at 31 December 2011. Some of these provisions, accounting for a total of €58 million at 31 December 2012, are covered by the guarantee facility granted by Total and described in note 29.2 to the consolidated financial statements at 31 December 2012 (chapter 4.3.3 of this reference document) and therefore by long-term assets recognized in the balance sheet. These consist mainly of provisions related to former industrial sites in the United States. Accordingly, at 31 December 2012, provisions net of these non-current assets amounted to €774 million against €686 million at 31 December 2011.

The breakdown of net provisions by type was as follows: pension liabilities €324 million (€261 million in 2011), other employee benefit obligations €107 million (€93 million in 2011), environmental contingencies €123 million (€127 million in 2011), restructuring €50 million (€72 million in 2011), and provisions for litigation and other risks €170 million (€133 million in 2011).

The €88 million increase in net provisions between 2011 and 2012 is due primarily to a €77 million increase in pension liabilities and other employee benefit obligations (e.g. long-service awards) related mostly to lower discount rates between 31 December 2011 and 31 December 2012. It is also due to a €37 million increase in provisions for litigation and other risks mainly related to provisions booked as part of the divestment of the vinyl activities, relating to warranties negotiated during the workers' council information/consultation process, and to the cost of establishing the business into a stand-alone structure. Finally, it includes a €22 million reduction in provisions for restructuring operations.

Net debt amounted to €900 million at 31 December 2012, against €603 million at end 2011. Gearing, at 39%, remained in line with the Group's target to maintain it below 40%. It includes primarily the impact of acquisitions and divestments totalling €231 million, corresponding to the acquisition of Chinese companies Hipro Polymers and Casda Biomaterials and the divestment of the tin stabilizer activity.

4.1.7 FINANCING RESOURCES

4.1.7.1 BORROWING TERMS AND CONDITIONS AND FINANCING STRUCTURE OF THE GROUP

The Group has diversified financing resources including bond issues, multicurrency credit facilities and a securitisation program, as detailed below. At the date of this reference document, these resources amounted to €1.8 billion.

Bond issues

As part of the Group's long-term financing policy aimed at diversifying its financing resources as well as extending the maturity of its debt, the Company conducted the following two operations:

- on 25 October 2010, an initial bond issue for €500 million over seven years and with a 4% annual interest rate;
- on 26 April 2012, a bond issue for €230 million over eight years and with a 3.85% interest rate. On 5 October 2012, the issue of an additional €250 million tranche, bringing the total of the bond issue to €480 million.

(1) 2011 sales of continuing operations + sales of Total's specialty resins in 1st half 2011 (€440 million) + Seppic's alkoxylates sales in 2011 (€53 million).

The documentation for both bond issues includes an interest rate adjustment clause in the event of a downgrading of the Group's credit rating to "non investment grade".

Furthermore, the documentation includes usual bond default cases, in particular non-payment, early repayment consecutive to non-payment, collective proceedings, or cessation of activity of the issuer or a major subsidiary. These default cases may be conditional to thresholds being exceeded or the expiry of grace periods.

Finally, both bond issues are accompanied by an early repayment option at bondholders' request in the event of a change of control of Arkema also involving a downgrading of its credit rating to "non investment grade", or a simple downgrading of it if it was "non investment grade" prior to the change of control.

Further details may be found in the prospectus of 22 October 2010, filed with AMF (*Autorité des marchés financiers*) under number 10-380 and in prospectus dated 5 October 2012, filed with AMF under number 12-478, both available on the Company's website (www.finance.arkema.com) in the "Regulated information" section.

Revolving multi-currency credit facility for €700 million

On 26 July 2011, the Company and Arkema France (the "***Borrowers***") and a syndicate of banks signed a revolving multi-currency credit facility in the maximum amount of €700 million (the "***Facility***").

The purpose of the Facility is to finance, in the form of drawings and bank guarantees, the Group's general corporate purposes until 26 July 2016. This line of credit was not used at 31 December 2012.

Other Group companies have the possibility to become borrowers under the Facility, in the same capacity as the Company and Arkema France.

The Facility provides for prepayment in certain cases, including a change of control over the Company (defined as any person, acting alone or in concert, holding, directly or indirectly, more than one third of the voting rights of the Company). Should this clause be triggered by a lender, it could lead to prepayment and cancellation of the commitments of such lender.

The Facility contains representations to be made by each Borrower relating, among other things, to the accounts, litigation, or the absence of events of default. Some such representations have to be reiterated at the time of each utilization request.

The Facility also contains the standard undertakings for this type of agreement, including:

- information undertakings (mainly accounting and financial information);
- undertakings relating, among other things, to certain restrictions in connection with (but not limited to) the granting of securities, the completion of merger or restructuring transactions, the sale or purchase of assets, and the Group's indebtedness. Depending on the case, such restrictions will not apply to ordinary operations or to transactions involving amounts below certain thresholds;
- a financial undertaking: the Company undertakes to maintain a ratio of consolidated net debt to consolidated EBITDA (tested twice a year) equal to or less than 3. This ratio may be increased to 3.5 over a twelve-month baseline period if this increase is justified by the realization of acquisition(s) of asset(s) or securities, increase(s) in capital, or investment(s) in joint ventures resulting from a joint venture agreement. The Company is authorised to exercise this flexibility twice over the lifetime of the Facility.

The Facility also provides for default cases similar to those described in the documentation of the above-mentioned bond issues.

Lastly, Arkema guarantees on a joint and several basis to the banks the obligations of Arkema France under the terms of the Facility, as well as those of the other borrowers, where applicable. The Facility is not subject to any other personal guarantee or security.

Securitisation program

Arkema France put in place in June 2010 a non-unconsolidating securitisation program for its trade receivables in the maximum amount of €240 million, reduced to €120 million in November 2012 following the sale of the vinyl activities in early July 2012. The program's documentation features early repayment clauses, including, under certain conditions, non-compliance with the usual financial performance ratios of the receivables portfolio (dilution, late or non-payment ratios), payment cross-acceleration, or a change of control of Arkema France or the Company.

At 31 December 2012, the amount financed as part of this securitisation program was €100 million.

4.1.7.2 INFORMATION ON RESTRICTIONS ON THE USE OF CAPITAL THAT HAS SIGNIFICANTLY INFLUENCED OR MAY SIGNIFICANTLY INFLUENCE, DIRECTLY OR INDIRECTLY, THE GROUP'S BUSINESS

Subject to the stipulations of the syndicated facilities described above, there are no restrictions on the use of capital that may significantly influence, either directly or indirectly, ARKEMA's business.

4.1.7.3 ANTICIPATED SOURCES OF FINANCING FOR FUTURE INVESTMENTS

Given the Group's current cash position and financing resources described in paragraph 4.1.7.1 of this chapter, the Group believes that it is in a position to finance its future investments, in particular those described in section 1.4 of this reference document.

4.1.8 GROUP CASH FLOW ANALYSIS: COMPARISON OF 2012 WITH 2011

Cash flows include flows related to the vinyl activities divested in early July 2012. They are presented in the following table as cash flows of discontinued operations.

(In millions of euros)	2012	2011
Cash flow from operating activities		
Operating cash flow from continuing operations	**656**	**696**
of which:		
Current income taxes	*(182)*	*(164)*
Cash items in financial result	*(37)*	*(28)*
Change in working capital	*(13)*	*(65)*
Cash flow from investing activities from continuing operations	**(681)**	**(887)**
Net cash flow from continuing operations	**(25)**	**(191)**
of which:		
Cash flow from portfolio management	*(231)*	*(568)*
Free cash flow* of continuing operations	**206**	**377**
Cash flow from discontinued operations		
Operating cash flow from discontinued operations	(157)	(153)
Cash flow from investing activities from discontinued operations	(73)	(55)
Net cash flow from discontinued operations	(230)	(208)
Group cash flow		
Cash flow from operating activities	**499**	**543**
Cash flow from investing activities	**(754)**	**(942)**
Net cash flow	**(255)**	**(399)**
Cash flow from financing activities	**355**	**131**
Change in cash and cash equivalents	**100**	**(268)**

* *Cash flow from operating and investing activities, excluding impact from portfolio management.*

OPERATING CASH FLOW FROM CONTINUING OPERATIONS

In 2012, net resources generated by operations of continuing activities amounted to €656 million against €696 million in 2011, in line with the change in EBITDA from 2011 to 2012. The continuous control of working capital, which showed only a small increase in 2012, helped offset the increase in current income taxes, the cost of debt, and non-recurring items.

In 2012, non-recurring items included in operating cash flow amounted to -€88 million. They mostly corresponded to expenses related to restructuring plans totalling -€37 million and to the consequences of the accident on the site of Evonik in Marl (Germany), the main producer of CDT (raw material of polyamide 12) totalling -€26 million. In 2011, non-recurring items amounted to -€42 million.

CASH FLOW FROM INVESTING ACTIVITIES FROM CONTINUING OPERATIONS

Cash flow from investing activities from continuing operations amounted to -€681 million. This flow included €438 million capital expenditure in tangible and intangible assets (against €365 million in 2011) including (i) €351 million recurring capital expenditure, (ii) €75 million non-recurring investments mainly related to various major industrial projects in the Group, including the construction of a Thiochemicals platform in Malaysia, the Lacq 2014 project designed to secure sulphur-based feedstock for the Group's thiochemicals activities on the Lacq site (France) over the next 30 years, the conversion of mercury electrolysis to membrane electrolysis on the Jarrie site (France), and (iii) a €12 million investment related to a threefold increase in PA 10 capacity at Hipro in China, this latter capital expenditure being included in the portfolio management cash flow.

Recurring capital expenditures corresponded to (i) growth projects with the construction of new plants in Asia (50% production capacity extension for Kynar® PVDF on the Changshu site (China), construction of an acrylic latex plant in Changshu), and the capital expenditure program in Acrylics at Bayport and Clear Lake in the United States, and (ii) industrial maintenance, safety and environment investments. In 2012, capex in Asia represented 19% of the Group's capex, while the share of capex made in North America and in Europe represented 26% and 55% respectively.

The -€231 million net amount of acquisitions and divestments mainly corresponds to the acquisition of Chinese companies Hipro and Casda in biosourced specialty polyamides and an additives and emulsions site in Brazil, the divestment of the tin stabilizer business, and investments related to the threefold increase in Hipro's production capacity in China. In 2011, this -€568 million amount primarily corresponded to the acquisition of Total's specialty resins and Seppic's specialty alkoxylates, the acquisition of a stake in Canada Fluorspar Inc., and the sale of non-consolidated securities.

FREE CASH FLOW OF CONTINUING OPERATIONS (EXCLUDING IMPACT OF PORTFOLIO MANAGEMENT)

As regards continuing activities, free cash flow amounted to €206 million in 2012 against €377 million in 2011. This variation may be explained in particular by a -€40 million variation in cash flow from operating activities and a €73 million increase in capex between 2012 and 2011.

NET CASH FLOW RELATED TO CONTINUING OPERATIONS

After taking account of the impact of portfolio management operations, net cash flow related to continuing operations amounted to -€25 million in 2012 against -€191 million in 2011.

NET CASH FLOW FROM DISCONTINUED OPERATIONS

Net cash flow from discontinued operations amounted to -€230 million in 2012. It includes -€157 million operating cash flow related from discontinued operations mainly corresponding to -€99 million recurring operating cash flow, including -€29 million corresponding to change in working capital, and -€58 million non-recurring items relating to various costs of establishing the divested activity as a stand-alone structure. Provisions were booked for a very large part of these expenses at end June 2012.

It also includes -€73 million cash flow from investing activities corresponding mainly to €41 million capex made in 1st half 2012 and a security deposit put in place on completion of the workers' council information/consultation process on the financing of -€14 million potential redundancy plans.

NET CASH FLOW

After taking account of the impact of portfolio management operations and net cash flow from discontinued operations, the Group's net cash flow stood at -€255 million in 2012 against -€399 million in 2011.

CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities amounted to €355 million in 2012 against €131 million in 2011. This includes a €497 million increase in the long-term debt following the €480 million bond issue, a €94 million reduction in the short-term debt, the payment of a dividend of €1.30 per share for a total amount of €81 million, the €29 million share capital increase reserved for employees, the exercising of stock options amounting to €18 million, and a €13 million relating to the acquisition of treasury shares. At end 2012, cash had improved by €100 million.

4.2 TRENDS AND OUTLOOK

4.2.1 TRENDS

4.2.1.1 MAIN TRENDS

At the beginning of 2013, market conditions remained contrasted from one region to another. The situation in Europe remained challenging, in particular in the decorative paint and automotive sector; North America continues to benefit from a solid environment supported by the automotive sector and the first signs of a recovery in decorative paints. Following the Chinese New Year, growth in China should gradually return to higher growth levels, albeit without reaching the high levels seen previously. Furthermore, the weak demand observed in late 2012 in some specific end markets of the High Performance Materials segment such as photovoltaics, and delays in certain projects in oil and gas have continued since the beginning of the year. However, the Group expects a gradual recovery of volumes in this segment during the first half of the year.

The business environment in which the Group operates is characterized, at the date of this reference document, by (i) a context of high energy and raw material costs with strong volatility, (ii) significant volatility in foreign exchange rates in particular the US dollar versus the euro, (iii) a contrasted macro-economic environment from one region to another with challenging market conditions in Europe and a solid environment in North America, (iv) ongoing growth in China and in emerging countries, albeit at a slower pace than in 2010 and 2011, (v) further opportunities related to the major sustainable development trends such as lightweight materials, access to drinking water, the development of new energies (photovoltaics and lithium-ion batteries), the use of renewable raw materials, (vi) the tightening-up of regulations (e.g. REACH regulation in Europe), and (vii) continuing productivity efforts and repositioning by the Group's main competitors.

As of the date of this reference document, there is no reason to expect the long-term prospects in the Group's main markets as described in chapter 1 of this reference document could be significantly affected over the long term, even if there is no guarantee that these trends will endure, given the uncertainties over the future of the economy in general, the markets in which the Group is active, raw material prices, energy prices, foreign exchange rates, and continuous regulatory changes.

4.2.1.2 FACTORS LIKELY TO AFFECT THE GROUP'S OUTLOOK

Some of the statements regarding the Group's outlook contained in this reference document are based on the current opinions and assumptions of the Group's senior management. This information is subject to certain risks, both known and unknown, and to uncertainties. Consequently, actual results, performance or events may differ substantially from such outlook. Some factors that may influence future results are, without being exhaustive:

- general market and competition-related factors on a global, national or regional scale;
- changes in the competitive, customer, supplier and regulatory environment in which the Group operates;
- fluctuations in raw materials and energy prices;
- the Group's sensitivity to fluctuations in interest rates and in currencies other than the euro, particularly the US dollar and currencies influenced by the US dollar;
- the Group's capacity to introduce new products and to continue to develop its production processes;
- concentration of customers and of the market;
- risks and uncertainties relating to conducting business in many countries that may in the future be exposed or have recently been exposed to economic or political instability;
- changes in economic and technological trends;
- potential complaints, costs, commitments or other obligations relating to the environment.

4.2.2 OUTLOOK

With the acquisition of Hipro Polymers and Casda Biomaterials in China in early 2012 and the divestment of its vinyl activities in mid-2012, ARKEMA entered a new phase of its development with the aim of becoming a world leader in specialty chemicals and advanced materials. Accordingly, the Group has set itself ambitious targets.

For 2013, the Group is confident in its ability to achieve once again a strong performance while remaining cautious about the evolution of the macro-economic environment. Market conditions should remain contrasted. They should be globally solid in North America with a gradual recovery in decorative paints, and should remain challenging in Europe. China should progressively return to higher growth levels. Raw material costs and foreign exchange rates in particular for the US dollar against the euro should remain volatile.

In line with its ambition to become a world leader in specialty chemicals and advanced materials, ARKEMA will focus its efforts on implementing its major organic growth projects such as the construction of its Thiochemicals platform in Malaysia, its capital expenditure program in Acrylics in North America, and its industrial developments in fluoropolymers and biosourced specialty polyamides in China. In order to support its organic growth, the Group plans to spend some €500 million capex in 2013, and will continue to look for bolt-on acquisitions. The Group will also continue to invest significantly in innovation, as the projects currently underway offer promising prospects in particular in solutions for sustainable development. Finally, the Group will continue to strictly control its costs and its cash.

Beyond this, the Group has set itself ambitious targets for 2016 with the aim of achieving, by 2016, €8 billion sales and a 16% EBITDA margin while maintaining its gearing below 40%. The increase in EBITDA from €996 million in 2012 to €1,280 million in 2016 would come from organic growth (some €144 million), and the impact of its portfolio management (some €140 million). Organic growth would be mostly supported by growth projects developed thanks to innovation and geographic expansion in higher growth countries such as China, India, Brazil and the Middle East, as well as cost saving measures that would help partly offset the inflation in fixed costs. As regards portfolio management, the Group plans to make small and medium size bolt-on acquisitions representing additional sales of around €1 billion, and to divest small non-core activities accounting for sales of around €400 million. With the divestment of its tin stabilizer business, finalised on 1st October 2012, the Group has completed around half of its divestment program.

In terms of portfolio of activities, High Performance Materials should represent 38% of the Group's sales by 2016, Coating Solutions 32%, and Industrial Specialties 30%. From a geographic viewpoint, sales should be split more evenly between Europe and North America which should each represent 35% of the Group's sales by 2016, with higher growth countries (Asia and the rest of the world) representing 30%.

Finally, a 16% EBITDA margin in 2016 would be broken down by segment as follows: 18% for High Performance Materials, 17% for Industrial Specialties, and 15% for Coating Solutions.

In the longer term, the Group has set out its vision for 2020 and aims to achieve by then €10 billion sales and an EBITDA margin close to 17%, while maintaining its gearing below 40%.

The Group indicates that the achievement of its objectives is based on assumptions deemed reasonable by the Group over this time scale at the date of this reference document (in particular the evolution of world demand, conditions relating to the cost of raw materials and energy, the balance between supply and demand for products marketed by ARKEMA and their price levels, and currency exchange rates). However, it takes no account of the materialization of certain risks described in paragraph 1.6.2 of this reference document, or unknown factors related to the economic, financial, competitive or regulatory environment in which the Group operates, liable to affect the achievement of its objectives.

4.3 CONSOLIDATED FINANCIAL STATEMENTS

4.3.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the Group's management report. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

KPMG AUDIT
Département de KPMG S.A.
1, cours Valmy
92923 Paris-La Défense Cedex
Commissaire aux Comptes
Membre de la Compagnie régionale de Versailles

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable
Commissaire aux Comptes
Membre de la Compagnie régionale de Versailles

Arkema

Year ended December 31, 2012

Statutory auditors' report on the consolidated financial statements

To the shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying consolidated financial statements of Arkema;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on these consolidated financial statements, based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of assessments

In accordance with the requirements of article L. 823-9 of the French commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- each year, the Group tests its property, plant and equipment and intangible assets for impairment following the methodology described in note 6 of chapter B "Accounting principles" to the consolidated financial statements. We examined the methodology used for these impairment tests together with the underlying data and assumptions used and reviewed, the calculations and the sensitivity tests made by the Group. We also verified that the disclosures made in the note 6 of chapter B of the notes to the financial statements "Accounting principles", as well as the notes 4, 11 and 12 of chapter C "Notes to the consolidated financial statements" to the consolidated financial statements provide an appropriate level of information;
- the Group books provisions to notably cover environmental risks, litigations in respect of competition law and restructuring costs, following the principles disclosed in note 9 of chapter B "Accounting principles" to the consolidated financial statements. The notes 21.1 and 21.2.2 of chapter C "Notes to the consolidated financial statements" to the consolidated financial statements also disclose contingent liabilities reported in this respect. On the basis of available information, our work consisted in analyzing the procedures used by management to identify and measure risks subject to these provisions and in examining the data and assumptions underlying the estimates provided by the Group to support such provisions, including some correspondence with lawyers, in order to assess their reasonableness. We also verified that the disclosures made in the note 4 regarding other income and expenses, the notes 20.2, 20.4, 20.5, 20.6 regarding provisions, the notes 21.1 and 21.2.2 regarding contingent liabilities, and the notes 29.1, 29.2.1 and 29.2.2 regarding commitments granted and received, of chapter C "Notes to the consolidated financial statements" to the consolidated financial statements provide an appropriate level of information;
- the Group books provisions to cover its employee pensions and other post-employment benefit liabilities using the method described in note 10 of chapter B "Accounting principles" to the consolidated financial statements. These liabilities were essentially measured by independent actuaries. We examined the underlying data and assumptions used, and verified that the disclosures made in the note 10 of chapter B "Accounting principles" and the notes 20.2 and 20.3, regarding provisions, of chapter C "Notes to the consolidated financial statements" to the consolidated financial statements provide an appropriate level of information;
- the Group presents in notes 18 of chapter B "Accounting principles", 9 and 21.2.4 of chapter C "Notes to the consolidated financial statements" to the consolidated financial statements, firstly the accounting methods used, and secondly, the financial elements and contingent liabilities and residual commitments in relation with activities disposed of during the period. We examined the consistency of the assumptions used as well as the documentation provided, and on this basis we assessed the reasonableness of the estimates made. We also verified the suitability of the accounting methods, of the classification of the elements concerned, and of the financial information, the contingent liabilities and residual commitments presen ted in the consolidated financial statements and in the notes to the consolidated financial statements, in particular in the notes 9 and 21.2.4 of chapter C "Notes to the consolidated financial statements" to the consolidated financial statements.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole and therefore served in forming our audit opinion expressed in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France, the information relating to the Group given in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense, February 27, 2013

The statutory auditors

French original signed by

KPMG AUDIT	ERNST & YOUNG Audit
Département de KPMG S.A.	
Jacques-François Lethu	*Valérie Quint*

4.3.2 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	**Notes**	**2012**	**2011**
Sales	(C1&C2)	**6,395**	**5,900**
Operating expenses		(5,137)	(4,632)
Research and development expenses	(C3)	(148)	(132)
Selling and administrative expenses		(432)	(374)
Recurring operating income	(C1)	**678**	**762**
Other income and expenses	(C4)	(27)	(45)
Operating income	(C1)	**651**	**717**
Equity in income of affiliates	(C13)	10	17
Financial result	(C5)	(54)	(37)
Income taxes	(C7)	(186)	(125)
Net income of continuing operations		**421**	**572**
Net income of discontinued operations	(C9)	**(200)**	**(587)**
Net income		**221**	**(15)**
Of which: non-controlling interests		1	4
Net income - Group share	(C6)	**220**	**(19)**
Of which: continuing operations		**420**	**568**
Of which: discontinued operations		**(200)**	**(587)**
Earnings per share (amount in euros)	(C10)	*3.54*	*(0.31)*
Earnings per share of continuing operations (amount in euros)	(C10)	*6.75*	*9.22*
Diluted earnings per share (amount in euros)	(C10)	*3.49*	*(0.31)*
Diluted earnings per share of continuing operations (amount in euros)	(C10)	*6.67*	*9.12*
Depreciation and amortization	(C1)	(318)	(272)
EBITDA *	(C1)	996	1,034
Adjusted net income *		368	500
Adjusted net income of continuing operations *	(C6)	441	574
Adjusted net income per share of continuing operations (amount in euros)	(C10)	*7.09*	*9.31*
Diluted adjusted net income per share of continuing operations (amount in euros)	(C10)	*7.00*	*9.21*

* *See note B19 Main accounting and financial indicators.*

The accounting policies applied in preparing the consolidated financial statements at 31 December 2012 are identical to those used in the consolidated financial statements at 31 December 2011, except for the policies described at the start of note B Accounting policies.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	Notes	2012	2011
Net income		**221**	**(15)**
Hedging adjustments	(C24)	(1)	3
Deferred taxes on hedging adjustments		-	1
Actuarial gains and losses	(C20)	(87)	(28)
Deferred taxes on actuarial gains and losses		20	11
Other items		-	2
Deferred taxes on other items		-	-
Change in translation adjustments		(13)	55
Other comprehensive income of continuing operations		**(81)**	**44**
Other comprehensive income of discontinued operations		(7)	1
TOTAL INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY		**(88)**	**45**
Comprehensive income		**133**	**30**
Of which: non-controlling interests		1	6
Comprehensive income – Group share		**132**	**24**

CONSOLIDATED BALANCE SHEET

(In millions of euros)	Notes	31 December 2012	31 December 2011
ASSETS			
Intangible assets, net	(C11)	962	777
Property, plant and equipment, net	(C12)	1,852	1,706
Equity affiliates: investments and loans	(C13)	71	66
Other investments	(C14)	36	35
Deferred tax assets	(C7)	83	66
Other non-current assets	(C15)	147	109
TOTAL NON-CURRENT ASSETS		**3,151**	**2,759**
Inventories	(C16)	920	945
Accounts receivable	(C17)	920	834
Other receivables and prepaid expenses	(C17)	147	117
Income taxes recoverable	(C7)	35	36
Other current financial assets	(C24)	8	9
Cash and cash equivalents	(C18)	360	252
TOTAL CURRENT ASSETS		**2,390**	**2,193**
Assets held for sale	(C9)	-	380
TOTAL ASSETS		**5,541**	**5,332**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		629	619
Paid-in surplus and retained earnings		1,587	1,484
Treasury shares		(16)	(10)
Translation adjustments		82	97
SHAREHOLDERS' EQUITY - GROUP SHARE	(C19)	**2,282**	**2,190**
Non-controlling interests		29	27
TOTAL SHAREHOLDERS' EQUITY		**2,311**	**2,217**
Deferred tax liabilities	(C7)	33	35
Provisions and other non-current liabilities	(C20)	878	791
Non-current debt	(C22)	1,071	583
TOTAL NON-CURRENT LIABILITIES		**1,982**	**1,409**
Accounts payable	(C25)	683	665
Other creditors and accrued liabilities	(C25)	318	265
Income taxes payable	(C7)	56	39
Other current financial liabilities	(C24)	2	12
Current debt	(C22)	189	272
TOTAL CURRENT LIABILITIES		**1,248**	**1,253**
Liabilities associated with assets held for sale	(C9)	-	453
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,541**	**5,332**

CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)	2012	2011
Net income	221	(15)
Depreciation, amortization and impairment of assets	362	592
Provisions, valuation allowances and deferred taxes	(23)	88
(Gains)/losses on sales of assets	(26)	(37)
Undistributed affiliate equity earnings	(1)	(8)
Change in working capital	(42)	(85)
Other changes	8	8
Cash flow from operating activities	**499**	**543**
Of which: cash flow from operating activities of discontinued operations	**(157)**	**(153)**
Intangible assets and property, plant, and equipment additions	(479)	(424)
Change in fixed asset payables	(8)	24
Acquisitions of operations, net of cash acquired	(264)	(580)
Increase in long-term loans	(60)	(32)
Total expenditures	(811)	(1,012)
Proceeds from sale of intangible assets and property, plant, and equipment	41	13
Change in fixed asset receivables	3	-
Proceeds from sale of operations, net of cash sold	(6)	-
Proceeds from sale of unconsolidated investments	-	45
Repayment of long-term loans	19	12
Total divestitures	57	70
Cash flow from investing activities	**(754)**	**(942)**
Of which: cash flow from investing activities from discontinued operations	**(73)**	**(55)**
Issuance (repayment) of shares and other equity	47	10
Purchase of treasury shares	(13)	(10)
Dividends paid to parent company shareholders	(81)	(61)
Dividends paid to minority shareholders	(1)	0
Increase/decrease in long-term debt	497	15
Increase/decrease in short-term borrowings and bank overdrafts	(94)	177
Cash flow from financing activities	**355**	**131**
Net increase/(decrease) in cash and cash equivalents	100	(268)
Effect of exchange rates and changes in scope	6	(5)
Cash and cash equivalents at beginning of period	254	527
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**360**	**254**
Of which: cash and cash equivalents of discontinued operations	**-**	**2**

At 31 December 2012, income taxes paid amount to €158 million (€170 million at 31 December 2011).

Interest received and paid included in cash flow from operating activities at 31 December 2012 amount, respectively, to €1 million and €32 million (€4 million and €36 million at 31 December 2011).

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Shares issued					Treasury shares				
(In millions of euros)	Number	Amount	Paid-in surplus	Retained earnings	Translation adjustments	Number	Amount	Shareholders' equity – Group share	Non-controlling interests	Shareholders' equity
At 1 January 2011	**61,493,794**	**615**	**1,011**	**556**	**43**	**(136,280)**	**(6)**	**2,219**	**21**	**2,240**
Cash dividend	-	-	-	(61)	-	-	-	(61)	-	(61)
Issuance of share capital	370,783	4	10	-	-	-	-	14	-	14
Purchase of treasury shares	-	-	-	-	-	(210,000)	(10)	(10)	-	(10)
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	(6)	-	132,200	6	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	7	-	-	-	7	-	7
Other	-	-	-	(3)	-	-	-	(3)	-	(3)
Transactions with shareholders	**370,783**	**4**	**10**	**(63)**	**-**	**(77,800)**	**(4)**	**(53)**	**-**	**(53)**
Net income	-	-	-	(19)	-	-	-	(19)	4	(15)
Total income and expense recognized directly through equity	-	-	-	(11)	54	-	-	43	2	45
Comprehensive income	**-**	**-**	**-**	**(30)**	**54**	**-**	**-**	**24**	**6**	**30**
At 31 December 2011	**61,864,577**	**619**	**1,021**	**463**	**97**	**(214,080)**	**(10)**	**2,190**	**27**	**2,217**

	Shares issued					Treasury shares				
(In millions of euros)	Number	Amount	Paid-in surplus	Retained earnings	Translation adjustments	Number	Amount	Shareholders' equity – Group share	Non-controlling interests	Shareholders' equity
At 1 January 2012	**61,864,577**	**619**	**1,021**	**463**	**97**	**(214,080)**	**(10)**	**2,190**	**27**	**2,217**
Cash dividend	-	-	(81)	-	-	-	-	(81)	(1)	(82)
Issuance of share capital	1,012,638	10	37	-	-	-	-	47	-	47
Purchase of treasury shares	-	-	-	-	-	(250,000)	(13)	(13)	-	(13)
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	(7)	-	150,046	7	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	9	-	-	-	9	-	9
Other	-	-	-	(2)	-	-	-	(2)	2	-
Transactions with shareholders	**1,012,638**	**10**	**(44)**	**-**	**-**	**(99,954)**	**(6)**	**(40)**	**1**	**(39)**
Net income	-	-	-	220	-	-	-	220	1	221
Total income and expense recognized directly through equity	-	-	-	(73)	(15)	-	-	(88)	-	(88)
Comprehensive income	**-**	**-**	**-**	**147**	**(15)**	**-**	**-**	**132**	**1**	**133**
At 31 December 2012	**62,877,215**	**629**	**977**	**610**	**82**	**(314,034)**	**(16)**	**2,282**	**29**	**2,311**

4.3.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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A. HIGHLIGHTS

1 ACQUISITIONS AND DIVESTMENTS

As part of the move to refocus its portfolio of businesses on its specialty chemicals activities, ARKEMA sold its vinyls activities to the Klesch group on 3 July 2012 with effect from 1 July 2012. These activities generate annual sales of approximately €1 billion. Income statement and balance sheet items for these activities up to 1 July 2012 and the associated cash flow items have been classified as discontinued operations, as presented in note C9 Discontinued operations and assets held for sale. Certain minor securities and assets in France and China will be sold in 2013 for administrative reasons.

In October 2012 ARKEMA completed the sale of its tin stabilizers business, which generates annual sales of approximately €180 million. For administrative reasons, the divestment of these activities in China should be finalized during the first half of 2013.

In line with its strategy to increase its presence in higher-growth countries, ARKEMA made the following acquisitions:

- on 1 February 2012, two Chinese companies: Hipro Polymers, a producer of biosourced polyamide 10.10, and Casda Biomaterials, world leader in sebacic acid, derived from castor oil and used as a raw material in manufacturing polyamides 10.10. Through these acquisitions, ARKEMA has completed its range of specialty biosourced polyamides and expanded its positions in green chemicals;
- in October 2012, an additive and acrylic emulsion production site in Brazil.

The impact of these acquisitions on the financial statements is presented in note C8 Business combinations.

2 OTHER HIGHLIGHTS

On 6 April 2012, ARKEMA had to declare itself in a situation of *force majeure* on its polyamides 12 chain following the accident in late March at Evonik's Marl site in Germany, which produces CDT, a raw material used in production of polyamide 12. Taking into account the insurance coverage subscribed by the Group, the impact is limited to a non-recurring expense of approximately €17 million, recorded in other income and expenses (see note C4 Other income and expenses).

In April 2012, ARKEMA carried out a capital increase reserved to employees, totalling €29.2 million. 535,013 shares were subscribed at the price of €54.51 per share, which is the average opening market price of the Arkema share on the Paris stock exchange for the 20 trading days preceding the Board of Directors' meeting of 7 March 2012 which set the price, less a discount of 20%.

On 26 April 2012, ARKEMA placed a €230 million bond that will mature on 30 April 2020, with an annual coupon of 3.85%. On 5 October 2012, ARKEMA undertook an additional €250 million tap issue to the original bond maturing on 30 April 2020, with annual yield slightly below 3%. ARKEMA is thus continuing to diversify its sources of financing and extend the maturity of its debt in favourable market conditions.

On 24 July 2012, ARKEMA announced the start of a 50% production capacity increase for Kynar® PVDF at its Changshu site in China, thus consolidating its leadership position on this high added value product line used in coatings, chemical processes, offshore oil extraction, water treatment, lithium-ion batteries and photovoltaics.

B. ACCOUNTING POLICIES

Arkema S.A. is a French limited liability company (*société anonyme*) with a Board of Directors, subject to the provisions of book II of the French Commercial Code and all other legal provisions applicable to French commercial companies.

The Company's head office is at 420 rue d'Estienne d'Orves, 92700 Colombes (France). It was incorporated on 31 January 2003 and the shares of Arkema S.A. have been listed on the Paris stock exchange (Euronext) since 18 May 2006.

The consolidated financial statements of ARKEMA at 31 December 2012 were prepared under the responsibility of the Chairman and CEO of Arkema S.A. and were approved by the Board of Directors of Arkema S.A. on 27 February 2013. They will be submitted to the approval of the Shareholders' General Meeting of 4 June 2013.

The consolidated financial statements at 31 December 2012 were prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) as released at 31 December 2012 and the international standards endorsed by the European Union at 31 December 2012.

The accounting framework and standards adopted by the European Commission can be accessed from the following website: *http://ec.europa.eu/internal_market/accounting/ias/index_en.htm*.

The accounting policies applied in preparing the consolidated financial statements at 31 December 2012 are identical to those used in the consolidated financial statements at 31 December 2011, except for IFRS standards, amendments and interpretations, as adopted by the European Union and the IASB, that are obligatorily applicable for accounting periods commencing on or after 1 January 2012 (and which had not been applied early by the Group), namely:

Amendment to IFRS 7	Disclosures – Transfers of Financial Assets

The application of these standards, amendments and interpretations did not have any significant impact on the Group's consolidated financial statements.

The standards, amendments or interpretations published by the IASB and the IFRS IC (IFRS Interpretations Committee) which were not yet in force at 1 January 2012 and have not been applied early by the Group, are:

Amendments to IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters	Adopted by the European Union at 28 December 2012
Amendments to IFRS 1	Government loans	Not adopted by the European Union at 31 December 2012
Amendments to IFRS 7	Disclosures – Offsetting financial assets and financial liabilities	Adopted by the European Union at 28 December 2012
Amendments to IFRS 9 and IFRS 7	Mandatory effective date and transition disclosures	Not adopted by the European Union at 31 December 2012
Amendments to IFRS 10, IFRS 11 and IFRS 12	Transition guidance for IFRS 10, IFRS 11 and IFRS 12	Not adopted by the European Union at 31 December 2012
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities	Not adopted by the European Union at 31 December 2012
IFRS 10	Consolidated financial statements	Adopted by the European Union at 28 December 2012
IFRS 11	Joint arrangements	Adopted by the European Union at 28 December 2012
IFRS 12	Disclosure of interests in other entities	Adopted by the European Union at 28 December 2012
IFRS 13	Fair value measurement	Adopted by the European Union at 28 December 2012
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income (OCI)	Adopted by the European Union at 5 June 2012
Amendments to IAS 12	Deferred tax: recovery of underlying assets	Adopted by the European Union at 28 December 2012
IAS 19 (Revised)	Employee benefits	Adopted by the European Union at 5 June 2012
IAS 27 (Revised)	Separate financial statements	Adopted by the European Union at 28 December 2012
IAS 28 (Revised)	Investments in associates and joint ventures	Adopted by the European Union at 28 December 2012
Amendments to IAS 32	Offsetting financial assets and financial liabilities	Adopted by the European Union at 28 December 2012
IFRIC 20	Stripping costs in the production phase of a surface Mine	Adopted by the European Union at 28 December 2012
	Annual improvements to IFRS (published in May 2012)	Not adopted by the European Union at 31 December 2012

The Group does not expect any significant impact to result from application as of 1 January 2013 of IAS 19 (revised), nor IFRS 10, 11, 12, IAS 27 (revised) or IAS 28 (revised), applicable from 1 January 2014. The other amendments, standards and interpretations are currently being analyzed.

Preparation of consolidated financial statements in accordance with IFRS requires Group management to make estimates and retain assumptions that can have an impact on the amounts recognized in assets and liabilities at the balance sheet date, and have a corresponding impact on the income statement. Management made its estimates and determined its assumptions on the basis of past experience and taking into account different factors considered to be reasonable for the valuation of assets and liabilities. Use of different assumptions could have a material effect on these valuations. The main assumptions made by management in preparing the financial statements are those used for measuring the recoverable value of property, plant and equipment and intangible assets, pension benefit obligations, deferred taxes and provisions. The disclosures provided concerning contingent assets and liabilities at the date of preparation of the consolidated financial statements also involve the use of estimates.

The consolidated financial statements are prepared in accordance with the historical cost convention, except for certain financial assets and liabilities which are recognized at fair value.

The consolidated financial statements are presented in millions of euros, rounded to the nearest million, unless otherwise indicated.

The principal accounting policies applied by the Group are presented below.

1 CONSOLIDATION PRINCIPLES

- Companies which are directly or indirectly controlled by ARKEMA have been fully included in the consolidated financial statements.
- The entities, assets and operations over which joint control is exercised are consolidated using the proportionate method.
- Investments in associates over which significant influence is exercised are accounted for under the equity method. Where the ownership interest is less than 20%, the equity method is only applied in cases where significant influence can be demonstrated.
- Shares owned in companies which do not meet the above criteria are included in other investments and recognised as available-for-sale financial assets in accordance with IAS 39.

All material transactions between consolidated companies, and all intercompany profits, have been eliminated.

2 FOREIGN CURRENCY TRANSLATION

2.1 Translation of financial statements of foreign companies

The functional operating currency of foreign companies in the scope of consolidation is their local currency, in which most of their transactions are denominated. Their balance sheets are translated into euros on the basis of exchange rates at the end of the period; the statements of income and of cash flows are translated using the average exchange rates during the period. Foreign exchange differences resulting from translation of the financial statements of these subsidiaries are recorded either in "Translation adjustments" in shareholders' equity in the consolidated financial statements for the Group share or in "Non-controlling interests" for the share not directly or indirectly attributable to the Group.

2.2 Transactions in foreign currencies

In application of IAS 21 "The effects of changes in foreign exchange rates", transactions denominated in foreign currencies are translated by the entity carrying out the transaction into its functional currency at the exchange rate applicable on the transaction date. Monetary balance sheet items are restated at the closing exchange rate at the balance sheet date. Gains and losses resulting from translation are recognized in recurring operating income.

3 GOODWILL AND BUSINESS COMBINATIONS

Operations after 1 January 2010

The Group uses the acquisition method for the recognition of business combinations, in accordance with IFRS 3 (Revised).

The identifiable assets acquired and liabilities assumed are stated at fair value at the acquisition date.

Where the business combination agreement provides for a purchase price adjustment, the Group includes the fair value of this adjustment at the acquisition date in the cost of the business combination, even if the adjustment is optional.

Non-controlling interests are measured at the acquisition date, either at fair value (the full goodwill method) or the NCI's proportionate share of net assets of the entity acquired (the partial goodwill method). The decision of which option to use is made for each business combination. Subsequent acquisitions of non-controlling interests are always recorded in equity, regardless of the choice made at the time of the acquisition.

At the acquisition date, goodwill is measured as the difference between:

- the acquisition price plus the amount of any non-controlling interests in the acquired entity and the fair value of the acquirer's previously-held equity interest in that acquired entity;
- and the fair value of identifiable assets and liabilities.

Goodwill is recognized in the balance sheet assets. Any negative goodwill arising on an acquisition on favourable terms, and direct acquisition expenses, are recognized immediately in the income statement under "Other income and expenses" (see note B19 Main accounting and financial indicators).

Contingent liabilities are recognized in the balance sheet when the obligation concerned is current at the acquisition date and their fair value can be reliably measured.

The Group has a maximum of 12 months to finalize determination of the acquisition price and goodwill.

Operations prior to 31 December 2009

The Group applied IFRS 3. The main points affected by IFRS 3 (revised) are the following:

- Goodwill was calculated as the difference between the purchase price, as increased by related costs, of shares of consolidated companies and the Group share of the fair value of their net assets and contingent liabilities at the acquisition date;
- for any subsequent acquisition in the same entity, the difference between the acquisition cost and book value of non-controlling interests was included in goodwill;
- price adjustments were included in the cost of the business combination if the adjustment was probable and could be measured reliably;
- contingent liabilities arising from potential obligations were recognized.

4 INTANGIBLE ASSETS

Intangible assets include goodwill, software, patents, trademarks, leasehold rights, development costs and electricity consumption rights. Intangible assets are recognized in the balance sheet at their acquisition or production cost, less any accumulated amortization and impairment losses recognized.

Intangible assets other than goodwill and trademarks with indefinite useful lives are amortized on a straight-line basis over 3 to 20 years depending on the pattern according to which the entity envisages using the future economic benefits related to the asset.

The main categories of intangible assets and the amortization periods applied by the Group are as follows:

- Patents: residual period until expiry of patent protection;
- Licences: term of the contract;
- Softwares: 3 to 5 years;
- Capitalized research expenses: useful life of the project;
- REACH registration fees: protection period of study data;
- Capitalized contracts: term of the contract.

4.1 Goodwill

Goodwill is not amortized. It is subject to impairment tests as soon as any indicators of potential impairment are identified. Impairment tests are performed at least annually. The methodology used for the performance of impairment tests is described in paragraph B6 Impairment of long-lived assets.

Goodwill is measured and recognized as described in note B3 Goodwill and business combinations.

4.2 Trademarks

Trademarks with an indefinite useful life are not amortized and are subject to impairment tests. The methodology used for the performance of impairment tests is described in paragraph B6 Impairment of long-lived assets.

4.3 Research and development costs

Research costs are recognized in expenses in the period in which they are incurred. Grants received are recognized as a deduction from research costs.

Under IAS 38 “Intangible assets”, development costs are capitalized as soon as ARKEMA can demonstrate, in particular:

- its intention and its financial and technical ability to complete the development project;
- that it is probable that future economic benefits attributable to the development costs will flow to the enterprise, which also implies having successfully completed the main non-toxicity studies relating to the new product;
- and that the cost of the asset can be measured reliably.

Grants received in respect of development activities are recognized as a deduction from capitalized development costs if they have been definitively earned by the Group. The Group also receives public financing in the form of repayable advances for the development of certain projects. Repayment of these advances is generally related to the future revenues generated by the development. The Group recognizes these advances in balance sheet liabilities (in the “Other non-current liabilities” caption) taking account of the probability of their repayment.

4.4 Research tax credit

The Group recognizes the research tax credit as a deduction from operating expenses.

4.5 REACH

As no specific IFRS IC interpretations exist on the subject, Arkema applies the following methods based on IAS 38:

- when most of the tests required for preparing the registration file have been acquired from a third party, ARKEMA records an operating right in the intangible assets;
- when most of the expenses involved in preparing the registration file have been carried out internally or outsourced, ARKEMA capitalizes the development costs that meet the requirements for capitalization defined by IAS 38 (see 4.3).

5 PROPERTY, PLANT & EQUIPMENT

5.1 Gross value

The gross value of items of property, plant and equipment corresponds to their acquisition or production cost in accordance with IAS 16 “Property, plant & equipment”. Gross value is not subject to revaluation.

Equipment subsidies are deducted directly from the cost of the assets which they financed. With effect from 1 January 2009 and in accordance with the revised version of IAS 23, borrowing costs that are directly attributable to financing tangible assets that necessarily take a substantial period of time to get ready for their intended use or sale are eligible for capitalization as part of the cost of the assets for the portion of the cost incurred over the construction period.

Routine maintenance and repairs are charged to income in the period in which they are incurred. Costs related to major maintenance turnarounds of industrial facilities which take place at intervals of greater than 12 months are capitalized at the time they are incurred and depreciated over the period between two such turnarounds.

Fixed assets which are held under finance lease contracts, as defined in IAS 17 “Leases”, which have the effect of transferring substantially all the risks and rewards inherent to ownership of the asset from the lessor to the lessee, are capitalized in assets at their market value or at the discounted value of future lease payments if lower (such assets are depreciated using the methods and useful lives described below). The corresponding lease obligation is recorded as a liability. Leases which do not meet the above definition of finance leases are accounted for as operating leases.

5.2 Depreciation

Depreciation is calculated on a straight-line basis on the basis of the acquisition or production cost. Assets are depreciated over their estimated useful lives by category of asset. The principal categories and useful lives are as follows:

- Machinery and tools: 5-10 years
- Transportation equipment: 5-20 years
- Specialized complex installations: 10-20 years
- Buildings: 10-30 years

These useful lives are reviewed annually and modified if expectations change from the previous estimates. Such changes in accounting estimate are accounted for on a prospective basis.

6 IMPAIRMENT OF LONG-LIVED ASSETS

The recoverable amount of property, plant & equipment and intangible assets is tested as soon as any indication of impairment is identified. A review to identify if any such indication exists is performed at each year-end. An impairment test is performed at least once a year in respect of goodwill and trademarks with indefinite useful lives.

An asset's recoverable amount corresponds to the greater of its value in use and its fair value net of costs of disposal.

Tests are performed for each autonomous group of assets, termed Cash Generating Units (CGUs). A CGU is a group of assets whose continued use generates cash flows that are substantially independent of cash flows generated by other groups of assets. They are worldwide business operations, which bring together groups of similar products in strategic, commercial and industrial terms. For ARKEMA, the CGUs are the business units presented in note B14. The value in use of a CGU is determined on the basis of the discounted future cash flows that are expected to be generated by the assets in question, based upon Group management's expectation of future economic and operating conditions over the next 5 years or, when the asset is to be sold, by comparison with its market value. In 2012, the terminal value was determined on the basis of a perpetuity annual growth rate of 1.5% (the same rate as used in 2011) and mid-cycle cash flow. An after-tax rate of 8% is used to discount future cash flows and the terminal value in 2012 (also 8% in 2011). Any impairment is calculated as the difference between the recoverable amount and the carrying amount of the CGU. Because of its unusual nature, any such impairment is presented separately in the income statement under the "Other income and expenses" caption. Impairment may be reversed, to the maximum carrying amount that would have been recognized for the asset, had the asset not been impaired. Impairment losses on goodwill are irreversible (in application of IFRIC 10, impairment losses on goodwill recognized in previous interim accounting periods cannot be written back).

Sensitivity analyses carried out at 31 December 2012 evaluating the impact of reasonable changes in the basic assumptions, and in particular the impact of a change of plus or minus 1 point in the discount rate and plus or minus 0.5 point in the perpetuity growth rate, have confirmed the carrying amounts of the different CGUs.

7 FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities principally comprise:

- other investments;
- loans and financial receivables included in other non-current assets;
- accounts receivable;
- cash and cash equivalents;
- debt and other financial liabilities (including accounts payable);
- derivatives, reported as part of other current assets and liabilities.

7.1 Other investments

These securities are accounted for, in accordance with IAS 39, as available-for-sale assets and are thus recognized at their fair value. In cases where fair value cannot be reliably determined, the securities are recognized at their historical cost. Changes in fair value are recognized directly through shareholders' equity.

If an objective indicator of impairment in the value of a financial asset is identified, an irreversible impairment loss is recognized, in general through recurring operating income. Such impairment is only reversed via income at the date of disposal of the securities.

7.2 Loans and financial receivables

These financial assets are recognized at amortized cost. They are subject to impairment tests involving a comparison of their carrying amount to the present value of estimated recoverable future cash flows. These tests are carried out as soon as any indicator inferring that the present value of these assets is lower than their carrying amount is identified. As a minimum such tests are performed at each balance sheet date. Any impairment loss is recognized in recurring operating income.

7.3 Accounts receivable

Accounts receivable are initially recognized at their fair value. Subsequent to initial recognition, they are recognized at amortized cost. If required, a bad debt provision is recognized on the basis of the risk of non-recovery of the receivables.

7.4 Cash and cash equivalents

Cash and cash equivalents are liquid assets and assets which can be converted into cash within less than 3 months that are subject to a negligible risk of change in value.

7.5 Non-current and current debt (including accounts payable)

Non-current and current debt (other than derivatives) is recognized at amortized cost.

7.6 Derivatives

The Group may use derivatives to manage its exposure to foreign currency risks and risks of changes in the prices of raw materials and energy. Derivatives used by the Group are recognized at their fair value in the balance sheet, in accordance with IAS 39. The fair value of these unlisted derivatives is determined by reference to current prices for contracts with similar maturity. They therefore correspond to the "Level 2" category defined in IFRS 7.

Changes in the fair value of these derivatives are recognized within operating income and, for foreign currency instruments, in financial result for the portion of foreign exchange gains and losses corresponding to the interest income/expense reflected by the differences between the spot exchange rate and the forward exchange rate, except for those on instruments which are considered to meet the criteria for cash flow hedge accounting or hedge accounting of a net investment in a foreign operation under IAS 39.

For items that qualify for cash flow hedge accounting, the effective portion of the change in fair value is recognized in shareholders' equity under the "Income and expense recognized directly through equity" caption until such time as the underlying hedged item is recognized through the income statement. Any ineffective portion is recognized in operating income.

A hedge of a net investment in a foreign operation hedges the exposure to foreign exchange risk of the net assets of the foreign operation (IAS 21, "The effects of changes in foreign exchange rates"). The effects of this hedge are recorded directly in shareholders' equity under the "Income and expense recognized directly through equity" caption.

8 INVENTORIES

Inventories are valued in the consolidated financial statements at the lower of cost and net realizable value, in accordance with IAS 2 "Inventories". Cost of inventories is generally determined using the weighted average cost (WAC) method.

Cost of manufactured products inventories includes raw material and direct labour costs, and an allocation of production overheads and depreciation based on normal production capacity. Start-up costs and general and administrative costs are excluded from the cost of manufactured products inventories.

The net realisable value is the sale price as estimated for the normal course of business, less estimated costs for completion and sale.

9 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

A provision is recognized when:

- the Group has a legal, regulatory or contractual obligation to a third party resulting from past events. An obligation can also result from Group practices or public commitments that create a reasonable expectation among the third parties in question that the Group will assume certain responsibilities;
- it is certain or probable that the obligation will lead to an outflow of resources to the benefit of the third party;
- its amount can be estimated reliably and corresponds to the best possible estimate of the commitment. In exceptional cases where the amount of the obligation cannot be measured with sufficient reliability, disclosure is made in the notes to the financial statements in respect of the obligation (See note C21 Liabilities and contingent liabilities).

When it is expected that the Group will obtain partial or total reimbursement of the cost that was provided against, the expected reimbursement is recognized in receivables if, and only if, the Group is virtually certain of the receipt.

Legal expenses required for defence of the Group's interests are covered by a provision when significant.

Long-term provisions, other than provisions for pensions and similar post-employment benefit obligations, are not inflation-indexed or discounted as the Group considers that the impact of such adjustments would not be significant.

The current (less than one year) portion of provisions is maintained within the "Provisions and other non-current liabilities" caption.

10 PENSION AND SIMILAR POST-EMPLOYMENT BENEFIT OBLIGATIONS

In accordance with IAS 19 "Employee benefits":

- payments made in the context of defined contribution plans are recognized in expenses of the period;
- obligations in respect of defined benefit plans are recognized and valued using the actuarial projected unit credit method.

Post-employment benefits

For defined benefit plans, the valuation of obligations under the projected unit credit method principally takes into account:

- an assumption concerning the date of retirement;
- a discount rate which depends on the geographical region and the duration of the obligations;
- an inflation rate;
- assumptions in respect of future increases in salaries, rates of employee turnover and increases in health costs;
- the most recent mortality statistics for the countries concerned.

Differences which arise between the valuation of obligations and forecasts of such obligations (on the basis of new projections or assumptions) and between forecasts and outcomes of returns on plan assets are termed actuarial gains and losses.

The Group has opted to recognize actuarial gains and losses directly in shareholders' equity under the "Income and expense recognized directly through equity" caption, in accordance with the amendment to IAS 19 of December 2004.

On modification or creation of a plan, the portion of obligations which vest immediately as a result of past service is charged immediately to income; the portion of obligations which do not vest immediately is amortized over the remaining vesting period.

The amount of the provision takes account of the value of assets which are allocated to cover pension and other post-employment benefit obligations. The value of these assets is deducted from the provision for such benefit obligations.

A pension asset can be generated where a defined benefit plan is overfunded. The amount at which such an asset is recognized in the balance sheet may be subject to a ceiling, in application of paragraph 58 of IAS 19 and IFRIC 14.

Other long-term benefits

In respect of other long-term benefits, and in accordance with applicable laws and regulations, provisions are recognized using a simplified method. Thus, if an actuarial valuation using the projected unit cost method is required, actuarial gains and losses and all past service costs are recognized immediately in the provision, with a double entry being recognized to the income statement.

The net expense related to pension benefit obligations and other employee benefit obligations is recognized in recurring operating income, with the exception of:

- the effect of curtailments or settlements of plans which are presented under the "Other income and expenses" caption in the case of substantial modifications to such plans;
- the interest cost, the expected return on plan assets and the actuarial gains and losses related to changes in the discount rate on other long-term benefits, which are classified within the financial result caption.

11 GREENHOUSE GAS EMISSIONS ALLOWANCES (EUA) AND CERTIFIED EMISSION REDUCTIONS (CER)

In the absence of an IFRS standard or interpretation relating to accounting for CO_2 emissions allowances, the following treatment has been adopted:

- allowances allocated without payment of consideration are recognized for a nil value,
- transactions carried out in the market are recognized at the transaction amount.

At this point, greenhouse gas emissions allowances (EUA) allocated are adequate to cover the operational needs of ARKEMA's European units and a deficit is not currently forecast. ARKEMA does not carry out a trading activity in respect of CO_2 emissions allowances. However, in the normal course of its operations, ARKEMA may carry out cash or forward sales of its surpluses. These sales do not enter into the scope of application of IAS 39 because of the "own use" exception.

The CERs produced by the Group in the context of projects to reduce its greenhouse gas emissions are recognized in inventories, and sales are recorded at their net-of-tax value on delivery of the CERs.

12 RECOGNITION OF SALES

Sales are measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Sales are recognized on transfer to the purchaser of the risks and rewards related to ownership of the goods, which is determined mainly on the basis of the terms and conditions of the sales contracts.

13 INCOME TAXES

13.1 Current taxes

Current taxes are the amount of income taxes that the Group expects to pay in respect of taxable profits of consolidated companies in the period. They also include adjustments to current taxes in respect of prior periods.

The French tax consolidation regime enables certain French companies in the Group to offset their taxable results in determining the tax charge for the entire French tax group. The overall tax charge is payable by Arkema S.A., as the parent company of the tax group. Tax consolidation regimes also exist in countries outside France.

The French Finance Act for 2010 introduced the local tax named CET (*Contribution Économique Territoriale*). One of its components is the contribution based on companies' value added (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE). After analysing the methods for determining this contribution in the light of the positions of the IFRS IC and France's Accounting Standards Authority ANC (*Autorité des Normes Comptables*) in late 2009, the Group considered that in this specific case, the contribution meets the requirements to be treated as a current tax under IAS 12. The CVAE is therefore classified under "income taxes" from 1 January 2010.

13.2 Deferred taxes

The Group uses the liability method whereby deferred taxes are recognized based upon the temporary differences between the financial statement and tax basis of assets and liabilities, as well as on tax loss carry forwards and other tax credits, in accordance with IAS 12 "Income taxes".

Deferred tax assets and liabilities are valued at the tax rates that are expected to apply in the year in which the asset will be realized or the liability settled, on the basis of tax rates (and tax legislation) that have been enacted or virtually enacted at the balance sheet date. The effect of any changes in tax rates is recognized in income for the period, unless it relates to items that were previously debited or credited through equity. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognized to the extent that their recovery is probable. In order to assess the likelihood of recovery of such assets, account is notably taken of the profitability outlook determined by the Group and historical taxable profits or losses.

A deferred tax liability is recognized for all taxable temporary differences related to investments in subsidiaries, associates and joint ventures, unless:

- the Group controls the timing of the reversal of the temporary difference; and
- it is probable that this difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if a legally enforceable right to offset current tax assets and liabilities exists and if they relate to income taxes levied by the same tax authority.

As the contribution based on companies' value added CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*) is considered as a component of income taxes, the relevant calculation methods generate temporary differences for which a deferred tax liability of 1.5% of the value is recorded.

14 INFORMATION BY SEGMENT

As required by IFRS 8, "Operating Segments", segment information for the Group is presented in accordance with the business segments identified in the internal reports that are regularly reviewed by general management in order to allocate resources and assess financial performance.

Following the sale of its vinyls activities in early July 2012, ARKEMA now has three new business segments: High Performance Materials, Industrial Specialties and Coating Solutions. Two members of the Executive Committee supervise these segments, and report directly to the Chairman and CEO, the Group's chief operating decision-maker as defined by IFRS 8, and are in regular contact with him for the purpose of discussing their sector's operating activity, financial results, forecasts and plans.

- High Performance Materials includes the following business units: Technical Polymers, Filtration and Adsorption (CECA) and Organic Peroxides. High Performance Materials provide innovative solutions with high value added, used in varied sectors such as transportation, oil extraction, renewable energies (photovolatics, lithium-ion batteries), consumer goods (beauty products, sports equipment, packaging, etc), electronics, construction, coatings and water treatment.
- Industrial Specialties groups the following business units: Thiochemicals, Fluorochemicals, PMMA and Hydrogen Peroxide. These integrated industrial niches on which ARKEMA is among the world leaders concern products used in several industrial sectors such as production of cold (refrigeration and air conditioning), oil and gas, paper pulp, animal nutrition, electronics and the automotive industry.
- Coating Solutions comprises the following business units: Acrylics, Coatings Resins, Rheology Additives (Coatex) and UV-curing resins (Sartomer). This segment proposes solutions for decorative paints, industrial coatings, adhesives and high-growth acrylic applications (superabsorbers for disposable nappies, water treatment, oil and gas extraction).

Functional and financial activities which cannot be directly allocated to operational activities (notably certain research costs and central costs) are brought together in a Corporate segment.

15 CASH FLOW STATEMENTS

Cash flows in foreign currencies are translated into euros using the average exchange rates of each period. Cash flow statements exclude foreign exchange differences arising from the translation into euros of assets and liabilities recognized in balance sheets denominated in foreign currencies at the end of the period (except for cash and cash equivalents). In consequence, cash flows cannot be recalculated on the basis of the amounts shown in the balance sheet.

16 SHARE-BASED PAYMENTS

In application of IFRS2 "Share-based payments", the stock options and free shares granted to management and certain Group employees are measured at their fair value at the date of grant, which generally corresponds to the date of the Board of Directors' meeting that granted the stock options and free shares.

The fair value of the options is calculated using the Black & Scholes model, adjusted, in the case of plans awarded from 2011, for an illiquidity cost due to the non-transferability of instruments; the expense is recognized in personnel expenses on a straight-line basis over the period from the date of grant to the date from which the options can be exercised.

The fair value of rights under free share grants corresponds to the opening market price of the shares on the day of the Board of Directors' meeting that decides on the grant, adjusted for dividends not received during the vesting period and, in the case of plans awarded from 2011, for an illiquidity cost related to the period of non-transferability. The expense recognized also reflects the probability that the presence condition will be fulfilled. This expense is included in personnel expenses on a straight-line basis over the vesting period of the rights.

17 EARNINGS PER SHARE

Earnings per share corresponds to the division of net income (Group share) by the weighted average number of ordinary shares in circulation since the start of the year.

Diluted earnings per share corresponds to the division of net income (Group share) by the weighted number of ordinary shares, both of these figures being adjusted to take account of the effects of all dilutive potential ordinary shares.

The effect of dilution is thus calculated taking account of stock options and grants of free shares to be issued.

18 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

A discontinued operation is defined, according to IFRS 5, as a component of the Group's activity that either has been disposed of, or is classified as held for sale and which represents a separate major line of business or geographical area of operations that forms part of a single coordinated disposal plan.

In accordance with IFRS 5, "Non-current assets held for sale and discontinued operations":

- assets held for sale and related liabilities are presented on two specific lines of the balance sheet, without offsetting,
- a single amount, comprising the total profit or loss after taxes of discontinued operations, is reported in the income statement for the current period and the previous period,
- the Group's cash flow statement reports flows related to discontinued operations separately, except for cash flows related to financing if they cannot be identified separately for sales of assets,
- no further depreciation or amortization is recorded on depreciable/amortizable assets once they are classified as held for sale.

Assets held for sale net of the associated liabilities are measured and recognized at the lower of net book value and market value less costs necessary to complete the sale. Any losses are charged to income from discontinued operations.

The income statement, cash flow statement and balance sheet items relating to discontinued operations are presented in a specific note to the financial statements for the current financial year, with comparatives for the previous year.

19 MAIN ACCOUNTING AND FINANCIAL INDICATORS

The main performance indicators used are as follows:

- **Operating income:** this includes all income and expenses of continuing operations other than financial result, equity in income of affiliates and income taxes;
- **Other income and expenses:** these correspond to a limited number of well-identified non-recurring items of income and expense of a particularly material nature that the Group presents separately in its income statement in order to facilitate understanding of its recurring operational performance. These items of income and expense notably include:
  - impairment losses in respect of property, plant and equipment and intangible assets,
  - gains or losses on sale of assets, acquisition costs, negative goodwill on acquisitions on favourable terms and the valuation difference on inventories between their fair value at the acquisition date and their production cost,
  - large restructuring and environmental expenses which would hamper the interpretation of recurring operating income (including substantial modifications to employee benefit plans and the effect of onerous contracts),
  - expenses related to litigation and claims or major damages, whose nature is not directly related to ordinary operations;
- **Recurring operating income:** this is calculated as the difference between operating income and other income and expenses as previously defined;
- **Adjusted net income:** this corresponds to "Net income – Group share" adjusted for the "Group share" of the following items:
  - other income and expenses, after taking account of the tax impact of these items,

- income and expenses from taxation of an exceptional nature, the amount of which is deemed significant,
- net income of discontinued operations;

- **EBITDA:** this corresponds to recurring operating income increased by depreciation and amortization;
- **Working capital:** this corresponds to the difference between inventories, accounts receivable, other receivables and prepaid expenses, income tax receivables and other current financial assets on the one hand and accounts payable, other creditors and accrued liabilities, income tax liabilities and other current financial liabilities on the other hand. These items are classified in current assets and liabilities in the consolidated balance sheet;
- **Capital employed:** this is calculated by aggregating the net carrying amounts of intangible assets, property, plant and equipment, equity affiliate investments and loans, other investments, other non-current assets (excluding deferred tax assets) and working capital;
- **Recurring capital expenditure:** investments in tangible and intangible assets, excluding a limited number of investments of an exceptional nature that the Group presents separately in order to facilitate cash flow analysis in its financial reporting. These exceptional investments are unusual in size or nature, and are presented either as non-recurring investments or included in acquisitions and divestments;
- **Net debt:** this is the difference between current and non-current debt and cash and cash equivalents.

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 INFORMATION BY BUSINESS SEGMENT

Following the sale of its vinyls activities in early July 2012, ARKEMA now has three new business segments. The Jarrie and Saint-Auban facilities retained by the Group are included respectively in the Hydrogen Peroxide and Fluorochemicals business units of the Industrial Specialties segment. Figures at 31 December 2011 have been restated accordingly.

Operating income and assets of continuing operations are allocated between business segments prior to inter-segment adjustments. Sales prices between segments approximate market prices.

2012 *(In millions of euros)*	**High Performance Materials**	**Industrial Specialties**	**Coating Solutions**	**Corporate**	**Total**
Non-Group sales	**2,101**	**2,096**	**2,175**	**23**	**6,395**
Inter segment sales	17	109	78	-	
Total sales	**2,118**	**2,205**	**2,253**	**23**	
EBITDA	**361**	**399**	**279**	**(43)**	**996**
Depreciation and amortization	(109)	(114)	(87)	(8)	(318)
Recurring operating income	**252**	**285**	**192**	**(51)**	**678**
Other income and expenses	(18)	3	(8)	(4)	(27)
Operating income	**234**	**288**	**184**	**(55)**	**651**
Equity in income of affiliates	1	-	-	9	10
Intangible assets and property, plant, and equipment additions	122	159	137	20	438
including: Recurring capital expenditure	110	98	123	20	351
Employees at year end	**5,512**	**5,096**	**3,151**	**-**	**13,759**
Goodwill, net	271	57	335	7	670
Intangible assets other *than* goodwill, and property, plant and equipment, net	670	771	645	58	2,144
Investments in equity affiliates	6	7	-	58	71
Non-current assets (excluding deferred tax assets)	30	37	13	103	183
Working capital	384	297	293	(3)	971
Capital employed	**1,361**	**1,169**	**1,286**	**223**	**4,039**
Provisions	(222)	(294)	(76)	(286)	(878)
Deferred tax assets	-	-	-	83	83
Deferred tax liabilities	-	-	-	(33)	(33)
Net debt	-	-	-	900	900

2011 *(In millions of euros)*	**High Performance Materials**	**Industrial Specialties**	**Coating Solutions**	**Corporate**	**Total**
Non-Group sales	**1,952**	**2,114**	**1,814**	**20**	**5,900**
Inter segment sales	17	99	82	-	
Total sales	**1,969**	**2,213**	**1,896**	**20**	
EBITDA	**337**	**441**	**284**	**(28)**	**1,034**
Depreciation and amortization	(99)	(109)	(63)	(1)	(272)
Recurring operating income	**238**	**332**	**221**	**(29)**	**762**
Other income and expenses	33	(30)	(50)	2	(45)
Operating income	**271**	**302**	**171**	**(27)**	**717**
Equity in income of affiliates	1	-	-	16	17
Intangible assets and property, plant, and equipment additions	100	126	120	19	365
including: Recurring capital expenditure	100	98	94	19	311
Employees at year end	**4,770**	**3,863**	**4,304**	**-**	**12,937**
Goodwill, net	94	58	308	7	467
Intangible assets other *than* goodwill, and property, plant and equipment, net	614	741	618	43	2,016
Investments in equity affiliates	7	-	-	59	66
Non-current assets (excluding deferred tax assets)	22	30	11	81	144
Working capital	353	327	279	1	960
Capital employed	**1,090**	**1,156**	**1,216**	**191**	**3,653**
Provisions	(201)	(271)	(84)	(194)	(750)
Deferred tax assets	-	-	-	66	66
Deferred tax liabilities	-	-	-	(35)	(35)
Net debt	-	-	-	603	603

The figures in this table take account of reclassifications of internal margins on inventories between the Corporate segment and the business segments.

Breakdown of non-Group sales by CGU:

	2012	2011
High Performance Materials	**33%**	**33%**
Technical Polymers	18%	17%
Filtration and Adsorption (CECA)	6%	6%
Organic Peroxides	9%	10%
Industrial Specialties	**33%**	**36%**
Thiochemicals	9%	9%
Fluorochemicals	10%	11%
PMMA	10%	11%
Hydrogen Peroxide	4%	5%
Coating Solutions	**34%**	**31%**
Acrylics	13%	16%
Coatings Resins	13%	9%
Rheology Additives (Coatex)	3%	3%
UV-curing resins (Sartomer)	5%	3%
GROUP TOTAL (EXCLUDING CORPORATE SEGMENT)	**100%**	**100%**

NOTE 2 INFORMATION BY GEOGRAPHICAL AREA

Non-Group sales are presented on the basis of the geographical location of customers. Capital employed is presented on the basis of the location of the assets.

2012 *(In millions of euros)*	France	Rest of Europe	NAFTA [1]	Asia	Rest of the world	Total
Non-Group sales	637	1,911	2,192	1,322	333	6,395
Capital employed	1,904	331	1,051	719	34	4,039
Intangible assets and property, plant, and equipment additions	208	31	115	83	1	438
Employees at year end	6,719	1,849	2,574	2,339	278	13,759

2011 *(In millions of euros)*	France	Rest of Europe	NAFTA [1]	Asia	Rest of the world	Total
Non-Group sales	614	1,797	1,956	1,290	243	5,900
Capital employed	1,726	352	1,116	439	20	3,653
Intangible assets and property, plant, and equipment additions	171	35	104	55	-	365
Employees at year end	6,668	1,840	2,768	1,423	238	12,937

(1) NAFTA: USA, Canada, Mexico.

NOTE 3 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are reported net of subsidies: they include salaries, purchases, sub-contracting costs, depreciation and amortization.

NOTE 4 OTHER INCOME AND EXPENSES

	2012			2011		
(In millions of euros)	Expenses	Income	Net	Expenses	Income	Net
Restructuring and environmental charges	(9)	6	(3)	(24)	3	(21)
Goodwill impairment charges	-	-	-	-	-	-
Asset impairment charges (other than goodwill)	(3)	-	(3)	(13)	-	(13)
Litigation and claims	(17)	5	(12)	(15)	14	(1)
Gains (losses) on sales and purchases of assets	(11)	2	(9)	(47)	37	(10)
Other	-	-	-	-	-	-
TOTAL OTHER INCOME AND EXPENSES	**(40)**	**13**	**(27)**	**(99)**	**54**	**(45)**

In 2012, litigations and claims correspond to the net operating loss on the incident that occurred at the Evonik site in Marl (Germany) which produces CDT, a raw material used in production of polyamide 12. The net loss on sales and purchases of assets includes expenses associated with the acquisitions and divestments undertaken in 2011 and 2012.

In 2011, restructuring charges and asset impairment charges mainly concern the assets of the Coating Solutions and Industrial Specialty segments.

Gains (losses) on sales and purchases of assets generated a net expense of €10 million, chiefly relating to:

- acquisition of Total’s UV-curing and coatings resins (expenses and the inventory value differential between acquisition and production cost amount to €42 million);
- the gain on sale of unconsolidated securities.

NOTE 5 FINANCIAL RESULT

Financial result includes (i) the cost of debt adjusted for capitalized financial expenses, (ii) as regards provisions for employee benefits, the interest cost, the expected return on plan assets and the actuarial gains and losses related to changes in the discount rate on other long-term benefits and (iii) the portion of foreign exchange gains and losses corresponding to the interest income/expense reflected by the difference between the spot exchange rate and the forward exchange rate.

(In millions of euros)	2012	2011
Cost of debt	(39)	(31)
Financial income/expenses on provisions for employee benefits	(17)	(9)
Foreign exchange gains and losses (spot/forward exchange rate difference)	(1)	1
Capitalized interest	3	2
Other	-	-
FINANCIAL RESULT	**(54)**	**(37)**

The average interest rate for the year on debt was approximately 3.4% (3.5% for 2011).

NOTE 6 ADJUSTED NET INCOME

Net income - Group share may be reconciled to adjusted net income as follows:

(In millions of euros)	Notes	2012	2011
NET INCOME - GROUP SHARE		**220**	**(19)**
Other income and expenses	(C4)	27	45
Taxes on other income and expenses		(6)	(17)
Non-current taxation		-	(22)
Net income of discontinued operations	(C9)	200	587
ADJUSTED NET INCOME OF CONTINUING OPERATIONS		**441**	**574**

NOTE 7 INCOME TAXES

7.1 INCOME TAX EXPENSE

The income tax expense is broken down as follows:

(In millions of euros)	2012	2011
Current income taxes	(185)	(161)
Deferred income taxes	(1)	36
TOTAL INCOME TAXES	**(186)**	**(125)**

The income tax expense amounts to €186 million for 2012 including €12 million for the CVAE (expense of €14 million in current taxes and income of €2 million in deferred taxes), compared with €125 million for 2011 including €10 million for the CVAE (see B13 Income taxes).

The income tax expense represents 27.4% of recurring operating income.

7.2 ANALYSIS BY SOURCE OF NET DEFERRED TAX ASSETS (LIABILITIES)

The analysis by source of the net deferred tax assets (liabilities) is as follows, before offset of assets and liabilities at fiscal entity level:

(In millions of euros)	31/12/2011	Changes in scope	Changes recognized in shareholders' equity	Changes recognized in the income statement	Translation adjustments	Assets held for sale	31/12/2012
Tax loss and tax credit carryforwards	10	1	-	-	-	-	11
Provisions for pensions and similar benefits	112	-	21	(8)	(1)	1	125
Other temporarily non-deductible provisions	228	5	(24)	(118)	(1)	181	271
Deferred tax assets	**350**	**6**	**(3)**	**(126)**	**(2)**	**182**	**407**
Valuation allowance on deferred tax assets	**(44)**	**-**	**(4)**	**68**	**-**	**(164)**	**(144)**
Excess tax over book depreciation	184	2	(18)	(64)	(1)	18	121
Other temporary tax deductions	91	5	(9)	7	-	(2)	92
Deferred tax liabilities	**275**	**7**	**(27)**	**(57)**	**(1)**	**16**	**213**
NET DEFERRED TAX ASSETS (LIABILITIES)	**31**	**(1)**	**20**	**(1)**	**(1)**	**2**	**50**

Other temporarily non-deductible provisions and valuation allowances on deferred tax assets include the expense described in note C9 Discontinued operations and assets held for sale.

After offsetting assets and liabilities at fiscal entity level, deferred taxes are presented as follows in the balance sheet:

(In millions of euros)	31/12/2012	31/12/2011
Deferred tax assets	83	66
Deferred tax liabilities	33	35
NET DEFERRED TAX ASSETS (LIABILITIES)	**50**	**31**

As the Group is able to control the timing of the reversal of temporary differences related to investments in subsidiaries and joint ventures, it is not necessary to recognize deferred taxes in respect of these differences.

7.3 RECONCILIATION BETWEEN INCOME TAX EXPENSE AND PRE-TAX INCOME

(In millions of euros)	2012	2011
Net income of continuing operations	421	572
Income taxes	(186)	(125)
Pre-tax income of continuing operations	607	697
French corporate tax rate	34.43%	34.43%
Theoretical tax expense	(209)	(240)
Difference between French and foreign income tax rates	(2)	6
Tax effect of equity in income of affiliates	3	6
Permanent differences	(2)	16
Change in valuation allowance against deferred tax assets	(97)	28
Deferred tax assets not recognized (losses)	121	59
INCOME TAX EXPENSE	**(186)**	**(125)**

The French corporate tax rate includes the standard tax rate (33.33%) and additional taxes applicable before 2011 and 2012. In view of the Group's tax position in France, the additional 5% contribution temporarily applicable from 2011 to 2015 has not been included in calculating the overall income tax rate, which therefore stands at 34.43%.

The net impact of the CVAE is included in permanent differences.

The tax losses for 2012 generated by discontinued operations were utilized in 2012 by continuing operations, or have been retained in the Group's tax loss carryforwards shown in the next paragraph.

7.4 EXPIRY OF TAX LOSS CARRYFORWARDS AND TAX CREDITS

The Group's unrecognised tax loss carryforwards and tax credits can be used up to their year of expiry, indicated in the table below:

	31/12/2012		31/12/2011	
(In millions of euros)	**Base**	**Income taxes**	**Base**	**Income taxes**
2012	-	-	-	-
2013	5	1	7	2
2014	4	1	7	2
2015	-	-	1	-
2016	6	1	5	2
2017 and beyond	17	5	2	-
Tax losses that can be carried forward indefinitely	1,256	428	874	297
TOTAL	**1,288**	**436**	**896**	**303**
Carry back deductible	-	-	-	-

NOTE 8 BUSINESS COMBINATIONS

ARKEMA has finalized allocation of the acquisition price for the Total resins businesses and Seppic's specialty alkoxylate business, leading to adjustment of the associated goodwill; see note C11 Intangible assets.

On 1 February 2012, ARKEMA completed the acquisition of two Chinese companies: Hipro Polymers, a fast-expanding producer of biosourced polyamide 10.10, and Casda Biomaterials, world leader in sebacic acid, derived from castor oil and used in particular to manufacture these polyamides 10.10. The acquisition price is based on an enterprise value of US$ 365 million for 100% of the capital of both companies.

In October 2012, ARKEMA also acquired an additives and acrylic emulsion production site in Brazil.

The fair values of identifiable assets acquired and liabilities transferred at the acquisition date are as follows:

(In millions of euros)	Fair value of Hipro Polymers and Casda Biomaterials acquired in China	Fair value of an acrylic emulsions site acquired in Brazil
Intangible assets	15	6
Property, plant and equipment	43	9
Deferred tax assets	3	-
Other non-current assets	-	-
TOTAL NON-CURRENT ASSETS	**61**	**15**
Inventories	18	1
Accounts receivable	14	-
Other receivables and prepaid expenses	-	1
Cash and cash equivalents	15	-
TOTAL CURRENT ASSETS	**47**	**2**
TOTAL ASSETS	**108**	**17**
Deferred tax liabilities	-	-
Provisions and other non-current liabilities	3	-
TOTAL NON-CURRENT LIABILITIES	**3**	**0**
Accounts payable	8	-
Other creditors and accrued liabilities	6	-
Current debt	13	-
TOTAL CURRENT LIABILITIES	**27**	**0**
TOTAL LIABILITIES	**30**	**0**
Fair value of net assets	**78**	**17**
Goodwill	**177**	**0**

Recognition of these operations will be finalized within 12 months of the acquisition date.

Goodwill results mainly from expected development synergies and the businesses potential for growth.

Expenses incurred for all these operations were recorded in expenses for a total €1 million (see note C4 Other income and expenses).

NOTE 9 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

9.1 INCOME STATEMENT

The consolidated income statement for the vinyl business is as follows:

(In millions of euros)	2012	2011
Sales	**551**	**1,090**
Recurring operating income	**(67)**	**(66)**
Other income and expenses	(127)	(423)
Operating income	**(194)**	**(489)**
Financial result	(5)	(91)
Income taxes	(1)	(7)
Net income of discontinued operations	**(200)**	**(587)**
Of which: non-controlling interests	-	-
Net income - Group share	**(200)**	**(587)**
Depreciation and amortization	-	(42)
EBITDA *	(67)	(24)

* *See note B19 "Accounting policies/Main accounting and financial indicators".*

In 2012, discontinued operations generated a net loss of €(200) million. This includes the net loss from operations of €(73) million on business activity during the first half of 2012, and other income and expenses totalling €(127) million. These expenses include the impact of implementing the warranties negotiated during finalization of the workers' council information/consultation process, the costs of establishing the activity as a self-sufficient structure (legal and accounting fees for asset transfers, information systems, etc), recognition of additional impairment on working capital and various post-closing adjustments which are still in progress.

9.2 BALANCE SHEET

The balance sheet items classified as assets held for sale are the following:

(In millions of euros)	01/07/2012	31/12/2011
Non-current assets	13	1
Current assets	295	379
Assets held for sale	**308**	**380**
Non-current liabilities	267	215
Current liabilities	112	238
Liabilities associated with assets held for sale	**379**	**453**

9.3 CASH FLOW STATEMENT

(In millions of euros)	2012	2011
Net income	(200)	(587)
Depreciation, amortization and impairment of assets	39	305
Provisions, valuation allowances and deferred taxes	43	151
(Gains)/losses on sales of assets	(10)	(2)
Change in working capital	(29)	(20)
Cash flow from operating activities	**(157)**	**(153)**
Cash flow from net investments	**(73)**	**(55)**

NOTE 10 EARNINGS PER SHARE

Earnings per share and diluted earnings per share are presented below:

	2012	2011
Weighted average number of ordinary shares	62,177,689	61,629,841
Dilutive effect of stock options	541,665	550,263
Dilutive effect of free share grants	259,145	110,205
Weighted average number of potential ordinary shares	62,978,499	62,290,309

Earnings per share is determined below:

	2012	2011
Earnings per share *(€)*	3.54	(0.31)
Diluted earnings per share *(€)*	3.49	(0.31)
Earnings per share of continuing operations *(€)*	6.75	9.22
Diluted earnings per share of continuing operations *(€)*	6.67	9.12
Earnings per share of discontinued operations *(€)*	(3.21)	(9.53)
Diluted earnings per share of discontinued operations *(€)*	(3.18)	(9.43)
Adjusted net income per share *(€)*	5.92	8.11
Diluted adjusted net income per share *(€)*	5.84	8.03
Adjusted net income per share of continuing operations *(€)*	7.09	9.31
Diluted adjusted net income per share of continuing operations *(€)*	7.00	9.21

In 2012, all outstanding stock option and free share grant plans had a dilutive effect, except for the plans awarded in 2011 which were ultimately non-dilutive.

NOTE 11 INTANGIBLE ASSETS

11.1 GOODWILL

	31/12/2012			31/12/2011
(In millions of euros)	Gross book value	Accumulated amortization and impairment	Net book value	Net book value
Goodwill	1,096	(426)	670	467

The breakdown by segment, with allocation by CGU for goodwill above €50 million, is as follows:

	31/12/2012	31/12/2011
(In millions of euros)	Net book value	Net book value
High Performance Materials	**271**	**94**
of which: Technical Polymers	221	45
Industrial Specialties	**57**	**58**
Coating Solutions	**335**	**308**
of which: Acrylics	105	100
of which: Rheology Additives (Coatex)	96	96
of which: UV-curing resins	103	77
Corporate	**7**	**7**
TOTAL	**670**	**467**

Changes in the net book value of goodwill are as follows:

(In millions of euros)	2012	2011
NET BOOK VALUE		
At 1 January	**467**	**282**
Acquisitions	0	0
Amortization and impairment	(3)	0
Disposals	(1)	0
Changes in scope	210	173
Translation adjustments	(3)	13
Reclassifications	0	0
Assets held for sale *	0	(1)
At 31 December	**670**	**467**

* *See note C9 Discontinued operations and assets held for sale.*

The change in goodwill during 2012 corresponds to:

- acquisition of Hipro Polymers and Casda Biomaterials (€177 million) (see note C8 Business combinations);
- finalization of acquisition of Seppic's specialty alkoxylate business (€2 million);
- finalization of acquisition of Total's resins businesses (€31 million). The change results from reclassification of know-how as goodwill.

In 2011, ARKEMA acquired Total's resins activities and Seppic's specialty alkoxylate business for industrial markets, giving rise to recognition of provisional goodwill of €173 million.

11.2 OTHER INTANGIBLE ASSETS

	31/12/2012			31/12/2011
(In millions of euros)	Gross book value	Accumulated amortization and impairment	Net book value	Net book value
Patents	144	(111)	33	26
Trademarks	34	(8)	26	25
Software and licences	168	(123)	45	39
Other intangible assets	349	(161)	188	220
TOTAL	**695**	**(403)**	**292**	**310**

Changes in the net book value of intangible assets are as follows:

(In millions of euros)	2012	2011
NET BOOK VALUE		
At 1 January	**310**	**212**
Acquisitions	42	43
Amortization and impairment	(32)	(24)
Disposals	(1)	0
Changes in scope	(24)	65
Translation adjustments	0	4
Reclassifications	(2)	12
Assets held for sale*	(1)	(2)
At 31 December	**292**	**310**

* *See note C9 Discontinued operations and assets held for sale.*

In 2012, the Group recognised €4 million of impairment on its other intangible assets.

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

	31/12/2012			31/12/2011
(In millions of euros)	Gross book value	Accumulated depreciation and impairment	Net book value	Net book value
Land and buildings	1,333	(870)	463	455
Complex industrial facilities	2,902	(2,286)	616	566
Other property, plant and equipment	1,775	(1,332)	443	444
Construction in progress	331	(1)	330	241
TOTAL	**6,341**	**(4,489)**	**1,852**	**1,706**

Other property, plant and equipment at 31 December 2012 mainly comprise machinery and tools with a gross value of €1,255 million (€1,681 million at 31 December 2011), and accumulated depreciation and provisions for impairment of €966 million (€1,269 million at 31 December 2011).

ARKEMA recorded impairment losses of €9 million on property, plant and equipment (€26 million in 2011).

Changes in the net book value of property, plant and equipment are as follows:

(In millions of euros)	2012	2011
NET BOOK VALUE		
At 1 January	**1,706**	**1,703**
Acquisitions	437	381
Depreciation and impairment	(300)	(304)
Disposals	(25)	(5)
Changes in scope	65	162
Translation adjustments	(10)	40
Reclassifications	5	(10)
Assets held for sale *	(26)	(261)
At 31 December	**1,852**	**1,706**

* *See note C9 Discontinued operations and assets held for sale.*

The figures above include the following amounts in respect of assets held under finance lease arrangements:

	31/12/2012			31/12/2011		
(In millions of euros)	Gross value	Depreciation and impairment	Net value	Gross value	Depreciation and impairment	Net value
Complex industrial facilities and buildings	18	8	10	17	7	10

They mainly correspond to leases of a hydrogen production unit located at Lacq and a production unit at Carling.

NOTE 13 EQUITY AFFILIATES

	% ownership		Equity value		Equity in income (loss)		Sales	
(In millions of euros)	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Qatar Vinyl Company Ltd Q.S.C.	13%	13%	59	58	10	16	52	52
Arkema Yoshitomi Ltd	49%	49%	6	7	1	1	9	10
Meglas	33%	33%	-	1	-	-	3	3
CJ Bio Malaysia Sdn Bhd	14%	-	6	-	-	-	-	-
Investments			**71**	**66**	**11**	**17**	**-**	**-**
Loans			**-**	**-**	**-**	**-**	**-**	**-**
TOTAL			**71**	**66**	**11**	**17**	**64**	**65**

NOTE 14 OTHER INVESTMENTS

Other investments include the Group's investments in various listed and non-listed companies, which are stated at historical cost. The main movements in 2011 and 2012 are as follows:

(In millions of euros)	2012	2011
At 1 January	**35**	**38**
Acquisitions	2	12
Disposals	-	(15)
(Increases)/ Reversals of impairment	(8)	-
Changes in scope	7	-
Translation adjustments	-	-
Other changes	-	-
At 31 December	**36**	**35**

NOTE 15 OTHER NON-CURRENT ASSETS

	31/12/2012			31/12/2011		
(In millions of euros)	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Loans and advances	144	(9)	135	105	(9)	96
Security deposits paid	12	-	12	13	-	13
TOTAL	**156**	**(9)**	**147**	**118**	**(9)**	**109**

Loans and advances include amounts receivable from the French tax authorities in respect of the research tax credit. Loans and advances also include €35 million of receivables on Total related to the remediation costs in respect of closed industrial sites in the United States (see note C20.4 Provisions and other non-current liabilities/Provisions for environmental contingencies).

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NOTE 16 INVENTORIES

(In millions of euros)	31/12/2012	31/12/2011
INVENTORIES (COST)	**991**	**1,015**
Valuation allowance	(71)	(70)
INVENTORIES (NET)	**920**	**945**
Of which:		
Raw materials and supplies	*259*	*260*
Finished products	*661*	*685*

NOTE 17 ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAID EXPENSES

At 31 December 2012, accounts receivable are stated net of a bad debt provision of €29 million (€22 million at 31 December 2011).

Other receivables and prepaid expenses notably include receivables from governments in an amount of €77 million (€75 million at 31 December 2011), including €72 million of VAT.

Details of accounts receivable net of valuation allowances are presented in note C23.4 Credit risk.

NOTE 18 CASH AND CASH EQUIVALENTS

(In millions of euros)	31/12/2012	31/12/2011
Short-term cash advances	9	6
Monetary mutual funds	218	99
Available cash	133	147
CASH AND CASH EQUIVALENTS	**360**	**252**

NOTE 19 SHAREHOLDERS' EQUITY

At 1 January 2011, Arkema S.A.'s share capital amounted to €615 million, divided into 61,493,794 shares including 136,280 treasury shares with nominal value of €10.

During 2011, the Company bought back 210,000 treasury shares (accounted for as a deduction from shareholders' equity), and allocated 132,200 shares to employees. The Company held 214,080 treasury shares at 31 December 2011.

The Company carried out two capital increases totalling €4 million in 2011 following the exercise of 370,783 stock options.

The Shareholders' General Meeting of 24 May 2011 adopted a resolution proposing to distribute a dividend of €1 per share, or a total amount of €61 million, in respect of the 2010 financial year.

At 31 December 2011, the share capital amounted to €619 million, divided into 61,864,577 shares.

On 18 April 2012, the Group carried out a capital increase reserved for Group employees: 535,013 shares were subscribed at a price of €54.51 per share set by the Board of Directors in its meeting of 7 March 2012.

During 2012, the Company bought back 250,000 treasury shares (accounted for as a deduction from shareholders' equity), and allocated 150,046 shares to employees.

The Company carried out two capital increases on 30 June and 31 December 2012 totalling €10 million, following the exercise of 477,625 stock options. This increased Arkema S.A.'s share capital to €629 million divided into 62,877,215 shares.

The Annual General Meeting of 23 May 2012 adopted a resolution proposing to distribute a dividend of €1.30 per share, or a total amount of €81 million, in respect of the 2011 financial year.

NOTE 20 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

20.1 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities amount to €46 million at 31 December 2012 as against €41 million at 31 December 2011.

20.2 PROVISIONS

(In millions of euros)	**Pensions and other employee benefit obligations**	**Environmental contingencies**	**Restructuring**	**Other**	**Total**
At 1 January 2012	**355**	**189**	**72**	**134**	**750**
Increases in provisions	38	11	9	45	103
Reclassification at 1 July 2012 of residual liabilities associated with discontinued operations [(1)]	4	-	-	66	70
Reversals from provisions utilized	(43)	(18)	(28)	(52)	(141)
Reversals of unused provisions	(2)	(2)	(2)	(23)	(29)
Changes in scope	-	-	-	2	2
Translation adjustments	(3)	(1)	-	(1)	(5)
Other [(2)]	85	-	-	-	85
Liabilities associated with assets held for sale [(3)]	(2)	-	(1)	-	(3)
At 31 December 2012	**432**	**179**	**50**	**171**	**832**
Of which less than one year		*19*	*14*	*57*	
Of which more than one year		*160*	*36*	*114*	

(1) This corresponds to the balance of provisions at 30 June 2012 related to divested businesses which were booked in the net income of discontinued operations prior to 30 June 2012. At 31 December 2012 the balance of these provisions was €39 million.
(2) "Other" includes actuarial gains and losses for the period.
(3) See note C9 Discontinued operations and assets held for sale.

In addition, certain provisions are covered by non-current assets (receivables, deposits or pension assets):

(In millions of euros)	**Pensions and other employee benefit obligations**	**Environmental contingencies**	**Restructuring**	**Other**	**Total**
Total provisions at 31 December 2012	**432**	**179**	**50**	**171**	**832**
Portion of provisions covered by receivables or deposits	**-**	**35**	**-**	**1**	**36**
Deferred tax asset related to amounts covered by the Total indemnity	-	21	-	-	21
Net pension assets	**1**	**-**	**-**	**-**	**1**
Provisions at 31 December 2012 net of non-current assets	**431**	**123**	**50**	**170**	**774**

(In millions of euros)	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Other	Total
At 1 January 2011	**352**	**198**	**100**	**121**	**771**
Increases in provisions	26	10	14	52	102
Reversals from provisions utilized	(25)	(12)	(38)	(22)	(97)
Reversals of unused provisions	(8)	(6)	(2)	(19)	(35)
Changes in scope	11	4	-	3	18
Translation adjustments	5	3	-	2	10
Other (1)	28	1	-	13	42
Liabilities associated with assets held for sale (2)	(34)	(9)	(2)	(16)	(61)
At 31 December 2011	**355**	**189**	**72**	**134**	**750**
Of which less than one year		*26*	*32*	*33*	
Of which more than year		*163*	*40*	*101*	

(1) "Other" includes actuarial gains and losses for the period.
(2) See note C9 Discontinued operations and assets held for sale.

In addition, certain provisions are covered by non-current assets (receivables, deposits or pension assets):

(In millions of euros)	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Other	Total
Total provisions at 31 December 2011	**355**	**189**	**72**	**134**	**750**
Portion of provisions covered by receivables or deposits	**-**	**39**	**-**	**1**	**40**
Deferred tax asset related to amounts covered by the Total indemnity	-	23	-	-	23
Net pension assets	**1**	**-**	**-**	**-**	**1**
Provisions at 31 December 2011 net of non-current assets	**354**	**127**	**72**	**133**	**686**

20.3 PROVISIONS FOR PENSIONS AND SIMILAR BENEFITS

At 31 December 2012, provisions for pensions and similar benefits are comprised of pension benefit obligations for €325 million (€262 million at 31 December 2011), healthcare plans for €59 million (€56 million at 31 December 2011), long-service awards for €42 million (€33 million at 31 December 2011) and Group pre-retirement plans for €6 million (€4 million at 31 December 2011).

In accordance with the laws and practices of each country, ARKEMA participates in employee benefit plans offering retirement, death and disability, healthcare and special termination benefits. These plans provide benefits based on various factors such as length of service, salaries, and contributions made to the national bodies responsible for the payment of benefits.

These plans are either defined contribution plans or defined benefit plans. In certain cases they can be either partly or totally funded by investments in dedicated plan assets, mutual funds, general funds of insurance companies or other assets.

The Group's benefit obligations are mainly located in France, the United States, the Netherlands and Germany. The principal benefit obligations in respect of which funding has been put in place are pension benefits in France, the United States, the Netherlands and the United Kingdom. In France, supplementary pension plans closed up to 1973 at the latest, concerning an active working population, were subject to a transfer of pension rights to an insurance company.

The amounts relating to Group pre-retirement plans are not included in the schedules presented in paragraphs 20.3.1, 20.3.2 and 20.3.3. below.

20.3.1 Expense in the income statement

(In millions of euros)	Pension obligations 2012	Pension obligations 2011	Other obligations 2012	Other obligations 2011
Service cost	11	10	3	2
Interest cost	22	21	3	3
Expected return on plan assets	(14)	(14)	-	-
Actuarial gains and losses recognized	-	-	8	(5)
Past service cost recognized	1	1	(1)	(1)
Curtailments and settlements	(3)	1	-	-
Other	-	-	-	-
(INCOME)/ EXPENSE: CONTINUING OPERATIONS	**17**	**19**	**13**	**(1)**
(INCOME)/ EXPENSE: DISCONTINUED OPERATIONS	**1**	**1**	**-**	**(1)**

The actual return on plan assets is +€34 million in 2012 (+€12 million in 2011).

20.3.2 Change in net provisions over the period

(In millions of euros)	Pension obligations 2012	Pension obligations 2011	Other obligations 2012	Other obligations 2011
Net liability/(asset) at beginning of year	**261**	**239**	**89**	**103**
Expense for the year	18	20	13	(2)
Contributions made to plan assets	(21)	(4)	-	-
Net benefits paid by the employer	(13)	(11)	(7)	(7)
Other	(2)	11	-	5
Actuarial gains and losses recognized in shareholders' equity	79	29	6	-
Net liability/(asset) held for sale *	2	(23)	-	(10)
Net liability/(asset) at end of year	**324**	**261**	**101**	**89**

* *See note C9 Discontinued operations and assets held for sale.*

20.3.3 Valuation of benefit obligations and provisions at 31 December

a) Present value of benefit obligations

(In millions of euros)	Pension obligations 2012	Pension obligations 2011	Other obligations 2012	Other obligations 2011
Present value of benefit obligations at beginning of year	**510**	**481**	**80**	**93**
Service cost	12	11	3	2
Interest cost	22	22	3	4
Curtailments	(3)	-	-	-
Settlements	(5)	(11)	-	-
Specific benefits	-	-	-	-
Plan participants' contributions	1	1	-	-
Benefits paid	(33)	(22)	(7)	(7)
Past service cost	-	-	-	-
Actuarial (gains) and losses	101	27	14	(6)
Changes in scope	-	20	-	4
Translation adjustment and other	(5)	10	-	-
Liabilities associated with assets held for sale *	2	(29)	1	(10)
Present value of benefit obligations at end of year	**602**	**510**	**94**	**80**

* *See note C9 Discontinued operations and assets held for sale.*

b) Change in fair value of plan assets

Plan assets are mainly located in the United States, France, the Netherlands and the United Kingdom. They are mainly comprised of mutual funds, general funds of insurance companies and shares.

(In millions of euros)	Pension obligations 2012	Pension obligations 2011
Fair value of plan assets at beginning of year	**(243)**	**(235)**
Expected return on plan assets	(14)	(14)
Curtailments	-	-
Settlements	5	11
Plan participants' contributions	(1)	(1)
Employer contributions	(21)	(4)
Benefits paid from plan assets	20	11
Actuarial (gains) and losses	(20)	2
Changes in scope	-	(13)
Translation adjustment and other	3	(6)
Liabilities associated with assets held for sale *	-	6
Fair value of plan assets at end of year	**(271)**	**(243)**

* *See note C9 Discontinued operations and assets held for sale.*

The actuarial gains generated by the difference between the actual return on plan assets at 31 December 2012 and the expected return on plan assets amount to €20 million.

c) Provisions in the balance sheet

(In millions of euros)	Pension obligations 2012	Pension obligations 2011	Other obligations 2012	Other obligations 2011
Present value of unfunded obligations	193	153	94	80
Present value of funded obligations	409	357	-	-
Fair value of plan assets	(271)	(243)	-	-
(Surplus)/ Deficit of assets versus benefit obligations	**331**	**267**	**94**	**80**
Unrecognized actuarial (gains) and losses	-	-	-	-
Unrecognized past service cost	(7)	(7)	7	9
Asset ceiling	-	1	-	-
Net balance sheet provision	**324**	**261**	**101**	**89**
Provision recognized in liabilities	325	262	101	89
Amount recognized in assets	(1)	(1)	-	-

Changes in recent years in the obligation, the value of the plan assets and actuarial gains and losses are as follows:

(In millions of euros)	2012	2011	2010	2009
Obligations	696	590	574	608
Plan assets	(271)	(243)	(235)	(280)
Net obligations	**425**	**347**	**339**	**328**
Actuarial (gains)/ losses on accumulated rights				
- experience adjustments	7	11	(1)	(9)
- effects of changes in actuarial assumptions	107	12	32	30

d) Pre-tax amount recognized through equity (SORIE) during the valuation period

(In millions of euros)	Pension obligations 2012	Pension obligations 2011	Other obligations 2012	Other obligations 2011
Actuarial (gains) and losses generated in the period (A)	79	30	6	1
Effect of the surplus cap and the asset ceiling (B)	(1)	(1)	-	-
Total amount recognized in SORIE (A+B)	**78**	**29**	**6**	**1**
Cumulative actuarial (gains) and losses recognized in SORIE	**171**	**93**	**(21)**	**(27)**

e) Composition of the investment portfolio

	Pension obligations							
	At 31 December 2012				At 31 December 2011			
	France	UK	Rest of Europe	USA	France	UK	Rest of Europe	USA
Shares	-	60%	24%	57%	-	57%	14%	57%
Bonds	100%	40%	68%	33%	100%	38%	79%	23%
Monetary funds	-	-	-	-	-	1%	-	-
Property	-	-	-	10%	-	4%	-	11%
Other	-	-	8%	-	-	-	7%	9%

f) Actuarial assumptions

Main assumptions for pension benefit commitments and healthcare plan commitments:

	France	UK	Europe	USA	France	UK	Europe	USA
	2012	2012	2012	2012	2011	2011	2011	2011
Discount rate	3.00	4.00	3.00	3.75	4.35	5.00	4.35	4.85
Expected return on plan assets	3.39	5.97 - 6.54	4.35 - 4.60	6.17	3.39	6.37	4.90	7.29
Rate of increase in salaries	1.50 - 4.79	3.00	2.00 - 3.00	4.00	2.00 - 4.79	3.60	3.00	4.00
Rate of increase of healthcare costs	-	-	-	-	-	-	-	-

The discount rate is determined based on indexes covering bonds by AA-rated issuers, with maturities consistent with the duration of the above obligations.

The expected rate of return on plan assets was determined for each plan on the basis of the expected individual long-term return on each category of assets comprising the portfolio funding the plan, and the actual allocation at the valuation date. It is the rate at the start of the period.

The rate of increase of healthcare costs has a negligible impact in the United States as a ceiling has been applied since mid-2006. Since 2008 the impact has been limited to the rate of inflation in Europe during the period over which rights vest.

	Europe	Europe
Main assumptions for long-service awards in %:	2012	2011
Discount rate	2.50	4.00
Rate of increase in salaries	1.80-3.50	1.80 - 3.50

A change of plus or minus 0.25% in the discount rate has the following effects on the present value of benefit obligations at 31 December:

Pension obligations and other obligations	Europe	USA
(In millions of euros)	2012	2012
Increase of 0.25%	(13)	(10)
Decrease of 0.25%	13	10

20.4 PROVISIONS FOR ENVIRONMENTAL CONTINGENCIES

Provisions for environmental contingencies are recognized to cover expenses related to soil and water table clean-up, mainly:

- in France for €83 million (€85 million at 31 December 2011);
- in the United States for €76 million (€81 million at 31 December 2011), of which €56 million in respect of former industrial sites covered 100% by the Total Group indemnity (receivable recognized in "other non-current assets" for an amount of €35 million and €21 million recognized in deferred tax assets).

20.5 RESTRUCTURING PROVISIONS

Restructuring provisions are mainly in respect of restructuring measures in France for €43 million (€64 million at 31 December 2011), in Europe outside France for €1 million (€2 million at 31 December 2011) and in the United States for €5 million (€6 million at 31 December 2011).

Increases in such provisions in the year correspond to the restructuring plans described in note C4 Other income and expenses.

20.6 OTHER PROVISIONS

Other provisions amount to €171 million and mainly comprise:

- provisions for labour litigation for €39 million (€45 million at 31 December 2011);
- provisions for commercial litigation and warranties for €56 million (€41 million at 31 December 2011);
- provisions for tax litigation for €30 million (€28 million at 31 December 2011);
- provisions for other risks for €46 million (€20 million at 31 December 2011).

NOTE 21 LIABILITIES AND CONTINGENT LIABILITIES

21.1 ENVIRONMENT

ARKEMA's business activities are subject to constantly changing local, national and international regulations on the environment and safety, which entail meeting increasingly complex and restrictive requirements. In this regard, these activities can involve a risk of ARKEMA's liability being called upon, particularly in respect of clean-up of sites and industrial safety.

Taking account of the information available, agreements signed with Total, and the provisions for environmental contingencies recognized, ARKEMA's general management considers that the environmental liabilities identified at this point are valued and recognized to the best of their knowledge in the financial statements. However if laws, regulations or government policy in respect of environmental matters were to change, ARKEMA's obligations could change, which could lead to additional costs.

Clean-up of sites

The competent authorities have made, are making or may in the future make specific demands that the Group rehabilitate or control emissions at certain sites that it is currently operating, or that it operated or disposed of in the past, at neighbouring sites or at sites where the Group stored or disposed of waste.

21.1.1 Sites currently in operation

ARKEMA has many sites of which a certain number are probably polluted in view of their age and the range of activities that are carried out on them, or that were carried out on them in the past. As regards these sites, certain situations have been identified and ARKEMA has already carried out certain clean-up work, or otherwise developed action plans and recognized provisions in order to cover future clean-up work.

However, in the light of (i) the uncertainties over the technical means to be implemented, (ii) potential issues that are unknown, (iii) uncertainties over the actual time required for remediation compared with the estimated time (e.g. "pump and treat"), and (iv) potential changes in regulations, the possibility that the expenses that the Group will incur will be higher than the amounts covered by provisions cannot be excluded. These potential excess costs relate mainly to the sites in Calvert City (United States), Carling (France), Günzburg (Germany), Jarrie (France), Lannemezan (France), Loison (France), Mont (France), Pierre-Bénite (France), Riverview (United States), Rotterdam (the Netherlands), Saint-Auban (France), Saint Fons (France) and Zaramillo (Spain) and could adversely affect the Group's business, results and financial condition.

Saint-Auban (Arkema France)

As regards the site of Saint-Auban, the legal proceedings brought against Arkema France before the Nanterre correctional court are now closed: Arkema France was ordered by Nanterre court on 9 March 2012 to pay a fine of €30,000 for pollution of the Durance, €15,000 in damages to the associations in the opposing party and €10,000 compensation for moral prejudice.

Spinetta (Arkema Srl)

In late 2009, a certain number of managers and directors of Arkema Srl were named in a criminal investigation for underground water pollution at the Spinetta site and withholding information from the authorities of the true extent of existing pollution. This investigation also concerns employees of the main industrial operator on the site.

After hearing all the parties, the Preliminary Hearing Judge decided in early 2012 that the only charge applicable to representatives of Arkema Srl is the failure to take remedial action against the pollution observed.

Arkema Srl considers that it is difficult to determine with certainty whether the Company and/or the managers or Directors cited in this new phase of the criminal investigation could be considered to have liability. The court could issue its ruling during 2013. A provision is recorded in ARKEMA's financial statements in an amount which the Group considers adequate.

21.1.2 Closed industrial sites (former industrial sites)

Total directly or indirectly took over the closed industrial sites at the date of the Spin-Off of Arkema's Businesses on 10 May 2006.

Since the Spin-Off, the former Dorlyl SNC sites have been closed and sold. The Wettern site in Belgium belonging to Résil Belgium, and the Bonn site in Germany belonging to Arkema GmbH have also been closed and are currently in the process of divestment.

21.1.3 Sites sold

Saint Fons (Arkema France)

In the sale of ARKEMA's vinyl business to the Klesch group on 3 July 2012, all industrial installations on the Saint Fons site were transferred to Kem One, apart from the land, which is held under a long-term lease.

The Prefect of the Rhône region issued a decision on 14 May 2007 concerning the Saint Fons site, ordering Arkema France to carry out quality monitoring on underground water and propose a plan to manage the legacy pollution. In a ruling of 29 September 2011, the Lyon administrative court rejected Arkema France's petition against this decision. Arkema France appealed this ruling, and the case is currently pending before the Lyon appeal court. Should Arkema France lose its appeal, rehabilitation of the site affected by the pollution would be the company's responsibility.

Following the legal action instigated by Arkema France against Rhodia Chimie, the previous operator of the site, the Bobigny commercial court declared Arkema France's action inadmissible in 2012. Arkema France reserves the right to appeal this decision in the months following its notification. A provision has been established in ARKEMA's financial statements in connection with this matter.

The Prefect of the Rhône region wanted to expand and separate the requirements concerning monitoring and management of the legacy pollution of the Saint Fons site prior to formal administrative recognition of Kem One as the new operator. He consequently issued two additional decisions against Arkema France, dated 19 June and 27 June 2012. Arkema France has petitioned the Lyon administrative court for cancellation of both decisions. A provision has been established in ARKEMA's financial statements in connection with this matter.

CECA

In 1999, the company Intradis commissioned the company Antéa to carry out a survey on a site located in France which had been used for industrial purposes and in particular by CECA (manufacture of sulphuric acid) and the company Hydro Agri (a fertilizer factory which does not belong to the Group). The survey classified the site in category 1 (a site requiring in-depth investigations and a detailed risk assessment). After receipt of the report by the expert appointed to determine the nature and extent of the pollution affecting the land, Intradis applied to the administrative court to have the prefectoral order requiring it to take measures to protect the site cancelled. This application was rejected by the administrative court. In a judgment dated 18 October 2007, the Douai administrative appeal court overturned the previous judgment, cancelled the prefectoral order and decided that there was no need to rule on Intradis' conclusions against CECA.

No notable developments have arisen on this litigation since 2008. The judgment of the Douai administrative appeal court definitively closes the proceedings initiated by Intradis in the administrative court system. As of today, it is not possible for the Group to evaluate whether any other forms of appeal, notably through civil proceedings, may be initiated.

21.2 LITIGATION, CLAIMS AND PROCEEDINGS IN PROGRESS

21.2.1 Labour litigation

a) Occupational illness (France)

In the manufacture of its products, the Group uses and has used toxic or hazardous substances. Despite the safety and monitoring procedures that have been instituted at Group level and for each production site, Group employees may have been exposed to such substances and may develop specific pathologies as a result of such exposure.

In this respect, like most industrial companies, in the past, the Group has used a variety of insulating or heat-proofing materials containing asbestos in its production facilities. Consequently, certain employees may have been exposed to such materials before they were gradually eliminated and replaced with substitute products.

At its French sites, the Group anticipated the regulatory provisions applicable to asbestos (Decrees No. 96-97 and 96-98 of 7 February 1996 and Decree No. 96-1133 of 24 December 1996). The Group made an inventory of asbestos-containing building materials within its premises, notified employees of the results of these investigations and took the collective and individual protective measures required by the applicable laws. However, claims for occupational illness related to past asbestos exposure have been filed against the

Group, mostly for periods before 1980. Given the latency period of asbestos-related pathologies, a large number of claims for occupational illness are likely to be filed in the years ahead.

The Group has recognized provisions to cover the risks of employer liability claims related to notified cases of occupational illness.

b) Prejudice related to asbestos (Arkema France)

A large number of former employees of Arkema France, who worked on sites included in the list of establishments whose workers were eligible for the early retirement system for asbestos workers, are parties to proceedings before the employee claims court, claiming compensation for the prejudice allegedly caused by the possible risk of developing a malignant condition in the future.

In a ruling of 11 May 2010, the labour chamber of the Court of Cassation recognized the existence of a prejudice of anxiety, eligible for compensation, for employees exposed to asbestos during their working life. However, it rejected the existence of an economic prejudice resulting from departure under the early retirement system.

For Arkema France, in the cases currently in process, certain courts of first instance have ordered Arkema France to pay compensation for the prejudice of anxiety, but also for the "upheaval in living conditions". Meanwhile, the Metz appeal court ordered Arkema France to pay compensation solely for the prejudice of anxiety.

It is likely that other former employees of Arkema France who may have been exposed to asbestos may also take action before an employee claims court to claim compensation. 600 claims are currently in process before the employee claims courts, seeking compensation for the prejudice of anxiety and/or the prejudice of upheaval in living conditions allegedly caused by exposure to asbestos.

A provision has been recognized in the financial statements in respect of the litigations currently in progress, for an amount that the Group considers adequate.

c) Break times (Arkema France)

In 2005, 260 employees and former employees of the Pierre-Bénite site made a claim for damages with the Lyon employee claims courts for alleged non-compliance with the terms of the chemicals industry branch agreement over break times. The claimants considered that, given the manner in which work is organized and structured on this site, the break granted to them does not allow them to be released from all work and to be able to freely go about their personal affairs. The claim for compensation amounts to €5.2 million. Arkema France contested these claims. A judgment issued on 24 June 2008 fully rejected all of the employees' claims. The employees appealed this decision. On 21 November 2011 the Lyon appeal court upheld the judgment of 24 June 2008 and fully rejected the appeals of all claimants. Arkema France has been informed of 176 appeals, but in view of the known information on the matter the provision existing until the appeal stage was reversed in 2011 pending the decisions as to the admissibility of these appeals, which should be issued in March 2013.

21.2.2 Commercial litigation and warranties

Antitrust litigation

The Group is involved in a number of proceedings in Europe and Asia alleging violations of antitrust laws relating to cartel behaviour. There are currently no remaining litigations or proceedings against Arkema Inc. or Arkema France in the United States and Canada.

The appeal proceedings by Arkema France before the European Union's General Court following the European Commission's decisions in the heat stabilizers case are still pending. The court's decision is expected during 2013.

The hydrogen peroxide proceedings against Arkema France initiated by Cartel Damage Claim (CDC) Hydrogen Peroxyde SA before the Dortmund (Germany) Tribunal is still pending. The same applies to the claim concerning sodium chlorate brought before the Amsterdam court by an affiliate of CDC (CDC Project 13 S.A.). It is not reasonably possible at this stage to predict the date of the rulings.

In addition, it cannot be ruled out that civil suits for damages may be filed by third parties claiming to be victims of the violations in relation to which fines have been imposed by the European Commission.

Given the elements at its disposal, the Group is not currently able to estimate the total amount of the claims liable to be definitely held against it by the relevant jurisdictions after exercise of any recourse available, and so has not recognized any provisions in this respect.

To cover the risks associated with the proceedings in the United States and Europe, which arose prior to completion of the Spin-Off of Arkema's Businesses, Total S.A. and one of its subsidiaries have granted indemnities for the benefit of Arkema S.A. and Arkema Amériques SAS, the main terms of which are described in note C29 Off-balance sheet commitments.

Breach of contract (Arkema France)

In 1995, the company Gasco brought a claim for damages against Elf Atochem (the former name of Arkema France) before the court in Ghent (Belgium) in respect of an alleged breach of contract and breach of an exclusivity agreement. At first instance, Gasco obtained a judgment against Atofina for payment of €248,000 by way of damages for breach of contract (payment of that sum has been made) but its claim for breach of the exclusivity agreement was dismissed. Appeal proceedings have been pending before the Ghent Court of Appeal since 1999, and no developments have arisen since then. Having regard to the weak basis of the allegations made against it and the defences available to the Group, the Group's view as the matter currently stands is that the amount of the provision made for this matter in the accounts is adequate. No significant developments arose on this case in 2012.

Product conformity (Arkema France)

Arkema France supplies various products for the coating of items used in a number of European countries in the manufacture of sanitary treatment facilities. These products are subject to inspection on the part of approved laboratories which must certify their conformity with the applicable sanitary regulations. Arkema France has an interpretation of the regulations applicable in France that diverges from that of a French laboratory and the public authorities as regards regulatory clearance in France of a product, even though this product is approved in other European Union countries. The Group takes the view that this problem is essentially administrative in nature, and no provision has been recognized in the financial statements. However, the possibility that users might seek to attach liability to Arkema France as the supplier cannot be excluded. In the event that such claims were successful, the costs of replacement of the products and the damages that could be claimed could prove to be extremely high.

Deer Park Capacity Reservation Contract (Arkema Inc. and Arkema France)

On 5 August 2010, Rohm and Haas served Arkema Inc. and Arkema France with a petition in the District Court of Harris County, Texas. The petition asserts various claims against Arkema Inc. associated with the Deer Park, Texas Capacity Reservation Contract, MMA Swap Agreement, and MMA Supply Agreement. The claims are in particular for breaches of contract.

On 1 October 2010 an Amended Complaint filed by Rohm and Haas sought to terminate Arkema Inc.'s right under the Deer Park Capacity Reservation Contract as of 1 April 2014. On 21 April 2011, the Court in Texas held that the Capacity Reservation Contract "remains in full force and effect" and that Arkema Inc.'s purchase rights under such contract "shall continue for the life of the Deer Park Facility." Rohm and Haas was refused permission from the trial court to appeal that decision. After a settlement was reached on 29 June 2012, the parties withdrew the ongoing action. On 13 August 2010, Rohm and Haas filed a Notice of Arbitration and Statement of Claim with the American Arbitration Association in New York. The arbitration claim seeks relief from the alleged failure of Arkema France to enter into a replacement swap agreement for MMA. The association found in favour of ARKEMA on 9 October 2012, putting an end to the litigation. However, on 27 December 2012, Rohm & Haas applied to the New York Southern District Court for cancellation of this decision on the grounds of irregularity of form. ARKEMA considers this application unfounded, and intends to vigorously defend the arbitration decision issued.

Environmental engineering activities (CECA)

The past environmental engineering activities of CECA have given rise to various claims by third parties. These claims have been transmitted to the Group's insurers. The Group has recognized provisions that it considers adequate. The possibility cannot be excluded that this activity, which has now ceased, may give rise to further claims in the future.

21.2.3 Tax litigations

Arkema Quimica Limitada

Following a declaration as to the unconstitutional nature of certain taxes, the Brazilian subsidiary of Arkema Amériques, Arkema Quimica Limitada, offset certain tax assets and liabilities commencing in 2000. The Brazilian government contests the justification for this offset and in 2009 claimed repayment of 19.5 million reais (around €7 million).

Arkema Quimica Limitada lodged a counter-claim in mid-June 2009 for cancellation of the tax administration's claim concerning the current portion of the liability. During the first quarter of 2010 Arkema Química Limitada applied to benefit from the tax amnesty law that would allow it to pay only part of its overall tax liability. The tax authorities accepted the terms for payment of the liability subject to amnesty, and only an amount of 9.2 million reais or around €3.4 million at 31 December 2012 remains concerned by an appeal before the courts, which ARKEMA considers has reasonable chances of success. An initial decision could be made in 2013. No provision has been established in the financial statements.

Arkema

In 2009 the Large Companies section of the French tax authorities carried out a tax audit of Arkema's salary tax (*taxe sur les salaires*) for the years 2007 and 2008, resulting in notification of a €1.2 million reassessment, as it was considered that all the Company's employees had a cross-functional activity and therefore that their pay should be partially subject to this tax. Following a previous ruling by the Council of State in favour of the tax authorities' position, negotiations covering the whole period 2007-2010 were begun with the tax authorities during their audit of Arkema's financial statements 2008 to 2010. The provision of €1.6 million recognized at 31 December 2012 will cover all costs related to the negotiated settlement.

21.2.4 Other litigation

TGAP tax on polluting activities (Arkema France)

Under the terms of a services agreement, Arkema France has the effluent produced by its industrial operations at Lacq and Mourenx treated by Total E&P France, which has specific authorization to inject this effluent, together with effluent it produces itself, into a cavity called Crétacé 4000.

The French customs authorities issued a tax demand of €6.7 million to Total, covering the years 2003 to 2006, for non-payment of the French general tax on polluting activities (*taxe générale sur les activités polluantes*, or TGAP) which, according to the authorities, should be applied to these injections of effluent. Total has appealed the court of first instance's rejection of its petition for cancellation of the tax demand which nonetheless acknowledged that Total's own effluents should be exempt from the TGAP. In February 2013 the appeal court rejected Total's appeal. No provision has been recorded in the financial statements. The possibility cannot be ruled out that, at the end of any further appeal proceedings, Total may still be required to pay all or part of the TGAP assessed, of which ARKEMA could be liable for a portion.

Asbestos risk (Arkema Inc.)

In the United States, the Group is currently involved in a substantial number of proceedings in various courts. No notable developments have arisen in the proceedings concerning claims by third parties relating to (i) alleged exposure to asbestos on the Group's sites, or (ii) exposure to products containing asbestos and sold by former subsidiaries of the Group in the United States and elsewhere. When they are not covered by insurance policies, provisions have been made for these proceedings in an amount which the Group considers sufficient. However, due to the continuing uncertainties as to the outcome of these proceedings, the Group is not, as at the date of these financial statements, in a position, having regard to the information available to it, to estimate the total amount of the claims that might finally be upheld against it by the various competent courts after the exhaustion of any avenues of appeal.

Kem One

ARKEMA sold its vinyls activities, grouped into the Kem One group, to the Klesch group which specializes in development of industrial commodity businesses, with effect from 1 July 2012.

Certain contracts, mainly concerning supplies of utilities for the Lavéra platform and electricity purchases from Exeltium, could not be transferred at the sale date. ARKEMA thus retained these contracts temporarily, until 31 December 2012 at the latest except for the Exeltium contract which will be retained until it expires, and entered into "mirror" contracts with Kem One. Consequently, ARKEMA invoices Kem One for the amounts due to the relevant suppliers. At 31 December the amounts invoiced and not yet paid totalled €65 million, of which €49 million had fallen due. Given the specific situation resulting from difficulties encountered by the Lavéra steamcracker in particular, ARKEMA has agreed to defer settlement, with no provision recognized in the financial statements at 31 December 2012.

ARKEMA has also set up certain guarantees to third parties for a transitional period in connection with certain contracts transferred. These guarantees represent a maximum amount of €100 million and no calls had been made on them at 31 December 2012.

In application of the sale agreement signed with the Klesch group, these commitments are covered by collateral to the extent of €40 million, with the balance covered by an indemnity clause by Klesch Chemicals Ltd.

At the date of this document, ARKEMA and Kem One have not yet finalized their agreement on the final amount of sale price adjustments.

Coem (Arkema France)

As there were no product supplies by Kem One to the Italian company Coem, Coem issued a written complaint to Arkema France and Kem One in August 2012 that it had suffered injury through breach of commercial relations. No provision has been recognized in the financial statements.

21.2.5 Statutory training entitlement

The French Act of 4 May 2004 relating to professional training created a statutory training entitlement (DIF). Each employee has an entitlement to at least 20 hours' training per year (which can be accumulated over 6 years). Use of the statutory training entitlement is at the employee's initiative, in agreement with the employer.

ARKEMA's investment in training will represent, in 2013, approximately 3.5% of payroll costs (2.8% of DIF-eligible expenses and 0.7% of non-eligible expenses).

In ARKEMA, nearly 35% of training initiatives in the 2013 training plan will qualify for the statutory training entitlement and will therefore be systematically proposed as a priority to employees with a statutory training entitlement.

In addition, branch agreements in the chemicals industries have enabled priority training initiatives in respect of the statutory training entitlement to be defined and, in this context, part of the teaching costs can be taken as a charge by the employee benefit body responsible for the scheme's administration. In these conditions, implementing the statutory training entitlement does not result in any additional costs for ARKEMA.

NOTE 22 DEBT

Group net debt amounted to €900 million at 31 December 2012, taking account of cash and cash equivalents of €360 million. It is mainly denominated in euros.

The Group has the following instruments:

- In April 2012, the Group issued a €230 million bond that will mature on 30 April 2020, with a fixed coupon of 3.85%. A further €250 million tap issue was undertaken in October 2012, bringing the total amount of this bond issue to €480 million.

  At 31 December 2012 the fair value of this bond is €523 million.
- On 26 July 2011, the Group put in place a multi-currency syndicated credit facility of €700 million, with a duration of five years, maturing on 26 July 2016. This credit facility is intended to finance the Group's general requirements and includes an early repayment clause in the event of certain situations including a change in control of ARKEMA. It includes:

(i) standard information undertakings and commitments for this type of financing,

(ii) a financial undertaking in which ARKEMA undertakes to maintain a ratio of consolidated net debt to consolidated EBITDA (tested twice a year) of less than 3. This ratio may be raised to 3.5 in the event of acquisition(s) of assets or securities, capital increase(s) or investment(s) in joint ventures, for a maximum of two non-consecutive test dates.

- In October 2010, the Group issued a €500 million bond that will mature on 25 October 2017, with a fixed coupon of 4.00%.

At 31 December 2012 the fair value of this bond is €554 million.

- The Group also has a securitization programme for sales receivables with no deconsolidating effect, representing a maximum financing initially set at €240 million, and subsequently reduced to €120 million in November 2012.

This programme was used for an amount of €100 million at 31 December 2012.

22.1 ANALYSIS OF NET DEBT BY CATEGORY

(In millions of euros)	31/12/2012	31/12/2011
Bonds	989	496
Finance lease obligations	3	3
Bank loans	59	48
Other non-current debt	20	36
Non-current debt	**1,071**	**583**
Finance lease obligations	-	1
Syndicated credit facility	-	-
Other bank loans	160	149
Other current debt	29	122
Current debt	**189**	**272**
Debt	**1,260**	**855**
Cash and cash equivalents	360	252
NET DEBT	**900**	**603**

22.2 ANALYSIS OF DEBT BY CURRENCY

ARKEMA's debt is mainly denominated in euros.

(In millions of euros)	31/12/2012	31/12/2011
Euros	1,137	722
US Dollars	11	17
Chinese Yuan	98	105
Other	14	11
TOTAL	**1,260**	**855**

22.3 ANALYSIS OF DEBT BY MATURITY

The breakdown of debt, including interest costs, by maturity is as follows:

(In millions of euros)	31/12/2012	31/12/2011
Less than 1 year	211	293
Between 1 and 2 years	49	30
Between 2 and 3 years	52	34
Between 3 and 4 years	53	35
Between 4 and 5 years	560	39
More than 5 years	575	567
TOTAL	**1,500**	**998**

NOTE 23 MANAGEMENT OF RISKS RELATED TO FINANCIAL ASSETS AND LIABILITIES

ARKEMA's businesses expose it to various risks, including market risks (risk of changes in exchange rates, interest rates and the prices of raw materials, energy and listed shares), credit risk and liquidity risk.

23.1 FOREIGN CURRENCY RISK

The Group is exposed to transaction risks and translation risks related to foreign currencies.

The Group hedges the foreign currency risk mainly through spot foreign currency transactions or through forward transactions over short maturities, generally not exceeding 6 months.

The fair value of the Group's forward foreign currency contracts is an asset of €7 million.

The amount of foreign exchange gains and losses recognized in recurring operating income in 2012 is a positive €1 million (foreign exchange gains and losses were in equilibrium at 31 December 2011).

The portion of foreign exchange gains and losses corresponding to the interest income/expense reflected by the difference between the spot exchange rate and the forward exchange rate is recorded in financial result. It amounts to a negative €1 million at 31 December 2012 (positive €1 million at 31 December 2011).

At 31 December 2012, the Group's balance sheet exposure in transaction currencies other than the euro was as follows:

Group exposure to operational foreign currency risk

(In millions of euros)	USD	CNY	Other currencies
Accounts receivable	336	40	117
Accounts payable	(133)	(35)	(42)
Bank balances and loans/borrowings	16	(43)	31
Off balance sheet commitments *(forward currency hedging)*	(126)	0	(80)
Net exposure	**93**	**(38)**	**26**

This net exposure comprises all Group companies' outstanding amounts stated in any of the above currencies, whether their accounting currency is one of those currencies or a different currency.

23.2 INTEREST RATE RISK

Exposure to interest rate risk is managed by the Group's central treasury department and simple derivatives are used as hedging instruments. The Group has not entered into any interest rate hedges at 31 December 2012.

An increase (decrease) of 1% (100 basis points) in interest rates would have the effect of increasing (decreasing) the interest on net debt by €2 million.

At 31 December 2012, debt is distributed between variable and fixed rates as follows:

	Variable rates	Fixed rates		
(In millions of euros)	**overnight – 1 year**	**1 - 5 years**	**Beyond**	**Total**
Current and non-current debt	(260)	(506)	(494)	(1,260)
Cash and cash equivalents	360	-	-	360
Net exposure before hedging	100	(506)	(494)	(900)
Hedging instruments	-	-	-	-
Off-balance sheet items	-	-	-	-
Net exposure after hedging	**100**	**(506)**	**(494)**	**(900)**

23.3 LIQUIDITY RISK

The Group's central treasury department manages the liquidity risk associated with the Group's debt.

Liquidity risk is managed with the main objective of ensuring renewal of the Group's financing and, in the context of meeting this objective, optimizing the annual financial cost of the debt.

In almost all cases, Group companies obtain their financing from, and manage their cash with, Arkema France or other Group entities that manage cash pooling mechanisms.

The Group reduces the liquidity risk by spreading maturities, favouring long maturities and diversifying its sources of financing. The Group thus has:

- a €230 million bond maturing on 30 April 2020, with an additional tap issue in October 2012 bringing the total nominal value to €480 million;
- a €500 million bond maturing on 25 October 2017;
- a €700 million syndicated credit facility maturing on 25 July 2016;
- a securitisation programme for sales receivables, representing a maximum financing of €240 million, reduced to €120 million in November 2012.

These financing arrangements are intended to cover all the Group's financing requirements and giving it sufficient flexibility to meet its obligations.

Apart from a change of control, the main circumstances in which early repayment or termination could occur concern the syndicated credit facility (see note C22 Debt), if the ratio of consolidated net debt to consolidated EBITDA were to become greater than 3. This ratio may be raised to 3.5 in the event of acquisition(s) of assets or securities, capital increase(s) or investment(s) in joint ventures, for a maximum of two non-consecutive test dates.

The Group's net debt at 31 December 2012 amounts to €900 million and represents 0.9 times consolidated EBITDA for the last 12 months.

At 31 December 2012, the amount available under syndicated credit facilities with maturity of over 1 year is €700 million and the amount of cash and cash equivalents is €360 million.

Note C22 Debt provides details of the maturities of debt.

23.4 CREDIT RISK

The Group is potentially exposed to credit risk on its accounts receivable and as regards its banking counterparts.

Credit risk on accounts receivable is limited because of the large number of its customers and their geographical dispersion. No customer represented more than 3% of Group sales in 2012. The Group's general policy for managing credit risk involves assessing the solvency of each new customer before entering into business relations: each customer is allocated a credit limit, which constitutes the maximum level of outstandings (receivables plus orders) accepted by the Group, on the basis of the financial information obtained on the customer and the analysis of solvency carried out by the Group. These credit limits are revised regularly and, in any case, every time that a material change occurs in the customer's financial position. Customers who cannot obtain a credit limit because their financial position is not compatible with the Group's requirements in terms of solvency only receive deliveries when they have paid for their order.

Even though the Group has incurred very few bad debts for the last number of years, it has decided to cover its accounts receivable credit risk by putting in place a global credit insurance program. On account of the statistically low bad debt rate experienced by the Group, the rate of cover is significant. Customers with whom the Group wishes to continue commercial relations but which are not covered by this insurance are subject to specific centralized monitoring.

In addition, the Group's policy for recognizing bad debt provisions in respect of receivables not covered by credit insurance, or the portion of receivables that are not so covered, has two components: receivables are individually provided against as soon as a specific risk of loss (economic and financial difficulties of the customer in question, entry into receivership, etc.) is clearly identified. The Group may also recognize general provisions for receivables that are overdue for such a period that the Group considers that a statistical risk of loss exists. These periods are adapted depending on the business units and the geographical regions in question.

At 31 December 2012, accounts receivable net of provisions are distributed as follows:

(In millions of euros)	31/12/2012	31/12/2011
Accounts receivable net of provisions	**920**	**834**
Net receivables by maturity:		
Receivables not yet due	842	796
Receivables overdue by 1-15 days	29	27
Receivables overdue by 16-30 days	8	4
Receivables overdue by more than 30 days	41	7
TOTAL NET RECEIVABLES	**920**	**834**

Banking credit risk is related to financial investments, derivatives and credit facilities granted by banks. The Group limits its exposure to credit risk by only investing in liquid securities with first-class commercial banks.

The net carrying amount of financial assets indicated in note C24 Presentation of financial assets and liabilities represents the maximum exposure to credit risk.

23.5 RISK RELATED TO RAW MATERIALS AND ENERGY

The prices of certain raw materials used by ARKEMA are highly volatile and their fluctuations lead to significant variations in the cost price of the Group's products; in addition, because of the importance of the Group's requirements in terms of energy resources resulting notably from the electrically intensive nature of certain of its manufacturing processes, ARKEMA is also very sensitive to changes in the price of energy. In order to limit the impact of price volatility of the principal raw materials it uses, ARKEMA can decide to use derivatives matched with existing contracts or can negotiate fixed price contracts for limited periods.

Recognition of these derivatives had an impact of €2 million on the income statement at 31 December 2012 (impact of €2 million at 31 December 2011).

23.6 LISTED SHARES RISK

In 2011, the Group acquired a 19.9% equity stake in the listed company Canada Fluorspar Inc. for CAD 15.5 million. Apart from treasury shares, Group companies hold no other stakes in listed companies.

At 31 December 2012 the Company held 314,034 of its own shares. These shares are used to cover its free share grant plans.

In compliance with IAS 32, changes in share price have no impact on the Group's consolidated shareholders' equity. The equity risk is not material for the Company.

NOTE 24 PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES

24.1 FINANCIAL ASSETS AND LIABILITIES BY ACCOUNTING OPTION

2012 FINANCIAL YEAR

IAS 39 category Class of instruments *(In millions of euros)*	Notes	Assets/ liabilities measured at fair value through profit or loss	Assets/ liabilities measured at fair value through shareholders' equity	Assets/ liabilities measured at amortized cost	Available for sale assets	Total net carrying amount
Other investments	(C14)	-	-	-	36	36
Other non-current assets (loans and advances, security deposits paid)	(C15)	-	-	87	-	87
Accounts receivable	(C17)	-	-	920	-	920
Cash and cash equivalents	(C18)	360	-	-	-	360
Derivatives *	(C24.2)	4	4	-	-	8
FINANCIAL ASSETS		**364**	**4**	**1,007**	**36**	**1,411**
Current and non-current debt	(C22)	-	-	1,260	-	1,260
Accounts payable		-	-	683	-	683
Derivatives *	(C24.2)	2	-	-	-	2
FINANCIAL LIABILITIES		**2**	**0**	**1,943**	**0**	**1,945**

* *Derivatives are carried in the balance sheet in the captions "Other current financial assets" and "Other current financial liabilities".*

2011 FINANCIAL YEAR

IAS 39 category Class of instruments *(In millions of euros)*	Notes	Assets/ liabilities measured at fair value through profit or loss	Assets/ liabilities measured at fair value through shareholders' equity	Assets/ liabilities measured at amortized cost	Available for sale assets	Total net carrying amount
Other investments	(C14)	-	-	-	35	35
Other non-current assets (loans and advances, security deposits paid)	(C15)	-	-	68	-	68
Accounts receivable	(C17)	-	-	834	-	834
Cash and cash equivalents	(C18)	252	-	-	-	252
Derivatives *	(C24.2)	1	8	-	-	9
FINANCIAL ASSETS		**253**	**8**	**902**	**35**	**1,198**
Current and non-current debt	(C22)	-	-	855	-	855
Accounts payable		-	-	665	-	665
Derivatives *	(C24.2)	9	3	-	-	12
FINANCIAL LIABILITIES		**9**	**3**	**1,520**	**0**	**1,532**

* *Derivatives are carried in the balance sheet in the captions "Other current financial assets" and "Other current financial liabilities".*

At 31 December 2012 as at 31 December 2011, the fair value of financial assets and liabilities except for bonds is approximately equal to their net carrying amount.

24.2 DERIVATIVES

The main derivatives used by the Group are as follows:

(In millions of euros)	Notional amount of contracts at 31/12/2012			Notional amount of contracts at 31/12/2011			Fair value of contracts	
	< 1 year	<5 years and > 1 year	> 5 years	< 1 year	<5 years and > 1 year	> 5 years	31/12/2012	31/12/2011
Forward foreign currency contracts	384	-	-	850	-	-	6	0
Commodities and energy swaps	10	-	-	22	-	-	0	(3)
TOTAL	**394**	**-**	**-**	**872**	**-**	**-**	**6**	**(3)**

See note B7.6 Financial assets and liabilities/Derivatives

24.3 IMPACT OF FINANCIAL INSTRUMENTS ON THE INCOME STATEMENT

The income statement includes the following items related to financial assets (liabilities):

(In millions of euros)	2012	2011
Total interest income (expenses) on financial assets and liabilities *	(37)	(28)
Impact on the income statement of valuation of derivatives at fair value	(2)	(6)
Impact on the income statement of the ineffective portion of cash flow hedge instruments	-	-
Impact on the income statement of valuation of available for sale assets	(3)	1

* *Excluding interest costs on pension obligations and the expected return on related plan assets.*

The amount of foreign exchange gains and losses recognized in recurring operating income in 2012 represents income of €1 million (no impact on the income statement in 2011). As the foreign currency denominated assets and liabilities of Group companies are hedged with their respective functional currencies, a change in exchange rates does not have a material impact on the income statement.

24.4 IMPACT OF FINANCIAL INSTRUMENTS ON SHAREHOLDERS' EQUITY

At 31 December 2012, the impact of financial instruments on the Group's shareholders' equity is a negative amount of €7 million (positive €6 million at 31 December 2011), essentially corresponding to the net-of-tax fair value of foreign exchange hedges of future cash flows.

NOTE 25 ACCOUNTS PAYABLE, OTHER CREDITORS AND ACCRUED LIABILITIES

Accounts payable amount to €683 million at 31 December 2012 (€665 million at 31 December 2011).

Other creditors and accrued liabilities mainly comprise employee-related liabilities for €170 million at 31 December 2012 (€152 million at 31 December 2011) and amounts owing to governments for €34 million at 31 December 2012 (€44 million at 31 December 2011), including €13 million of VAT.

NOTE 26 PERSONNEL EXPENSES

Personnel expenses, including stock options and free share grants (see note C28 Share-based payment) amount to €1,054 million in 2012 (€982 million in 2011).

They comprise €771 million of wages and salaries and IFRS 2 expenses (€710 million in 2011) and €283 million of social charges (€272 million in 2011).

NOTE 27 RELATED PARTIES

27.1 TRANSACTIONS WITH NON-CONSOLIDATED OR EQUITY ACCOUNTED COMPANIES

Transactions between consolidated companies have been eliminated in the consolidation process. In addition, in the normal course of business, the Group has business relationships with certain non-consolidated companies or with companies which are accounted for under the equity method. The values involved are not significant.

27.2 COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel of a group, as defined in IAS 24, are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The key management personnel of the Group are the directors and the members of its Executive Committee (COMEX).

The compensation recognized in expenses by ARKEMA is as follows:

(In millions of euros)	2012	2011
Salaries and other short-term benefits	5.3	5.1
Pensions, other post-employment benefits and contract termination benefits	1.6	1.3
Other long-term benefits	-	-
Share-based payments	4	3

These expenses comprise all types of remuneration recorded, including variable amounts, bonuses, attendance fees and benefits in kind.

The Chairman and CEO is entitled to a contractual indemnity in the event of non-voluntary departure, up to a maximum of two years' total gross compensation (fixed and variable), subject to achievement of performance criteria.

NOTE 28 SHARE-BASED PAYMENTS

28.1 STOCK OPTIONS

No new stock option plans were adopted by the Board of Directors in 2012.

The main characteristics of the stock option plans granted in previous years and still outstanding at 31 December 2012 are as follows:

	2006 Plan	2007 Plan	2008 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2	Total
Date of Annual General Meeting	10 May 2006	10 May 2006	10 May 2006	15 June 2009	15 June 2009	15 June 2009	15 June 2009	
Date of Board of Directors' meeting	04 July 2006	14 May 2007	13 May 2008	10 May 2010	10 May 2010	4 May 2011	4 May 2011	
Vesting period	2 years	2 years	2 years	2 years	5 years	2 years	4 years	
Conservation period	4 years	4 years	4 years	4 years	5 years	4 years	4 years	
Period of validity	8 years	8 years	8 years	8 years	8 years	8 years	8 years	
Exercise price	28.36	44.63	36.21	30.47	30.47	68.48	68.48	
Number of options granted	**540,000**	**600,000**	**460,000**	**225,000**	**225,000**	**105,000**	**105,000**	**2,260,000**
to corporate officers: Thierry Le Hénaff	55,000	70,000	52,500	35,000	35,000	29,250	29,250	306,000
to the 10 largest beneficiaries *	181,000	217,000	169,350	104,000	104,000	75,750	75,750	926,850
Total number of options exercised	**480,242**	**375,902**	**179,296**	**28,515**	**-**	**-**	**-**	**1,063,955**
by corporate officers	50,530	24,000	24,000	-	-	-	-	98,530
by the 10 largest beneficiaries *	173,362	158,550	39,350	25,415	-	-	-	396,677
Total number of options cancelled	15,900	22,800	18,877	5,000	5,000	-	-	67,577
NUMBER OF OPTIONS								
In circulation at 1 January 2010	534,850	591,200	454,414	-	-	-	-	1,580,464
Granted	-	-	-	225,000	225,000	-	-	450,000
Cancelled	11,900	12,000	11,992	-	-	-	-	35,892
Exercised	214,397	-	-	-	-	-	-	214,397
In circulation at 31 December 2010	**308,553**	**579,200**	**442,422**	**225,000**	**225,000**	**-**	**-**	**1,780,175**
In circulation at 1 January 2011	308,553	579,200	442,422	225,000	225,000	-	-	1,780,175
Granted	-	-	-	-	-	105,000	105,000	210,000
Cancelled	-	2,000	1,299	5,000	5,000	-	-	13,299
Exercised	187,603	169,100	14,080	-	-	-	-	370,783
In circulation at 31 December 2011	**120,950**	**408,100**	**427,043**	**220,000**	**220,000**	**105,000**	**105,000**	**1,606,093**
In circulation at 1 January 2012	120,950	408,100	427,043	220,000	220,000	105,000	105,000	1,606,093
Granted	-	-	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-	-	-
Exercised	77,092	206,802	165,216	28,515	-	-	-	477,625
In circulation at 31 December 2012	**43,858**	**201,298**	**261,827**	**191,485**	**220,000**	**105,000**	**105,000**	**1,128,468**

* *Employees who are not corporate officers of Arkema SA or any other Group company.*

VALUATION METHOD

The fair value of the options granted was determined using the Black & Scholes method on the basis of assumptions, of which the main ones are as follows:

	2006 Plan	2007 Plan	2008 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2
Volatility	22%	20%	25%	35%	32%	32%	32%
Risk-free interest rate	2.82%	3.39%	4.00%	0.34%	0.34%	1.29%	1.29%
Maturity	4 years	4 years	4 years	4 years	5 years	4 years	4 years
Exercise price *(in euros)*	28.36	44.63	36.21	30.47	30.47	68.48	68.48
Fair value of stock options *(in euros)*	**6.29**	**7.89**	**8.99**	**6.69**	**6.67**	**12.73**	**12.73**

The volatility assumption was determined on the basis of observation of historical movements in the Arkema share since its admission to listing, restated for certain non-representative days in order to better represent the long-term trend.

The maturity adopted for the options corresponds to the period of unavailability for tax purposes.

The amount of the IFRS2 expense recognized in respect of stock options at 31 December 2012 was €1 million (€2 million at 31 December 2011).

28.2 FREE SHARE GRANTS

On 9 May 2012, the Board of Directors decided to put in place three performance share award schemes for the benefit of employees, particularly employees with responsibilities whose exercise influences the Group's results.

In Plan 1, intended for employees of the Group's French companies, the definitive grant of such performance shares will be subject to a vesting period of 2 years, with effect from the Board of Directors' grant, and subject to compliance with performance criteria expressed in terms of both ARKEMA's EBITDA for 2012, and the average EBITDA margin in 2012 and 2013 compared to the average margin of a panel of other chemicals producers over the same period.

In Plan 2, intended for certain Group employees, the definitive grant of such performance shares will be subject to a vesting period of 3 years, with effect from the Board of Directors' grant, and subject to compliance with the same performance criteria.

In Plan 3, intended for Group company employees outside France, the definitive grant of such performance shares will be subject to a vesting period of 4 years, with effect from the Board of Directors' grant, and subject to compliance with the same performance criteria as in Plans 1 and 2.

The main characteristics of the free share grant plans in force at 31 December 2012 are as follows:

	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2	2011 Plan 3	2012 Plan 1	2012 Plan 2	2012 Plan 3	Total [4]
Date of Annual General Meeting	15 June 2009	15 June 2009	15 June 2009	15 June 2009	15 June 2009	15 June 2009	15 June 2009	15 June 2009	
Date of Board of Directors' meeting	10 May 2010	10 May 2010	4 May 2011	4 May 2011	4 May 2011	9 May 2012	9 May 2012	9 May 2012	
Vesting period	2 years	4 years	2 years	3 years	4 years	2 years	3 years	4 years	
Conservation period	2 years	-	2 years	2 years	-	2 years	2 years	-	
Performance condition	Yes [2]	Yes [2]	Yes [3]	Yes [3]	Yes [3]	Yes [3]	Yes [3]	Yes [3]	
Number of free shares granted	**153,705**	**50,795**	**88,305**	**59,380**	**52,315**	**101,860**	**74,805**	**65,335**	
to corporate officers: Thierry Le Hénaff	18,800	-	8,200	8,200	-	13,000	13,000	-	
to the 10 largest beneficiaries [1]	54,700	8,100	24,450	24,450	14,850	36,100	36,100	16,400	
NUMBER OF FREE SHARES									
In circulation at 1 January 2010	-	-	-	-	-	-	-	-	310,400
Granted	153,705	50,795	-	-	-	-	-	-	204,500
Cancelled	-	638	-	-	-	-	-	-	135,561
Definitively granted	-	-	-	-	-	-	-	-	42,127
In circulation at 31 December 2010	**153,705**	**50,157**	**-**	**-**	**-**	**-**	**-**	**-**	**337,212**
In circulation at 1 January 2011	153,705	50,157	-	-	-	-	-	-	337,212
Granted	-	-	88,305	59,380	52,315	-	-	-	200,000
Cancelled	3,690	1,000	455	455	125	-	-	-	6,875
Definitively granted	-	-	-	-	-	-	-	-	132,200
In circulation at 31 December 2011	**150,015**	**49,157**	**87,850**	**58,925**	**52,190**	**-**	**-**	**-**	**398,137**
In circulation at 1 January 2012	150,015	49,157	87,850	58,925	52,190	-	-	-	398,137
Granted	-	-	-	-	-	101,860	74,805	65,335	242,000
Cancelled	180	1,434	590	-	1,195	125	-	590	4,114
Definitively granted	149,835	-	100	100	-	-	-	-	150,035
In circulation at 31 December 2012	**0**	**47,723**	**87,160**	**58,825**	**50,995**	**101,735**	**74,805**	**64,745**	**485,988**

(1) Employees who are not corporate officers of Arkema SA or any other Group company.
(2) Performance conditions do not apply to beneficiaries of less than 100 shares.
(3) Performance conditions apply only to the portion of rights in excess of 80 held under all plans, except for COMEX members, all of whose rights will be subject to performance criteria.
(4) The total includes plans dating from before 2010.

The amount of the IFRS2 expense recognized in respect of free shares at 31 December 2012 is €8 million (€5 million at 31 December 2011).

28.3 CAPITAL INCREASE RESERVED FOR EMPLOYEES

In the context of the Group's employee shareholding policy, ARKEMA offered its employees the opportunity to subscribe to a reserved capital increase at a subscription price of €54.51. This price corresponds to the average opening market price of the Arkema share on the Paris stock exchange in the 20 trading days preceding the Board of Directors' meeting of 7 March 2012, less a discount of 20%.

Through this operation Arkema shares were offered to Group employees outside France via a free share grant plan. One free share was granted for every five shares subscribed, up to a maximum of 20 free shares.

The employees subscribed 535,013 shares, and the capital increase was completed and recognized on 18 April 2012.

On 9 May 2012 the Board of Directors recorded grants of 3,073 free shares to employees in Italy and Spain, and 14,090 free shares to employees in other countries outside France. The definitive grant of these shares will be subject to a vesting period of 3 and 4 years respectively.

VALUATION METHOD

In accordance with the method recommended by France's national accounting standards authority (*Autorité des Normes Comptables*), the calculation used to value the cost of not being able to sell the shares for five years is based on the cost of a two-step strategy assuming that these shares will ultimately be sold, and that the same number of shares will be purchased and settled immediately, financed by a loan. The rate used for the loan is the rate that a bank would grant to a private individual presenting an average risk profile in the context of a 5-year consumer loan.

The fair values of the shares subscribed in France and outside France have been calculated separately in order to reflect grants of free shares to Group employees established outside France.

The main market parameters used in the valuation of the cost of not being able to sell the shares are as follows:

- Date of the Board Meeting which decided on the capital increase: 7 March 2012;
- Share price at the date of the Board Meeting: €63.85;
- 5-year risk free interest rate: 1.78%;
- Interest rate on 5-year borrowings: 8.67%;
- Cost of not being able to sell the shares:
  - 28.3% (shares subscribed in France);
  - 29.2% (shares subscribed outside France in countries other than Italy and Spain);
  - 39% (shares subscribed in Italy and Spain).

On the basis of the share price at the date of the Board meeting, the benefit granted represents a value of €7 million. As the cost of not being able to sell the shares, calculated on the basis of the above parameters, is higher than this amount, no expense has been recognized in the income statement.

NOTE 29 OFF-BALANCE SHEET COMMITMENTS

29.1 COMMITMENTS GIVEN

29.1.1 Off-balance sheet commitments given in the Group's operating activities

The main commitments given are summarized in the table below:

(In millions of euros)	31/12/2012	31/12/2011
Guarantees granted	60	50
Comfort letters	-	-
Contractual guarantees	20	30
Customs and excise guarantees	12	9
TOTAL	**92**	**89**

Guarantees granted are mainly bank guarantees in favour of local authorities and public bodies (state agencies, environmental agencies) in respect of environmental obligations or concerning classified sites.

29.1.2 Contractual commitments related to the Group's operating activities

Irrevocable purchase commitments

In the normal course of business, ARKEMA signed multi-year purchase agreements for raw materials and energy for the operational requirements of its factories, in order to guarantee the security and continuity of supply. Signature of such contracts over periods initially of 1 to 20 years is a normal practice for companies in ARKEMA's business sector in order to cover their needs.

These purchase commitments were valued taking into account, on a case-by-case basis, ARKEMA's financial commitment to its suppliers, as certain of these contracts include clauses which oblige ARKEMA to take delivery of the minimum volumes as set out in the contract or, otherwise, to pay financial compensation to the supplier. Depending on the case, these commitments are reflected in the purchase agreements in the form of notice periods, indemnification to be paid to the supplier in case of early termination of the contract or "take or pay" clauses.

The total amount of the Group's financial commitments is €511 million at 31 December 2012 (see maturity schedule below):

(In millions of euros)	31/12/2012	31/12/2011
2012	-	112
2013	112	63
2014	80	62
2015	71	48
2016 until expiry of the contracts	248	145
TOTAL	**511**	**430**

Lease commitments

In the context of its business, ARKEMA has signed lease contracts, of which the majority are operating lease agreements. Lease agreements signed by ARKEMA are mainly in respect of property rental (head offices, land) and transportation equipment (rail cars, containers).

The amounts presented in the table below correspond to the future minimum payments that will need to be made in accordance with these contracts (only the irrevocable portion of future lease payments has been valued).

	31/12/2012		31/12/2011	
(In millions of euros)	Capitalized leases	Non-capitalized leases	Capitalized leases	Non-capitalized leases
2012	-	-	0	20
2013	0	22	0	20
2014	0	20	0	17
2015	0	19	0	16
2016 and beyond	2	29	2	18
NOMINAL VALUE OF FUTURE LEASE PAYMENTS	**3**	**90**	**3**	**91**
Finance cost	1	NA	1	NA
PRESENT VALUE	**2**	**NA**	**2**	**NA**

NA: not applicable.

29.1.3 Off balance sheet commitments related to changes in the scope of consolidation

Warranties related to sales of businesses

Sales of businesses sometimes involve the provision of warranties in respect of unrecorded liabilities to the purchaser. ARKEMA sometimes grants such warranties on the sale of businesses. In most cases these warranties are capped and granted for a limited period of time. They are also limited in terms of their coverage to certain types of litigation and claims. In the majority of cases, they cover risks of occurrence of environmentally related claims.

The cumulative residual amount of capped warranties in respect of unrecorded liabilities granted by ARKEMA amounted to €108 million at 31 December 2012 (€58 million at 31 December 2011). These amounts are stated net of provisions recognized in the balance sheet in respect of such warranties.

Other commitments given in connection with the divestment of the vinyls activities are described in section 21.2.4, Other litigations, of note C21 Liabilities and contingent liabilities.

29.1.4 Off balance sheet commitments related to Group financing

These commitments are described in note C22 Debt.

29.2 COMMITMENTS RECEIVED

Commitments received from Total in 2006

In connection with the Spin-Off of Arkema's Businesses, Total S.A. and certain Total companies have extended certain indemnities, or have assumed certain obligations, for the benefit of ARKEMA, relating to (i) certain antitrust litigation, (ii) certain actual or potential environmental liabilities of the Group arising from certain sites in France, Belgium and the United States, the operations on which in the majority of cases have ceased, (iii) certain tax matters, and (iv) the Spin-Off of Arkema's Businesses. These indemnities and obligations are described below.

29.2.1 The Indemnities extended by Total in respect of certain antitrust litigation

In order to cover potential risks in connection with antitrust litigation relating to anti-competitive agreements in Europe and the United States and arising from facts prior to 18 May 2006 (or prior to 7 March 2006, as the case may be), Total S.A. has extended to Arkema S.A. and Elf Aquitaine, Inc. has extended to Arkema Amériques SAS, the indemnities, the principal terms of which can be described as follows.

Subject-matter of the Indemnities

By an agreement dated 15 March 2006 (the Arkema European Indemnity), Total S.A. agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to a money judgment imposed by EU antitrust authorities, or by national antitrust authorities of a Member State of the European Union, for violations of antitrust laws relating to anticompetitive agreements, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries).

By an agreement dated 15 March 2006 (the Arkema U.S. Indemnity), Total S.A. also agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of a settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries).

In connection with the sale of Arkema Delaware, Inc. shares by Elf Aquitaine, Inc. to Arkema Amériques SAS, Elf Aquitaine, Inc. agreed, in the agreement dated 7 March 2006 (the Arkema Delaware Indemnity), to indemnify Arkema Amériques SAS for 90% of (i) any payment due by Arkema Amériques SAS or any of its subsidiaries pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations occurring prior to 7 March 2006 of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of the settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema Amériques SAS or any of its subsidiaries pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred by Arkema Amériques SAS or any of its subsidiaries in connection with such proceedings.

Arkema Amériques SAS has benefited from an indemnification of $19.3 million under the Arkema Delaware Indemnity. At 31 December 2012, the residual amount covered by this indemnity amounts to $873.7 million.

Finally, Total S.A. extended to Arkema S.A. a supplemental indemnity dated 15 March 2006 (the Supplemental Arkema Delaware Indemnity) covering 90% of sums payable by Arkema Amériques SAS or any of its subsidiaries in respect of litigation relating to anticompetitive agreements in the United States in excess of the maximum amount covered by the Arkema Delaware Indemnity.

The Arkema European Indemnity, the Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are hereinafter referred to together as the Indemnities and individually as an Indemnity.

Liabilities not covered by the Indemnities

The following liabilities are not covered by the Indemnities:

- liabilities arising from facts occurring after 18 May 2006 in the case of the Arkema European Indemnity and the Arkema U.S. Indemnity, or after 7 March 2006 in the case of the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity (including, in case of liabilities arising from facts occurring both before and after the relevant date, the portion of the liability relating to the period after 18 May 2006 or after 7 March 2006, as the case may be);
- liabilities arising from violations of antitrust laws other than those prohibiting anticompetitive agreements; and
- liabilities imposed by authorities outside the European Union (in the case of the Arkema European Indemnity) or the United States (in the case of the other Indemnities).

Participation of Total in the management of litigation covered by the Indemnities

The Indemnities provide for the participation by Total S.A. or Elf Aquitaine, Inc., as the case may be, in the management of litigation covered by the Indemnities, which involves a certain number of obligations on the part of Arkema S.A. and Arkema Amériques SAS, in particular the obligation to notify Total S.A. or Elf Aquitaine, Inc., as the case may be, of certain events occurring in the context of proceedings covered by the Indemnities and act in accordance with the advice and instructions of Total S.A. or Elf Aquitaine, Inc, as the case may be, relating to such proceedings. Total S.A. and Elf Aquitaine, Inc., as the case may be, also have the right to assume sole control of the defence of the Group entity in question. Failure by Arkema S.A. or Arkema Amériques SAS to comply with these obligations can result, in certain circumstances, in the automatic termination of the Indemnity, as described below.

Amount of the indemnification

The Arkema European Indemnity, whose deductible of €176.5 million has been exceeded, gave rise to indemnification of €126 million being received from Total SA. The Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity do not have a deductible.

Cross-indemnities of Arkema S.A. and Arkema Inc.

Arkema S.A. and Arkema Inc. have agreed to indemnify Total S.A. in respect of any liability covered by the Indemnities but which is borne, not by a Group entity but by Total S.A. or one of its subsidiaries due to facts attributable to a Group company, whether the liability of Total S.A. or of its subsidiaries is determined to be direct or derivative, exclusive or joint and several, relative to the liability of the Group entity to which the facts are attributable.

However, this cross-indemnity by Arkema S.A. and Arkema Inc. will be reduced by the indemnity which would have been paid by Total S.A. or Elf Aquitaine, Inc., as the case may be, under the relevant Indemnity if the liability had been borne by a Group company. Consequently, if the cross-indemnity of Arkema S.A. and Arkema Inc. is triggered, Arkema S.A. or Arkema Inc., as the case may be, would only be obligated to indemnify Total S.A. for 10% of the liabilities borne by Total S.A. or one of its subsidiaries (in the case of the Arkema European Indemnity, this 10% relates to the amount, if any, that exceeds the deductible).

Duration of the indemnities

The Arkema European Indemnity and the Arkema U.S. Indemnity are valid for a term of 10 years from 18 May 2006. The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are valid for a term of 10 years from 7 March 2006.

The Arkema S.A. cross-indemnity is valid for a term of 10 years from 18 May 2006.

The Arkema Inc. cross-indemnity is valid for a term of 10 years from 7 March 2006.

Termination of the Indemnities

Indemnities shall terminate in the event that a natural person or legal entity, acting alone or in concert with others, acquires, directly or indirectly, more than one third of the voting rights of Arkema S.A. (voting rights are subject to a ceiling of 10% — and 20% in the case of double voting rights — unless a purchaser acquires at least two thirds of the total number of Arkema S.A. shares in a public transaction targeting all Arkema S.A. shares) or if the Group transfers, directly or indirectly, in one or several times, to the same third party or to several third parties acting in concert, assets representing more than 50% of the Group's "enterprise value" (as defined in the Indemnities) at the time of the relevant transfer.

The Arkema European Indemnity and the Arkema U.S. Indemnity will terminate if Arkema S.A. loses control of Arkema France.

The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity will terminate if Arkema S.A. loses control of Arkema Amériques SAS, or if Arkema Amériques SAS loses control of Arkema Delaware Inc.

Finally, the Indemnities will terminate in the event of a material breach by the Group of its obligations under the relevant Indemnity if such breach has remained uncured for 30 days after notice by the indemnifying party demanding its cure.

The Indemnities provide that, upon the occurrence of a termination event, the only liabilities of Group companies that will remain covered by the Indemnities are those, if any, which (i) fell due prior to the termination event and (ii) were notified to Total S.A. or to Elf Aquitaine, Inc., prior to the termination event.

29.2.2 Obligations and indemnities given in respect of Former Industrial Sites

In order to cover certain risks relating to certain industrial sites situated in France, Belgium and the United States in respect of which the Group is or could be held liable, and where, for the most part, operations have ceased (the Former Industrial Sites), Total S.A. companies have entered with Arkema S.A. or its subsidiaries into indemnity and service agreements the principal terms of which can be described as follows:

Agreement relating to Former Industrial Sites located in France

Arkema France has entered into various agreements with Total companies and in particular Retia. Pursuant to these agreements, the Total companies concerned, in consideration of a flat fee already paid by Arkema France, assume all the investigation, restoration and monitoring obligations that could be imposed on Arkema France by the competent administrative authorities in respect of industrial sites located in France the operation of which, for the most part, has ceased. To this end, the agreements provide, in particular, (i) in the majority of cases, for the transfer of ownership of the sites concerned by Arkema France to the Total companies concerned, (ii) for the Total companies concerned to be substituted for Arkema France in the capacity of last operator of those sites whenever that is possible, (iii) for the performance by the Total companies concerned of the restoration obligations of the sites in question in accordance with the applicable rules and (iv) for the indemnity by the Total companies in respect of the financial consequences of claims which could be brought against Arkema France by reason of the impact of those sites on the environment.

In most cases, Arkema France retains responsibility for the consequences concerning employees and former employees of Arkema France as well as third parties, in terms of public health or occupational pathologies, of the industrial activities formerly carried out by Arkema France and its predecessors on the sites which are the subject of the aforementioned agreements.

Agreement relating to the Former Industrial Site at Rieme in Belgium

On 30 December 2005, Arkema France sold all of the shares that it held in the share capital of the Belgian company Resilium Belgium to the company Septentrion Participations, a subsidiary of Total S.A.

The company Resilium Belgium is the owner of a Former Industrial Site located at Rieme in Belgium.

Having regard to the future costs that might arise from the restoration of the Former Industrial Site at Rieme, Arkema France has paid the company Septentrion Participations financial compensation. In exchange, Septentrion Participations has undertaken to assume all restoration obligations in respect of the site at Rieme and to indemnify Arkema France against all claims, actions and complaints relating to Resilium Belgium, its assets and its liabilities.

Agreement relating to certain Former Industrial Sites located in the United States

In March 2006, Arkema Amériques SAS completed the acquisition from Elf Aquitaine Inc. and Arkema France of Arkema Delaware Inc., a holding company of most of the Group's operations in the United States. The negotiated terms of the stock purchase agreement among Elf Aquitaine Inc., Legacy Sites Service LLC and Arkema Amériques SAS, dated 7 March 2006 (the Arkema Delaware Main SPA) required Elf Aquitaine Inc. to use $270 million to capitalize a new subsidiary, Legacy Sites Services LLC, that will perform remediation services and indemnify the Group against the cost of environmental contamination liabilities incurred by the Group entities covered by this indemnity, and related personal injury and property damage claims associated with contamination at 35 of the Group's closed and formerly operated facilities and 24 third party sites where the Group's liability arises solely out of waste shipments from the sites other than currently operated sites. In exchange for this indemnification, Arkema Amériques SAS agreed to grant to Legacy Sites Services LLC control over remediation activities and the defence of claims relating to contamination liabilities at these facilities and sites.

The sites currently operated by the Group are excluded from this indemnity, as are sites that received waste associated with current operations of the Group and certain sites where no significant restoration work is currently underway or anticipated and other sites where the Group could be held liable for environmental pollution. These other sites include, for example, sites where remediation has been conducted in the past or where future remediation costs or liability are believed to be insignificant or non-existent based upon information available at the time when the indemnity was entered into. Arkema Amériques SAS has waived any claims against Legacy Sites Services LLC, Total S.A. or their respective subsidiaries in respect of the sites not covered by the indemnity.

The Legacy Sites Services LLC indemnity covers the costs of restoration and clean-up of the soil and groundwater, the costs of related defence and settlement costs and personal injury, property and natural resource damages. The indemnity does not cover liabilities unrelated to site remediation, in particular liabilities in respect of products manufactured on the said sites, liability arising from certain dangerous and potentially dangerous substances, particularly asbestos exposure and criminal liability.

The indemnity described above is capped at $270 million. The amount received by ARKEMA under this indemnity amounted to $64 million. At the same time as the stock purchase agreement and the indemnity described above, Legacy Site Services LLC and Arkema Inc. entered into a supplemental contamination indemnity agreement pursuant to which Legacy Site Services LLC will indemnify the liabilities of the Group in excess of $270 million, on the same terms, for the same sites and subject to the same exceptions as the indemnity described in the preceding paragraph.

29.2.3 Tax indemnity granted by Total S.A.

In order to cover potential tax risks related to the business activities transferred by the Group to Total or from the reorganization in connection with the Spin-Off of Arkema's Businesses, Total S.A. has granted an indemnity to Arkema S.A., the main terms of which can be described as follows.

Purpose of the tax indemnity

Under the terms of an agreement dated 15 March 2006 (the Tax Indemnity), Total S.A. has undertaken to indemnify Arkema S.A. for (i) liabilities arising from any tax, customs or levies not covered by reserves, for which the Group would remain liable, when such liabilities arise from (x) activities in the petrochemicals and specialties sectors that were transferred by the Group to Total and the triggering event of which occurred prior to the date of such transfer; or (y) the reorganization undertaken for the purpose of spinning off Arkema's Businesses from Total's Chemicals sector, including, in particular, the Elf Spin-Off, the Total Spin-Off, the Merger and certain prior securities reclassification transactions; (ii) interest, fines, penalties, additional charges or other costs related thereto; and (iii) provided that Total S.A. has given its prior consent, the expenses incurred by Arkema S.A. or the relevant Group company in connection with such liabilities.

The Tax Indemnity, however, does not cover tax reassessments in connection with Arkema's Businesses (with the exception of reassessments that may affect Arkema UK, as indicated below) and is subject to the specific terms described hereafter.

Involvement of Total S.A. in the management of litigation covered by the Tax Indemnity

The Tax Indemnity provides for a procedure pursuant to which Arkema S.A. must involve Total S.A. in the management of the tax audits or litigation relating to the tax liabilities covered by the Tax Indemnity. In particular, this procedure entails the obligation to notify Total S.A. of any event that is likely to give rise to a liability covered by the Tax Indemnity and to comply with the advice and instructions of Total S.A. in defending the interests of the relevant Group company. In the event of unresolved disagreements on the strategy, means, method or type of such defence, the final decision will be taken by Total S.A. Arkema S.A.'s failure to comply with its obligations may result in automatic termination of the Tax Indemnity.

Amount of the indemnification

The Tax Indemnity includes no deductible, trigger threshold or cap.

In the event that a liability cannot be clearly connected to the petrochemicals and specialties sector transferred by the Group to Total in relation to Arkema's Businesses, Arkema S.A. and Total S.A. will each bear 50% of the said liability.

Special provisions applying to certain foreign companies of the Group

Tax liabilities arising from the reorganization undertaken for purposes of separating Arkema's Businesses from Total's Chemicals sector in the Netherlands, which may have been incurred by Atotech B.V. and Atotech Nederland B.V. as a result of the Dutch tax group of which Arkema North Europe B.V. is the parent company are excluded from the Tax Indemnity. Any other tax liabilities arising from reassessments that may be applied to Atotech B.V. and Atotech Nederland B.V. as a result of the Dutch tax group will be assumed by these companies, which remain under Total S.A.'s control.

Arkema UK will benefit from a UK corporation tax indemnity covering any tax reassessments against it relating to Arkema's Businesses. This indemnity will be limited to the amount of losses generated by the Arkema Businesses that have been transferred by Arkema UK as result of the Group relief instituted by Total Holdings UK for corporation tax purposes in the United Kingdom.

Payment of the indemnity

The liabilities covered by the Tax Indemnity will give rise to an indemnification payment only if they are definitely determined by an enforceable decision that is not subject to appeal.

Duration of the Tax Indemnity

The Tax Indemnity shall expire at the end of two months following the statute of limitations effectively applicable to the tax liabilities covered by the Tax Indemnity.

Beneficiary of the Tax Indemnity

The Tax Indemnity is only for the benefit of Arkema S.A. or, as the case may be, Arkema France, if Arkema S.A. is merged into Arkema France.

29.2.4 Other indemnities given in the context of the Spin-Off of Arkema's Businesses

As part of the Total Spin-Off Agreement, Total S.A. and Arkema S.A. made certain representations and warranties, some of them in connection with the separation of ARKEMA from Total.

The agreement states that Total S.A. grants no indemnities, other than the indemnities and agreements entered into by the Total entities that are described in this paragraph, particularly with respect to the assets and the business activities of all ARKEMA entities, or the liabilities or obligations associated with such entities or activities, which Arkema S.A. declares that it is aware of and for which Arkema S.A. shall be responsible, including in the case of the appearance of any item that is not known as of the date of the Total Spin-Off Agreement, or of an increase in the amount of the aforesaid liabilities or obligations. Arkema S.A. releases Total S.A. from any such claim, except in the case of New Claims as defined below.

Representations and warranties relating to information exchanged in preparing the Spin-Off of Arkema's Businesses

Total S.A. and Arkema S.A. have made mutual representations and warranties with respect to the accuracy and completeness of the information exchanged by the two companies in preparing the Spin-Off of Arkema's Businesses.

Representations and warranties relating to potential claims

After conducting all necessary and customary due diligence, Arkema S.A. has declared, recognized and warranted that, to its knowledge and to the knowledge of the ARKEMA entities, as of the date of the Total Spin-Off Agreement, there were no grounds for claims, actions or complaints by any ARKEMA entity or by any one of its de facto or de jure Directors, corporate officers or executives against any Total entity or any one of its de facto or de jure employees, Directors, corporate officers or executives (a Total Entity). The claims, actions or complaints mentioned above are hereinafter referred to as the ARKEMA Claim(s).

Consequently, Arkema S.A. has undertaken to indemnify Total S.A. and hold it harmless for the consequences of any ARKEMA Claim against any Total Entity. Arkema S.A. has waived all ARKEMA Claims other than New Claims, as defined below.

Arkema S.A.'s indemnity and the waiver mentioned in the two preceding paragraphs do not apply to any potential ARKEMA Claim that would be based on (i) events attributable to a Total Entity or (ii) grounds of which no ARKEMA entity has any knowledge as of the date of the Total Spin-Off agreement, after completing the necessary and customary due diligences, but only if and insofar as such events or grounds do not relate solely to the fact that the ARKEMA companies belonged to Total prior to 18 May 2006, or relate solely to the exercise of corporate offices or management functions by Total Entities within ARKEMA (the New Claim(s)).

At the same time, Total S.A. has declared, recognized and warranted that to its knowledge and to the knowledge of the Total entities, as of the date of the Total Spin-Off agreement, there were no grounds for claims, actions or complaints by any Total entity or by any one of its de facto or de jure Directors, corporate officers or executives against any ARKEMA entity or any one of its de facto or de jure employees, Directors, corporate officers or executives (the ARKEMA Entity(ies)), arising from the ownership or operation by Arkema entities of the companies or businesses acquired by Total before 18 May 2006 (the Total Claim(s)).

Total S.A. has declared, recognized and warranted that it had no Total Claim(s) arising from the exercise of corporate offices or functions by ARKEMA Entities within Total, and has waived all Total Claims on its part.

Consequently, Total S.A. has agreed to indemnify and hold harmless Arkema S.A. for the consequences of any Total Claim against any ARKEMA Entity.

Duration of the indemnities

No indemnity given in the Total Spin-Off agreement will survive after 10 years from 18 May 2006.

In addition, the Arkema Delaware Main SPA provides that Arkema Amériques SAS, which became a subsidiary of Arkema S.A. on 18 May 2006, will indemnify Elf Aquitaine, Inc., a subsidiary of Total S.A., for any taxes that may result from a breach of representations or covenants under the Arkema Delaware Main SPA or the Tax Sharing Agreement dated 1 January 2001, among Total Holdings USA, Inc. and certain of its subsidiaries, by Arkema Amériques SAS, Arkema Delaware Inc., or certain of the subsidiaries of Arkema Delaware Inc. Elf Aquitaine, Inc. will likewise indemnify Arkema Amériques SAS for any taxes resulting from such breaches by Elf Aquitaine, Inc. Moreover, the Arkema Delaware Main SPA provides that Elf Aquitaine Inc. and its US subsidiaries, on the one hand, and Arkema Delaware Inc. with certain of its US subsidiaries, on the other hand, will each be responsible for their share of US federal and state income taxes before 7 March 2006, as computed under the Tax Sharing Agreement, because for this period Elf Aquitaine, Inc. files a consolidated US federal income tax return that includes Arkema Delaware Inc. and certain of its subsidiaries and pays the taxes due in respect of the consolidated US federal income tax return. Arkema Delaware Inc. and certain of its subsidiaries will be required to pay such amounts to Elf Aquitaine, Inc. For periods after 7 March 2006, Arkema Delaware, Inc. and its US subsidiaries will be responsible to file income tax returns separately from Elf Aquitaine, Inc. and separately to make all tax payments in respect of these returns.

With the exception of the obligations or indemnities described in this section, Total has not given to ARKEMA other material commitments or indemnities of the kind referred to in the first paragraph of this section "Commitments received from Total in 2006".

NOTE 30 STATUTORY AUDITORS' FEES

	KPMG				Ernst & Young			
	Amount				Amount			
	(In millions of euros)		%		*(In millions of euros)*		%	
	2012	2011	2012	2011	2012	2011	2012	2011
AUDIT								
Auditing, certification, review of individual and consolidated financial statements	**2**	**2**			**2,2**	**2**		
Issuer	0.5	0.5			0.5	0.5		
Fully consolidated subsidiaries	1.5	1.5			1.7	1.5		
Other due diligence work and services directly related to the Auditors' mission	**0.5**	**0.2**			**0.6**	**0.5**		
Issuer	-	-			-	-		
Fully consolidated subsidiaries	0.5	0.2			0.6	0.5		
SUB-TOTAL	**2.5**	**2.2**	**100%**	**100%**	**2.8**	**2.5**	**100%**	**100%**
Other services provided by the networks to fully consolidated subsidiaries	**-**	**-**	**0%**	**0%**	**-**	**-**	**0%**	**0%**
TOTAL	**2.5**	**2.2**	**100%**	**100%**	**2.8**	**2.5**	**100%**	**100%**

In application of an internal rule validated by the Audit Committee, the amount of fees for other due diligence work and services directly related to the auditors' mission shall not exceed 30% of fees for the audit of the individual and consolidated financial statements.

NOTE 31 SUBSEQUENT EVENTS

No significant event has occurred since the year-end.

D. SCOPE OF CONSOLIDATION AT 31 DECEMBER 2012

(a)	Companies acquired in 2012	(d)	Companies from the Vinyl Products segment sold to the Klesch group
(b)	Companies consolidated for the first time in 2012	(e)	Companies deconsolidated
(c)	Companies merged in 2012	(f)	Companies liquidated
		(g)	Companies sold

The percentage of control indicated below also corresponds to the Group's ownership interest in each entity.

Akishima Chemical Industries Co.Ltd	(d)	Japan	100.00	FC
Alphacan	(d)	France	100.00	FC
Alphacan BV	(d)	Netherlands	100.00	FC
Alphacan Doo	(d)	Croatia	100.00	FC
Alphacan SPA	(d)	Italy	100.00	FC
Altuglas International Denmark A/S		Denmark	100.00	FC
Altuglas International Ltd		United Kingdom	100.00	FC
Altuglas International Mexico Inc.		United States	100.00	FC
Altuglas International SAS		France	100.00	FC
American Acryl LP		United States	50.00	PC
American Acryl NA LLC		United States	50.00	PC
Arkema		South Korea	100.00	FC
Arkema		France	100.00	FC
Arkema Afrique SAS		France	100.00	FC
Arkema Amériques SAS		France	100.00	FC
Arkema Asie SAS		France	100.00	FC
Arkema Beijing Chemical Co. Ltd		China	100.00	FC
Arkema Canada Inc.		Canada	100.00	FC
Arkema Changshu Chemicals Co. Ltd		China	100.00	FC
Arkema Changshu Fluorochemical Co. Ltd		China	100.00	FC
Arkema Chemicals India Private Ltd		India	100.00	FC
Arkema China Investment Co. Ltd		China	100.00	FC
Arkema Coatings Resins BV		Netherlands	100.00	FC

NB: FC: Full consolidation.
PC: Proportionate consolidation.
EM: Consolidation by the equity method.

Arkema Coatings Resins SAU		Spain	99.92	FC
Arkema Coating Resins Malaysia Sdn. Bhd.		Malaysia	100.00	FC
Arkema Coatings Resins SRL		Italy	100.00	FC
Arkema Coatings Resins UK		United Kingdom	100.00	FC
Arkema Co. Ltd		Hong Kong	100.00	FC
Arkema Daikin Advanced Fluorochemicals Co. Ltd		China	60.00	PC
Arkema Delaware Inc.		United States	100.00	FC
Arkema Europe		France	100.00	FC
Arkema France		France	100.00	FC
Arkema GmbH		Germany	100.00	FC
Arkema Hydrogen Peroxide Co. Ltd, Shanghaï		China	66.67	FC
Arkema Inc.		United States	100.00	FC
Arkema Iniciadores SA de CV	(c)	Mexico	100.00	FC
Arkema KK		Japan	100.00	FC
Arkema Ltd		United Kingdom	100.00	FC
Arkema Ltd	(d)	Vietnam	100.00	FC
Arkema Mexico SA de CV		Mexico	100.00	FC
Arkema Mexico Servicios SA de CV	(b)	Mexico	100.00	FC
Arkema North Europe BV		Netherlands	100.00	FC
Arkema PEKK Inc.		United States	100.00	FC
Arkema Peroxides India Private Limited		India	100.00	FC
Arkema Pte Ltd		Singapore	100.00	FC
Arkema Quimica Ltda		Brazil	100.00	FC
Arkema Quimica SA		Spain	99.92	FC
Arkema RE Ltd		Ireland	100.00	FC
Arkema RE	(c)	France	100.00	FC
Arkema Resins (Pty) Ltd.		South Africa	100.00	FC
Arkema Rotterdam BV		Netherlands	100.00	FC
Arkema (Shanghai) Distribution Co. Ltd		China	100.00	FC
Arkema Spar NL Limited Partnership		Canada	100.00	FC
Arkema sp Z.o.o		Poland	100.00	FC
Arkema Srl		Italy	100.00	FC
Arkema Thiochemicals Sdn Bhd		Malaysia	86.00	FC
Arkema Vlissingen BV		Netherlands	100.00	FC
Arkema Yoshitomi Ltd		Japan	49.00	EM
Austinland	(a)+(f)	Spain	100.00	FC
Ceca Belgium		Belgium	100.00	FC
Ceca Italiana Srl		Italy	100.00	FC
CECA LC		France	100.00	FC
Ceca SA		France	100.00	FC
Changshu Coatex Additives Co. Ltd		China	100.00	FC
Changshu Haike Chemicals Co. Ltd		China	49.00	FC
Changshu Resichina Engineering Polymers Co Ltd	(e)	China	100.00	FC

NB: FC: Full consolidation.
PC: Proportionate consolidation.
EM: Consolidation by the equity method.

CJ Bio Malaysia Sdn Bhd	(b)	Malaysia	14.00	EM
Coatex Asia Pacific		South Korea	100.00	FC
Coatex Central Eastern Europe sro		Slovakia	100.00	FC
Coatex Inc.		United States	100.00	FC
Coatex Latin America Industria et Comercio Ltd	(a)	Brazil	100.00	FC
Coatex Latin America Comercio de Produtos Quimicos Ltda	(b)+(c)	Brazil	100.00	FC
Coatex Netherlands BV		Netherlands	100.00	FC
Coatex SAS		France	100.00	FC
Daikin Arkema Refrigerants Asia Ltd		Hong Kong	40.00	PC
Daikin Arkema Refrigerants Trading (Shanghai) Co. Ltd		China	40.00	PC
Delaware Chemicals Corporation		United States	100.00	FC
Difi 6	(b)+(d)	France	100.00	FC
Difi 7	(b)+(d)	France	100.00	FC
Difi 8	(b)+(d)	France	100.00	FC
Difi 9	(b)+(d)	France	100.00	FC
Difi 10	(b)+(d)	Germany	100.00	FC
Difi 11	(b)+(d)	Germany	100.00	FC
Difi 12	(b)+(d)	Italy	100.00	FC
Dorlyl snc	(c)	France	100.00	FC
Febex SA		Switzerland	96.77	FC
Harveys Composites South Africa		South Africa	100.00	FC
Hebei Casda	(a)	China	100.00	FC
Little Rock Invest Sl	(a)+(d)	Spain	100.00	FC
Luperox Iniciadores SA de CV	(c)	Mexico	100.00	FC
Maquiladora General de Matamoros SA de CV		Mexico	100.00	FC
Meglas		Italy	33.00	EM
Michelet Finance, Inc.		United States	100.00	FC
MLPC International		France	100.00	FC
Newspar		Canada	50.00	PC
Noble Synthetics Private Limited		India	100.00	FC
ODOR-TECH LLC		United States	100.00	FC
Oxochimie		France	50.00	PC
Ozark Mahoning Company		United States	100.00	FC
Peninsula Polymers LLC	(c)	United States	100.00	FC
Plasgom SAU	(d)	Spain	99.92	FC
Qatar Vinyl Company Limited QSC		Qatar	12.91	EM
Résil Belgium	(e)	Belgium	100.00	FC
Resilia SRL	(d)	Italy	100.00	FC
Resinoplast	(d)	France	100.00	FC
Resinoplast North America Srl de CV	(d)	Mexico	100.00	FC
Sartomer Asia Limited		Hong Kong	100.00	FC
Sartomer Guangzhou Chemical Co, Ltd		China	100.00	FC

NB: *FC: Full consolidation.*
PC: Proportionate consolidation.
EM: Consolidation by the equity method.

Sartomer Japan Inc.	(c)	Japan	100.00	FC
Sartomer Shangai Distribution Company Limited		China	100.00	FC
Sartomer USA LLC		United States	100.00	FC
Seki Arkema		South Korea	51.00	FC
Shanghaï Arkema Gaoyuan Chemicals Co. Ltd		China	100.00	FC
Stannica LLC	(g)	United States	50.00	PC
Sunclear SA Espana (ex Plasticos Altumax SA)		Spain	99.92	FC
Sunclear (ex Sunclear France)		France	100.00	FC
Sunclear SRL (ex Altuglas International SRL)		Italy	100.00	FC
Suzhou Hipro Polymers Co Ltd	(a)	China	100.00	FC
Turkish Products, Inc.		United States	100.00	FC
Viking chemical company		United States	100.00	FC
Vinylfos	(c)	France	100.00	FC

NB: FC: Full consolidation.
PC: Proportionate consolidation.
EM: Consolidation by the equity method.

4.4 COMPANY'S ANNUAL FINANCIAL STATEMENTS

4.4.1 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

KPMG AUDIT
Département de KPMG S.A.
1, cours Valmy
92923 Paris-La Défense Cedex
Commissaire aux Comptes
Membre de la Compagnie
régionale de Versailles

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable
Commissaire aux Comptes
Membre de la Compagnie
régionale de Versailles

Arkema

Year ended December 31, 2012

Statutory auditors' report on the annual financial statements

To the shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying financial statements of Arkema;
- the justification of our assessments;
- the specific verifications and information required by law.

These annual financial statements have been approved by the board of directors. Our role is to express an opinion on these annual financial statements based on our audit.

I. Opinion on the annual financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about as to whether the annual financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at December 31, 2012 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of assessments

In accordance with the requirements of article L. 823-9 of the French commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- as described in note B.1 "Investments" to the financial statements the value in use of investments is assessed by reference to the share held in the investee's net assets, or by reference to an external valuation or by reference to discounted future cash flows, where these methods provide more relevant information than the share held in the investee's net assets. As part of our assessments of the accounting principles and policies used by your company, we verified that the above accounting methods were appropriate. We also verified that note D.1 "Investments, loans and financial receivables" to the financial statements provides an appropriate level of information.
- note B.7 "Provisions for pensions and similar benefits" to the financial statements describes the valuation methods used to assess provisions for pensions and similar post-employment benefits. These obligations were measured by independent actuaries. We examined the underlying data and the assumptions used. As part of our assessments, we ascertained the reasonableness of these estimates. We also verified that note D.4 "Contingency and loss provisions" to the financial statements provides an appropriate level of information.

These assessments were made as part of our audit of the annual financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by law.

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the board of directors' management report and in the documents addressed to the shareholders with respect to the financial position and the annual financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of main shareholders has been properly disclosed in the management report.

Paris-La Défense, February 27, 2013

The statutory auditors

French original signed by

KPMG AUDIT	ERNST & YOUNG Audit
Département de KPMG S.A.	
Jacques-François Lethu	Valérie Quint

4.4.2 COMPANY'S FINANCIAL STATEMENTS AT 31 DECEMBER 2012

BALANCE SHEET*

(In millions of euros)			31 December 2012		31 December 2011
ASSETS	Notes	Gross	Depreciation and impairment	Net	Net
Investments, net	(D1)	3,356	1,746	1,610	1,332
Other fixed assets		992	-	992	504
TOTAL FIXED ASSETS		**4,348**	**1,746**	**2,602**	**1,836**
Advance		0	-	0	3
Trade receivables	(D2)	15	-	15	13
Other receivables	(D2)	99	-	99	72
Subsidiary current accounts	(D2)	0	-	0	326
Treasury shares		16	-	16	11
Cash and cash equivalents		2	-	2	0
TOTAL CURRENT ASSETS		**132**	**-**	**132**	**425**
Bond premium and issuing cost		4	-	4	4
Prepaid expenses		0	-	0	0
TOTAL ASSETS		**4,485**	**1,746**	**2,738**	**2,265**

LIABILITIES AND SHAREHOLDERS' EQUITY		31 December 2012	31 December 2011
Share capital		629	619
Paid-in surplus		977	1,021
Legal reserve		61	61
Retained earnings		(174)	114
Net income for the year		26	(289)
TOTAL SHAREHOLDERS' EQUITY	(D3)	**1,519**	**1,526**
PROVISIONS	(D4)	**43**	**152**
Bond	(D5)	1,009	504
Debt	(D5)	58	0
Trade payables	(D5)	8	8
Tax and employee-related liabilities	(D5)	6	6
Other payables	(D5)	95	69
TOTAL CURRENT LIABILITIES		**1,176**	**587**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,738**	**2,265**

* including subsidiary current accounts

INCOME STATEMENT*

(In millions of euros)	2012	2011
Services billed to related companies	14	12
Other purchases and external expenses	(12)	(6)
Taxes other than income taxes	(0)	(0)
Personnel expenses	(11)	(8)
Other operating expenses	0	0
(Allowances) and reversals of provisions	(9)	(5)
Operating income	**(18)**	**(7)**
Dividends from investments	13	10
Interest income	34	23
Interest expenses	(33)	(20)
Net foreign exchange gains (losses)	0	0
Impairment of investments	(122)	(196)
(Allowances) and reversals of provisions for financial risks	122	(122)
Financial result	**14**	**(305)**
Income before tax and exceptional items	**(4)**	**(312)**
(Allowances) and reversals of exceptional provisions	(3)	(2)
Other exceptional income	0	0
Income and (expenses) on capital transactions	(3)	(6)
Exceptional items	**(6)**	**(8)**
Income taxes	36	31
Net income	**26**	**(289)**

CASH FLOW STATEMENT*

(In millions of euros)	2012	2011
Net income	26	(289)
Changes in provisions	11	324
Changes in impairment	1	1
(Gains)/losses on sales of assets	0	0
Gross operating cash flow	**38**	**36**
Change in working capital	(5)	(7)
Cash flow from operating activities	**33**	**29**
Cost of acquisition of investments	(399)	(30)
Change in loans	(489)	0
Sale of investments	0	0
Cash flow from investment activities	**(888)**	**(30)**
Bond issued	507	0
Change in share capital and other equity	47	13
Distribution of dividends to shareholders	(81)	(61)
Cash flow from financing activities	**473**	**(48)**
Change in net debt	(382)	(49)
Net cash at beginning of period *	326	375
Net cash at end of period *	(56)	326

* including subsidiary current accounts

DETAILED INFORMATION ON SUBSIDARIES AND INVESTMENTS

Subsidiaries and investments	Share capital (in M. local currency)	Shareholders' equity other than capital (in M. foreign currency) net income excl.	Gross value of shares owned in € millions	Net carrying amount of shares owned in € millions	Number of shares owned	Ownership interest (in %)	Loans, advances & current accounts - Gross Value in € millions	Guarantees given by the company in € millions	Net sales of last financial year (in M. local currency)	Net income (loss) (in M. local currency	Dividends received by the company in € million
French subsidaries											
Arkema France 420, rue d'Estienne d'Orves 92 705 Colombes Cedex	270	37	2,023	277	1 584 253	100,00	922	1 000	3,241	(101)	-
Arkema Amérique SAS 420, rue d'Estienne d'Orves 92 705 Colombes Cedex	1,049	605	1,044	1,044	104 354 000	99,46	-	-	-	197	13
Arkema Europe SA 420, rue d'Estienne d'Orves 92 705 Colombes Cedex	548	56	188	188	12 370 920	34,32	-	-	-	54	-
Arkema Asie SAS 420, rue d'Estienne d'Orves 92 705 Colombes Cedex	120	100	71	71	39 420,000	59,40	-	-	-	31	-
Arkema Afrique SAS 420, rue d'Estienne d'Orves 92 705 Colombes Cedex	30	0	30	30	300 370,000	100,00	-	-	-	0	-
TOTAL INVESTMENTS			**3,356**	**1,609**			**922**	**1 000**	**3,241**	**181**	**13**

4.4.3 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS AT 31 DECEMBER 2012

A. HIGHLIGHTS

- In April 2012, Arkema S.A. carried out a capital increase reserved to employees, totalling €29.2 million. 535,013 shares were subscribed at the price of €54.51 per share, which is the average opening market price of the Arkema share on the Paris stock exchange for the 20 trading days preceding the Board of Directors' meeting of 7 March 2012 which set the price, less a discount of 20%. This generated an increase of Arkema S.A.'s share capital by €5.4 million and an increase of issue premiums by 23.2 million.
- Arkema S.A subscribed respectively €129.1 million and €270 million to a two-step capital increase of Arkema France. The first capital increase was followed by a capital reduction to 0 by absorbing retained losses. After this, Arkema S.A. becomes the unique shareholder of Arkema France.
- On 26 April 2012, Arkema S.A. placed a €230 million bond that will mature on 30 April 2020, with an annual coupon of 3.85%. On 5 October 2012 Arkema S.A. undertook an additional €250 million tap issue to the original bond maturing on 30 April 2020, with an annual yield slightly below 3%. Arkema S.A. immediately transferred the cash to Arkema France, entity that manages cash pooling mechanism for the Group, on the basis of a loan with same maturity and same effective interest rate.

B. ACCOUNTING POLICIES

The annual financial statements of Arkema S.A. were prepared under the responsibility of the Chairman and CEO of Arkema S.A. and were approved by the Board of Directors on 27 February 2013.

The financial statements of Arkema S.A. have been prepared in accordance with French laws and regulations. It is specified that the presentation of the balance sheet and the income statement have been adapted to the holding activity exercised by the Company.

The usual French accounting conventions have been applied, in compliance with the prudence principle, in accordance with the following basic assumptions:

- going concern;
- consistency of accounting policies from one financial year to the next; and
- accruals basis of accounting and cut-off.

The basic method used to value items recorded in the accounting records is the historical cost method.

The main accounting policies used by the Company are presented below.

1. INVESTMENTS

Investments are stated at the lower of acquisition cost and value in use. Investment acquisition expenses are recognized in the income statement as incurred.

Value in use is assessed by reference to the share held in the investee's net assets. However, value in use may be assessed by reference to an external valuation or by reference to discounted future cash flows where these methods provide more relevant information than the share held in the investee's net assets.

2. COSTS OF CAPITAL INCREASES

In accordance with opinion 2000-D of the urgent issues committee of the French National Accounting Board (*Conseil National de la Comptabilité - CNC*), issued on 21 December 2000, the Company opted to recognize the costs of capital increases as a deduction from issue premiums.

3. RECEIVABLES

Accounts Receivables are recognized at their book value. A bad debt provision is recognized when the net realisable value is lower than the book value. Receivables denominated in foreign currencies are translated at the exchange rate at 31 December.

4. TREASURY SHARES

Treasury shares owned by Arkema S.A. are recognized at acquisition cost in current assets. They are valued in accordance with the FIFO (first-in first-out) method. Treasury shares are normally written down, if necessary, on the basis of their average market price on the Paris Stock Exchange for the last month preceding the balance sheet date. By exception, and in accordance with opinion n°2008-17 of the French National Accounting Board (*CNC*), issued on 6 November 2008, these shares are not written down on the basis of their market value where they have been allocated to a plan, because of the commitment to make grants to employees and the provision recognized in this respect in liabilities.

Treasury shares initially allocated to cover grants to employees are reclassified into financial fixed assets into a "Treasury shares for cancellation" sub-account when a decision is taken to cancel the shares. They are then recorded at their net carrying amount at the date on which their allocation is changed.

5. BOND

The bond is accounted for its nominal value in liabilities.

The bond premium (arising when the bond is issued at a price below its nominal value) and issuing costs are recognized in the balance sheet as a separate asset. However, if the bond is issued at a price higher than the nominal value, the difference between the issue price and the nominal value minus issuing costs is recognized as a liability in the heading *Bond*.

Issuing costs relate to bank charges and legal fees expensed when setting up the bond and are charged back to income statement over the duration of the bond following the method of the effective interest rate, with the corresponding amortization being recognized in the operating income.

The bond premium is also amortized over the duration of the bond following the method of effective interest rate, with the corresponding expense being recognized in financial expense. If the bond is issued at a price higher than the nominal value, the same method applies for the amortization of the difference between the issue price and the nominal value, the corresponding profit being recognized in financial income.

The effective interest rate corresponds to the interest rate which, when used to determine the discounted value of expected cash outflows till maturity date, leads to the initial book value of the bond.

6. STOCK OPTIONS AND FREE SHARE GRANTS

6.1 Stock options

Stock options are accounted for, at the date of exercise, as a capital increase for an amount corresponding to the subscription price paid by the stock option holders. The difference between the subscription price and the nominal value of the shares created, if any, represents issue premiums.

6.2 Free share grants

Arkema shares will be definitively granted to beneficiaries at the end of a vesting period subject to meeting the presence and, if applicable, performance conditions set by the Board of Directors.

6.2.1 Issue of new shares

Where the free share grant is carried out by issuing new shares, the capital increase by means of a transfer from reserves of the nominal amount of the shares created is recognized in the financial statements at the end of the vesting period.

6.2.2 Buybacks of existing shares

Where the free share grant is carried out through buybacks of existing shares (following a decision taken by the Board of Directors in relation to the plan in question), a provision representing the obligation to deliver the shares is recognized at year end for (i) the probable purchase price, valued on the basis of the closing share price, if the shares have not yet been purchased or (ii) the net carrying amount of the treasury shares if they have already been purchased. On delivery at the end of the vesting period, the purchase price paid by the Company for the shares granted is recognized in expenses and the provision previously recorded is reversed.

The provision is recognized on a time-proportion basis over the vesting period and takes into account, as applicable, the probability of meeting the presence and performance conditions set by the Board of Directors.

6.3 Social security tax on stock options and free share grants

The 2008 French social security financing act (law 2007-1786 of 19 December 2007) created a new employer contribution on stock options and free share grants. This contribution is payable to the mandatory health insurance schemes to which the beneficiaries are affiliated and is paid in the month following the decision to grant stock options or free shares.

As regards stock options, the contribution is calculated, at the Company's choice, either on the basis of (i) the fair value of the options as estimated in the consolidated financial statements or (ii) 25% of the value of the shares to which these options relate at the date of the Board of Directors Meeting which decided to make the grant.

As regards free share grants, the contribution is calculated, at the Company's choice, either on the basis of (i) the fair value of the shares as estimated in the consolidated financial statements or (ii) the value of the shares at the date of the Board of Directors Meeting which decided to make the grant.

The choice of the basis to be used is made for the entire financial year.

7. PROVISIONS FOR PENSIONS AND SIMILAR BENEFITS

Arkema S.A. has granted top-up pension plans and other non-pension benefits (lump sum payments on retirement, long service awards, death and disability benefits, contributions to healthcare bodies) to certain employees.

Provisions are recognized in respect of these obligations in the financial statements.

The amount of the provision corresponds to the present value of employee's vested rights at the balance sheet date.

The valuation of obligations, under the projected unit credit method, principally takes into account:

- a discount rate which depends on the duration of the obligations (3.0% at 31/12/2012 vs. 4.35% at 31/12/2011);
- an assumption concerning the date of retirement;
- an inflation rate;
- assumptions in respect of future increases in salaries, rates of employee turnover and increases in health costs.

Actuarial gains and losses are fully recognized in the income statement.

8. TAX CONSOLIDATION

The tax consolidation agreements signed between Arkema S.A. and the other companies in the tax consolidation group refer to a neutrality principle in accordance with which each consolidated subsidiary must recognize in its own financial statements, during the entire period of its consolidation within the ARKEMA tax consolidation group, a corporate income tax expense (or income), additional levies and minimum corporate tax (IFA) identical to that which it would have recognized had it not formed part of the tax consolidation group.

In its accounting records, Arkema S.A. recognizes:

- in "other receivables", with an offsetting entry to income taxes, the amount of income taxes owed by profitable companies in the tax consolidation group;
- in "other payables", with an offsetting entry to income taxes, the amount of taxes due by the tax consolidation group.

The tax consolidation agreements states that Arkema S.A. will benefit from the tax savings generated by the use of its subsidiaries' tax losses without any obligation to refund them (not even in case of subsidiaries scope out). On these basis and in accordance with the opinion 2005-G of the urgent issues committee of the French National Accounting Board (CNC), Arkema S.A. does not recognize any provision against tax benefits.

C. SUBSEQUENT EVENTS

None

D. NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The figures presented in the notes to the parent company financial statements are expressed in millions of euros (unless otherwise indicated).

1. INVESTMENTS, LOANS AND FINANCIAL RECEIVABLES

1.1 Investments

(In millions of euros)	31.12.2011	Increase	Decrease	31.12.2012
Gross value	2,957	399	-	3,356
Impairment	(1,624)	-	(122)	(1,746)
NET VALUE	1,333	399	(122)	1,610

The change in Investments results from:

• the capital increase of Arkema France	399
• an increase in the impairment of the investment in Arkema France	(122)
Total	**277**

At 19 November 2012, Arkema S.A. has carried out a recapitalization of Arkema France, by subscribing €129 million to a first capital increase immediately followed by a capital reduction to 0 and €270 million to a second capital increase. The existing provision for financial risks based on the share held in Arkema France's net assets has been dissolved and an increase in the impairment of the investment in this subsidiary has been recognized for the same amount (see note D4 *Provisions*).

1.2 Loans and Financial receivables

In October 2010 the Company granted a long term loan to Arkema France amounting to €500 millions with an October 2017 maturity and a 4.166% fixed interest rate; this loan mirrors the bond issued in October 2010.

In 2012, the Company granted a long term loan to Arkema France amounting to €480 millions that will mature in April 2020. It was carried out in two steps, with the first step in April 2012 for an amount of €230 million at a 3.027% fixed interest rate; this loan mirrors the bond with a 30 April 2020 maturity issued at the same date by the Company. The second step took place in October 2012 with €250 million at a 3.908% interest rate; this loan mirrors the additional €250 million tap issue to the original bond maturing on 30 April 2020 issued in October 2012.

2. CURRENT ASSETS

2.1 Receivables

The breakdown of the Company's receivables at 31 December 2012 by maturity is as follows:

(In millions of euros)	Gross amount	Of which less than 1 year	Of which more than 1 year
Operating receivables	14	13	1
Cash advances to subsidiaries	-	-	-
Other receivables *	118	41	77
TOTAL	132	54	78

* *Mostly tax receivables.*

2.2 Treasury shares

At 31 December 2012, Arkema S.A. owns 314,034 treasury shares which are recorded at their acquisition cost of €16.4 million. These shares are allocated to cover the free share grant plans (see note D12 below).

No impairment has thus been recognized in the financial statements at 31 December 2012.

2.3 Bond premium and issuing costs

Following amounts are recognized in this entry:

- bond premium: €2.6 million (relating to the bond issued in October 2010);
- issuing costs: €3.3 million, of which 0.9 million resulting from the €250 million bond issued in April 2012.

After a €0.7 million depreciation over the period, the balance of this account amounts to €4.4 million at 31 December 2012.

3. SHAREHOLDERS' EQUITY

At 31 December 2012, the share capital is composed of 62,877,215 shares with a nominal value of 10 euros.

Changes in shareholders' equity are as follows:

(In millions of euros)	Opening balance at 31.12.2011	Appropriation of 2011 net income	Distribution of dividend (1) + 2012 net income	Capital increase 18.04.2012 (2)	Capital increase 30.06.2012 (3)	Capital increase 31.12.2012 (4)	31.12.2012 before appropriation
Share capital	618.6			5.4	1.4	3.4	628.8
Issue premium	21.9			23.2	4.0	9.5	58.6
Paid-in surplus	874.3		(80.9)				793.4
Merger surplus	124.7						124.7
Legal reserve	61.4						61.4
Other reserves	-						-
Retained earnings	114.6	(289.3)					(174.7)
2011 net income	(289.3)	289.3					-
2012 net income	-		26.4				26.4
TOTAL SHARE-HOLDERS' EQUITY	**1,526**	**0**	**(54)**	**29**	**5**	**13**	**1,519**

(1) The Shareholders' General Meeting adopted a resolution proposing to distribute a dividend of €1.30 per share, or a total amount of €80.9 million, in respect of the 2011 financial year.

(2) Capital increase reserved to employees.

(3) Capital increase resulting from the exercise of stock options between 1 January and 30 June 2012.

(4) Capital increase resulting from the exercise of stock options between 1 July and 31 December 2012.

On 18 April 2012, the Company carried out a capital increase reserved to Group employees: 535,013 shares were subscribed at a price of 54.51 euro per share, with the price being set by the Board of Directors, resulting in an increase in share capital of €5.4 million and an increase in issue premium by €23.2 million (net amount after recharge of issuing costs).

On 30 June 2012, the Company carried out a capital increase by €1.4 million and an increase in issue premium by €4 million after stock options were exercised from 1 January to 30 June 2012.

On 31 December 2012, the Company carried out a capital increase by €3.4 million and an increase in issue premium by €9.5 million after stock options were exercised from 1 July to 31 December 2012.

Following the completion of these transactions, Arkema S.A. share capital amounts to €628.8 million divided into 62,877,215 shares.

4. PROVISIONS

Changes in provisions recognized in the Company's balance sheet are set out in the table below:

(In millions of euros)	31/12/2011	Increase	Decrease	31/12/2012
Provisions for pensions and similar benefits	19	10 (1)	(1)	28
Provisions for long service awards	0	0	0	0
Provision for free share grant	9	8 (2)	(5) (3) (2)	12
Provisions for financial risks	122	-	(122) (4)	-
Provisions for other liabilities	1	1 (5)	0	2
Provision for income tax	0	1 (6)	-	1
TOTAL	**151**	**20**	**(128)**	**43**

(1) Of which actuarial gains and losses for €9 million and interest cost and service cost for €1 million (see Section B7 "Accounting policies").
(2) Allowances and reversals recognized in exceptional items.
(3) Reversal corresponding to an effective expense relating to the free share grant under the 2010 plan.
(4) See D-1 "Investments".
(5) Salary tax.
(6) Withholding tax et penalty on Management Fees following a tax audit.

These movements split as follows:

Recognized in operating income	12	(1)
Recognized in financial result	0	(122)
Recognized in exceptional items	8	(5)
TOTAL	**20**	**(128)**

5. CONTINGENT LIABILITIES

In 2009 the Large Companies section of the French tax authorities carried out a tax audit of Arkema S.A.'s salary tax (*taxe sur les salaires*) for the years 2007 and 2008, resulting in notification of a €1.2 million reassessment, as it was considered that all the Company's employees had a cross-functional activity and therefore that their pay should be partially subject to this tax. Following a previous ruling by the Council of State in favour of the tax authorities' position, negotiations covering the whole period 2007-2010 were begun with the tax authorities during their audit of Arkema's financial statements 2008 to 2010. The provision of €1.6 million recognized at 31 December 2012 will cover all costs related to the negotiated settlement.

6. BOND

In this heading are recognized:

- the €500 million bond placed in October 2010 that will mature on 25 October 2017;
- the bond placed in April 2012 maturing on 30 April 2020, then completed by an additional tranche issued in October 2012, which increased its total amount to €480 million.
- the accrued interest costs, for €16.2 million;
- the difference between the issue price and the nominal value relating to the additional tranche placed in October 2012 as a tap to the original bond placed in April 2012, initially recognized for an amount - net of issuing costs - of €13.7 million; after a €0.4 million depreciation over the period, the balance of this difference amounts to €13.3 million at 31 December 2012.

7. CURRENT LIABILITIES

The breakdown of the Company's payables at 31 December 2012 by maturity is as follows:

(In millions of euros)	Gross amount	Of which less than 1 year	Of which 1 to 5 years	Of which more than 5 years
Debt	1,067	87 (1)	500 (2)	480 (2)
Trade payables	8	8 (4)	-	-
Tax and employee-related liabilities	6	6	-	-
Other payables	95 (3)	55	40	-
TOTAL	**1,176**	**156**	**540**	**480**

(1) Of which Arkema France current account €58 million.
(2) Long term bond issued by Arkema S.A. (cf. 6 "Bond", above).
(3) Tax payables owed to subsidiaries in the tax consolidation group.
(4) This amount mostly consists of accruals for invoices not received at year end.

8. TRANSACTIONS WITH RELATED PARTIES INCLUDED IN SOME HEADINGS

(In millions of euros)	
Financial fixed assets	
Investment	1,609
Financial Receivables	992
Receivables	
Trade receivables	11
Other receivables	-
Other receivables	99
Payables	
Financial debt (incl. current accounts)	58
Trade payables	7
Other payables	95
Net sales	
Billing of management fees to subsidiaries	14
Financial expenses	**-**
Interest expense	-
Financial income	
Income from investments	13
Interest income	-
Income from loans and current accounts	29

9. FINANCIAL RESULT

- Arkema S.A. received dividends for a total amount of €13 million from Arkema Amériques SAS in respect of the 2011 net income.
- Interest income corresponds to the remuneration of the amounts made available to Arkema France S.A. in the context of the Group's cash pooling system.

10. INCOME TAXES

In 2012, the application of the French tax consolidation scheme resulted in tax income (negative expense) for Arkema S.A of €36 million. This amount corresponds to the income taxes of the profitable companies.

If there had been no tax consolidation, Arkema S.A would not have borne any tax expense in respect of 2012 because of its tax loss position.

11. DEFERRED TAX POSITION

Temporarily non-deductible expenses amount to €32.1 million (of which 28.3 relating to provisions for pensions and similar benefits) at 31 December 2012, posting an increase by €9.6 million vs. 31 December 2011.

The tax loss of Arkema S.A. as a stand-alone company originating from the period before the adhesion to the tax consolidation scheme amounts to €1 million at 31 December 2012.

The tax loss carry-forward of the tax consolidation group at 31 December 2012 amounts to €1,078 million.

12. STOCK OPTIONS PLANS AND FREE SHARE GRANTS

STOCK OPTIONS

No new stock option plans were adopted by the Board of Directors in 2012.

The main characteristics of the stock option plans granted in previous years and still outstanding at 31 December 2012 are as follows:

	2006 Plan	2007 Plan	2008 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2	Total
Date of Annual General Meeting	10 May 06	10 May 06	10 May 06	15 June 09	15 June 09	15 June 09	15 June 09	
Date of Board of Directors' meeting	04 July 06	14 May 07	13 May 08	10 May 10	10 May 10	4 May 11	4 May 11	
Vesting period	2 years	2 years	2 years	2 years	5 years	2 years	4 years	
Conservation period	4 years	4 years	4 years	4 years	5 years	4 years	4 years	
Period of validity	8 years	8 years	8 years	8 years	8 years	8 years	8 years	
Exercise price	28.36	44.63	36.21	30.47	30.47	68.48	68.48	
Number of options granted	**540,000**	**600,000**	**460,000**	**225,000**	**225,000**	**105,000**	**105,000**	**2,260,000**
to corporate officers: Thierry Le Hénaff	55,000	70,000	52,500	35,000	35,000	29,250	29,250	306,000
to the 10 largest beneficiaries *	181,000	217,000	169,350	104,000	104,000	75,750	75,750	926,850
Total number of options exercised	**480,242**	**375,902**	**179,296**	**28,515**	**-**	**-**	**-**	**1,063,955**
by corporate officers	50,530	24,000	24,000	-	-	-	-	98,530
by the 10 largest beneficiaries *	173,362	158,550	39,350	25,415	-	-	-	396,677
Total number of options cancelled	15,900	22,800	18,877	5,000	5,000	-	-	67,577
NUMBER OF OPTIONS								
In circulation at 1 January 2010	534,850	591,200	454,414	-	-	-	-	1,580,464
Granted	-	-	-	225,000	225,000	-	-	450,000
Cancelled	11,900	12,000	11,992	-	-	-	-	35,892
Exercised	214,397	-	-	-	-	-	-	214,397
In circulation at 31 December 2010	**308,553**	**579,200**	**442,422**	**225,000**	**225,000**	**-**	**-**	**1,780,175**
In circulation at 1 January 2011	308,553	579,200	442,422	225,000	225,000	-	-	1,780,175
Granted	-	-	-	-	-	105,000	105,000	210,000
Cancelled	-	2,000	1,299	5,000	5,000	-	-	13,299
Exercised	187,603	169,100	14,080	-	-	-	-	370,783
In circulation at 31 December 2011	**120,950**	**408,100**	**427,043**	**220,000**	**220,000**	**105,000**	**105,000**	**1,606,093**
In circulation at 1 January 2012	120,950	408,100	427,043	220,000	220,000	105,000	105,000	1,606,093
Granted	-	-	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-	-	-
Exercised	77,092	206,802	165,216	28,515	-	-	-	477,625
In circulation at 31 December 2012	**43,858**	**201,298**	**261,827**	**191,485**	**220,000**	**105,000**	**105,000**	**1,128,468**

* *Employees who are not corporate officers of Arkema SA or any other Group company.*

FREE SHARE GRANT

On 9 May 2012, the Board of Directors decided to put in place three performance share award schemes for the benefit of employees, particularly employees with responsibilities whose exercise influences the Group's results.

In Plan 1, intended for employees of the Group's French companies, the definitive grant of such performance shares will be subject to a vesting period of 2 years, with effect from the Board of Directors' grant, and subject to compliance with performance criteria expressed in terms of both ARKEMA's EBITDA for 2012, and the average EBITDA margin in 2012 and 2013 compared to the average margin of a panel of other chemicals producers over the same period.

In Plan 2, intended for certain Group employees, the definitive grant of such performance shares will be subject to a vesting period of 3 years, with effect from the Board of Directors' grant, and subject to compliance with the same performance criteria.

In Plan 3, intended for Group company employees outside France, the definitive grant of such performance shares will be subject to a vesting period of 4 years, with effect from the Board of Directors' grant, and subject to compliance with the same performance criteria as in Plans 1 and 2.

The main characteristics of the free share grant plans in force at 31 December 2012 are as follows:

	2010 Plan 1	**2010 Plan 2**	**2011 Plan 1**	**2011 Plan 2**	**2011 Plan 3**	**2012 Plan 1**	**2012 Plan 2**	**2012 Plan 3**	**Total (4)**
Date of Annual General Meeting	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	
Date of Board of Directors' meeting	10 May 10	10 May 10	4 May 11	4 May 11	4 May 11	9 May 12	9 May 12	9 May 12	
Vesting period	2 years	4 years	2 years	3 years	4 years	2 years	3 years	4 years	
Conservation period	2 years	-	2 years	2 years	-	2 years	2 years	-	
Performance condition	Yes (2)	Yes (2)	Yes (3)	Yes (3)	Yes (3)	Yes (3)	Yes (3)	Yes (3)	
Number of free shares granted	**153,705**	**50,795**	**88,305**	**59,380**	**52,315**	**101,860**	**74,805**	**65,335**	
to corporate officers: Thierry Le Hénaff	18,800	-	8,200	8,200	-	13,000	13,000	-	
to the 10 largest beneficiaries (1)	54,700	8,100	24,450	24,450	14,850	36,100	36,100	16,400	
NUMBER OF FREE SHARES									
In circulation at 1 January 2010	-	-	-	-	-	-	-	-	310,400
Granted	153,705	50,795	-	-	-	-	-	-	204,500
Cancelled	-	638	-	-	-	-	-	-	135,561
Definitively granted	-	-	-	-	-	-	-	-	42,127
In circulation at 31 December 2010	**153,705**	**50,157**	**-**	**-**	**-**	**-**	**-**	**-**	**337,212**
In circulation at 1 January 2011	153,705	50,157	-	-	-	-	-	-	337,212
Granted	-	-	88,305	59,380	52,315	-	-	-	200,000
Cancelled	3,690	1,000	455	455	125	-	-	-	6,875
Definitively granted	-	-	-	-	-	-	-	-	132,200
In circulation at 31 December 2011	**150,015**	**49,157**	**87,850**	**58,925**	**52,190**	**-**	**-**	**-**	**398,137**
In circulation at 1 January 2012	150,015	49,157	87,850	58,925	52,190	-	-	-	398,137
Granted	-	-	-	-	-	101,860	74,805	65,335	242,000
Cancelled	180	1,434	590	-	1,195	125	-	590	4,114
Definitively granted	149,835	-	100	100	-	-	-	-	150,035
In circulation at 31 December 2012	**0**	**47,723**	**87,160**	**58,825**	**50,995**	**101,735**	**74,805**	**64,745**	**485,988**

(1) Employees who are not corporate officers of Arkema SA or any other Group company.
(2) Performance conditions do not apply to beneficiaries of less than 100 shares.
(3) Performance conditions apply only to the portion of rights in excess of 80 held under all plans, except for COMEX members, all of whose rights will be subject to performance criteria.
(4) The total includes plans dating from before 2010.

The delivery of performance shares relating to 2010 and 2011 plans is carried out trough acquisition of existing shares. The definitive grant of the shares relating to the 2010-1 plan was fulfilled in May 2012.

EXPENSE IN THE FINANCIAL YEAR IN RESPECT OF THE 2010 TO 2012 PLANS

The delivery of shares in respect of the 2010-1 plan led to recognition in the 2012 exceptional items of a net expense of €1.5 million (€7.3 million expense compensated for by a €5.8 million reversal of provision).

At 31 December 2012 the provision relating to the 2010-2 plan was increased by €0.8 million to €1.8 million and the provision relating to the 2011 plan was increased by €4.2 million to €6.3 million.

Furthermore, a new provision was recorded in respect of the 2012 plan for an amount of €3.3 million.

13. OFF-BALANCE SHEET COMMITMENTS

The information set out below concerns Arkema S.A. or certain of its subsidiaries, and is disclosed on account of Arkema S.A.'s holding company status.

13.1 COMMITMENTS GIVEN

On 26 July 2011, Arkema S.A. and Arkema France have signed a multi-currency syndicated credit facility in the amount of €700 million, with a duration of five years, maturing on 26 July 2016. This credit facility is intended to finance the Group's general requirements and includes an early repayment clause in the event of certain situations including a change in control of the Arkema Group. It includes:

(i) standard undertakings and commitments for this type of financing

(ii) a financial undertaking in which ARKEMA undertakes to maintain a ratio of consolidated net debt to consolidated EBITDA (tested twice a year) of less than 3; this may be raised to 3.5 in the event of acquisition(s) of assets or securities, capital increase(s) or investment(s) in joint ventures, for a maximum of two non-consecutive test dates.

At 31 December 2012 this credit facility was not in use.

13.2 Commitments received

Commitments received from Total in 2006

In connection with the Spin-Off of Arkema's Businesses, Total S.A. and certain Total companies have extended certain indemnities, or have assumed certain obligations, for the benefit of ARKEMA, relating to (i) certain antitrust litigation, (ii) certain tax matters, and (iii) the Spin-Off of Arkema's Businesses. These indemnities and obligations are described below.

13.2.1 The Indemnities extended by Total in respect of certain antitrust litigation

In order to cover potential risks in connection with antitrust litigation relating to anti-competitive agreements in Europe and the United States of America and arising from facts prior to 18 May 2006 (or prior to 7 March 2006, as the case may be), Total S.A. has extended to Arkema S.A. the indemnities, the principal terms of which can be described as follows:

Subject-matter of the Indemnities

By an agreement dated 15 March 2006 (the "***Arkema European Indemnity***"), Total S.A. agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to a money judgment imposed by EU antitrust authorities, or by national antitrust authorities of a Member State of the European Union, for violations of antitrust laws relating to anticompetitive agreements, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries).

By an agreement dated 15 March 2006 (the "***Arkema U.S. Indemnity***"), Total S.A. also agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of a settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries).

In connection with the sale of Arkema Delaware, Inc. shares by Elf Aquitaine, Inc. to Arkema Amériques SAS, Elf Aquitaine, Inc. agreed, in the agreement dated 7 March 2006 (the "***Arkema Delaware Indemnity***"), to indemnify Arkema Amériques SAS for 90% of (i) any payment due by Arkema Amériques SAS or any of its subsidiaries pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations occurring prior to 7 March 2006 of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of the settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema Amériques SAS or any of its subsidiaries pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred by Arkema Amériques SAS or any of its subsidiaries in connection with such proceedings.

Arkema Amériques SAS has benefited from an indemnification of US$19.3 million under the Arkema Delaware Indemnity. At 31 December 2011, the residual amount covered by this indemnity amounts to US$874 million.

Finally, Total S.A. extended to Arkema S.A. a supplemental indemnity dated 15 March 2006 (the "***Supplemental Arkema Delaware Indemnity***") covering 90% of sums payable by Arkema Amériques SAS or any of its subsidiaries in respect of litigation relating to anticompetitive agreements in the United States in excess of the maximum amount covered by the Arkema Delaware Indemnity.

The Arkema European Indemnity, the Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are hereinafter referred to together as the ***Indemnities*** and individually as an ***Indemnity***.

Liabilities not covered by the Indemnities

The following liabilities are not covered by the Indemnities:

- liabilities arising from facts occurring after 18 May 2006 in the case of the Arkema European Indemnity and the Arkema U.S. Indemnity, or after 7 March 2006 in the case of the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity (including, in case of liabilities arising from facts occurring both before and after the relevant date, the portion of the liability relating to the period after 18 May 2006 or after 7 March 2006, as the case may be);
- liabilities arising from violations of antitrust laws other than those prohibiting anticompetitive agreements; and
- liabilities imposed by authorities outside the European Union (in the case of the Arkema European Indemnity) or the United States (in the case of the other Indemnities).

Participation of Total in the management of litigation covered by the Indemnities

The Indemnities provide for the participation by Total S.A. or Elf Aquitaine, Inc., as the case may be, in the management of litigation covered by the Indemnities, which involves a certain number of obligations on the part of Arkema S.A. and Arkema Amériques SAS, in particular the obligation to notify Total S.A. or Elf Aquitaine, Inc., as the case may be, of certain events occurring in the context of proceedings covered by the Indemnities and act in accordance with the advice and instructions of Total S.A. or Elf Aquitaine, Inc, as the case may be, relating to such proceedings. Total S.A. and Elf Aquitaine, Inc., as the case may be, also have the right to assume sole control of the defense of the Group entity in question. Failure by Arkema S.A. or Arkema Amériques SAS to comply with these obligations can result, in certain circumstances, in the automatic termination of the Indemnity, as described below.

Amount of the indemnification

The Arkema European Indemnity, whose deductible of €176.5 million has been exceeded, gave rise to indemnification of €126 million being received from Total SA (paid directly to Arkema France S.A., the indemnities granted by Total also benefitting the subsidiaries). The Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity do not have a deductible.

Cross-indemnity of Arkema S.A.

Arkema S.A. has agreed to indemnify Total S.A. in respect of any liability covered by the Indemnities but which is borne, not by a Group entity but by Total S.A. or one of its subsidiaries due to facts attributable to a Group company, whether the liability of Total S.A. or of its subsidiaries is determined to be direct or derivative, exclusive or joint and several, relative to the liability of the Group entity to which the facts are attributable.

However, this cross-indemnity by Arkema S.A. will be reduced by the indemnity which would have been paid by Total S.A. under the relevant Indemnity if the liability had been borne by a Group company. Consequently, if the cross-indemnity of Arkema S.A. is triggered, Arkema S.A. would only be obligated to indemnify Total S.A. for 10% of the liabilities borne by Total S.A. or one of its subsidiaries (in the case of the Arkema European Indemnity, this 10% relates to the amount, if any, that exceed the deductible).

Term of the indemnities

The Arkema European Indemnity and the Arkema U.S. Indemnity are valid for a term of 10 years from 18 May 2006. The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are valid for a term of 10 years from 7 March 2006.

The Arkema S.A. cross-indemnity is valid for a term of 10 years from 18 May 2006.

Termination of the Indemnities

Indemnities shall terminate in the event that a natural person or legal entity, acting alone or in concert with others, acquires, directly or indirectly, more than one third of the voting rights of Arkema S.A. (voting rights are subject to a ceiling of 10%— and 20% in the case of double voting rights— unless a purchaser acquires at least two thirds of the Total number of Arkema S.A. shares in a public transaction targeting all Arkema S.A. shares) or if the Group transfers, directly or indirectly, in one or several times, to the same third party or to several third parties acting in concert, assets representing more than 50% of the Group's "enterprise value" (as defined in the Indemnities) at the time of the relevant transfer.

The Arkema European Indemnity and the Arkema U.S. Indemnity will terminate if Arkema S.A. loses control of Arkema France S.A.

The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity will terminate if Arkema S.A. loses control of Arkema Amériques SAS, or if Arkema Amériques SAS loses control of Arkema Delaware Inc.

Finally, the Indemnities will terminate in the event of a material breach by the Group of its obligations under the relevant Indemnity if such breach has remained uncured for 30 days after notice by the indemnifying party demanding its cure.

The Indemnities provide that, upon the occurrence of a termination event, the only liabilities of Group companies that will remain covered by the Indemnities are those, if any, which (i) fell due prior to the termination event and (ii) were notified to Total S.A. or to Elf Aquitaine, Inc., as the case may be, prior to the termination event.

13.2.2 Tax indemnity granted by Total S.A

In order to cover potential tax risks related to the business activities transferred by the Group to TOTAL or from the reorganization in connection with the Spin-Off of Arkema's Businesses, Total S.A. has granted an indemnity to Arkema S.A., the main terms of which can be described as follows.

Purpose of the tax indemnity

Under the terms of an agreement dated 15 March 2006 (the *Tax Indemnity*), Total S.A. has undertaken to indemnify Arkema S.A. for (i) liabilities arising from any tax, customs or levies not covered by provisions, for which the Group would remain liable, when such liabilities arise from (x) activities in the petrochemicals and specialties sectors that were transferred by the Group to Total and the triggering event of which occurred prior to the date of such transfer; or (y) the reorganization undertaken for the purpose of spinning off Arkema's Businesses from Total's Chemicals sector, including, in particular, the Elf Spin-Off, the Total Spin-Off, the Merger and certain prior securities reclassification transactions; (ii) interest, fines, penalties, additional charges or other costs related thereto; and (iii) provided that Total S.A. has given its prior consent, the expenses incurred by Arkema S.A. or the relevant Group company in connection with such liabilities.

The Tax Indemnity, however, does not cover tax reassessments in connection with Arkema's Businesses and is subject to the terms described hereafter.

Involvement of Total S.A. in the management of litigation covered by the Tax Indemnity

The Tax Indemnity provides for a procedure pursuant to which Arkema S.A. must involve Total S.A. in the management of the tax audits or litigation relating to the tax liabilities covered by the Tax Indemnity. In particular, this procedure entails the obligation to notify Total S.A. of any event that is likely to give rise to a liability covered by the Tax Indemnity and to comply with the advice and instructions of Total S.A. in defending the interests of the relevant Group company. In the event of unresolved disagreements on the strategy, means, method or type of such defence, the final decision will be taken by Total S.A. Arkema's failure to comply with its obligations may result in automatic termination of the Tax Indemnity.

Amount of the indemnity

The Tax Indemnity includes no deductible, trigger threshold or cap.

In the event that a liability cannot be clearly connected to the petrochemicals and specialties sector transferred by the Group to Total in relation to Arkema's Businesses, Arkema S.A. and Total S.A. will each bear 50% of the said liability.

Special provisions applying to Group companies that were included in the Total S.A. French tax group ("groupe d'intégration fiscale de Total S.A.").

The tax sharing agreements ("*conventions d'intégration fiscale*") between Total S.A. and the Group companies that were included in the Total S.A. French tax group provide that these companies will be required to pay to Total S.A. any additional taxes and penalties that may be due by Total S.A., as the head company of the tax group, where they relate to the taxable income of such companies during the time they were included in the tax group.

However, these companies will be exempt from such payments to Total S.A. with respect to tax liabilities relating to their taxable income for fiscal years during which they were included in the Total S.A. tax group, if such liabilities are covered by the Tax Indemnity. In exchange, these companies waive the indemnity to which they would have been entitled pursuant to the Tax Indemnity.

Furthermore, in the event of a tax reassessment of a Group company relating to Arkema's Businesses (which are not covered by the Tax Indemnity) for a fiscal year during which such company was included in the Total S.A. tax group, such company shall be liable to pay Total S.A. a contribution calculated on the basis of the net amount of the reassessment after the following allowances:

- if, following this reassessment, the Group company has realized a profit in respect of the fiscal year to which the reassessment applies, a deductible of €3 million per company and per fiscal year;
- if, following this reassessment, the Group company has realized a loss in respect of the fiscal year to which the reassessment applies, an allowance equal to the amount of the losses generated by such company with respect to Arkema's Businesses, as determined by Arkema S.A. and Total S.A.

Payment of the indemnity

The liabilities covered by the Tax Indemnity will give rise to an indemnification payment only if they are definitely determined by an enforceable decision that is not subject to appeal.

Duration of the Tax Indemnity

The Tax Indemnity shall expire at the end of two months following the statute of limitations effectively applicable to the tax liabilities covered by the Tax Indemnity.

Beneficiary of the Tax Indemnity

The Tax Indemnity is only for the benefit of Arkema S.A. or, as the case may be, Arkema France, if Arkema S.A. is merged into Arkema France.

13.2.3 Other indemnities given in the context of the Spin-Off of Arkema's Businesses

As part of the Total Spin-Off Agreement, Total S.A. and Arkema S.A. made certain representations and warranties, some of them in connection with the separation of ARKEMA from Total.

The agreement states that Total S.A. grants no indemnities, other than the indemnities and agreements entered into by the Total entities that are described in this paragraph, particularly with respect to the assets and the business activities of all ARKEMA entities, or the liabilities or obligations associated with such entities or activities, which ARKEMA declares that it is aware of and for which Arkema S.A. shall be responsible, including in the case of the appearance of any item that is not known as of the date of the Total Spin-Off Agreement, or of an increase in the amount of the aforesaid liabilities or obligations. ARKEMA releases Total S.A. from any such claim, except in the case of New Claims as defined below.

Representations and warranties relating to information exchanged in preparing the Spin-off of Arkema's Businesses

Total S.A. and ARKEMA have made mutual representations and warranties with respect to the accuracy and completeness of the information exchanged by the two companies in preparing the Spin-Off of ARKEMA's Businesses.

Representations and warranties relating to potential claims

After conducting all necessary and customary due diligence, Arkema S.A. has declared, recognized and warranted that, to its knowledge and to the knowledge of the ARKEMA entities, as of the date of the Total Spin-Off Agreement, there were no grounds for claims, actions or complaints by any ARKEMA entity or by any one of its de facto or de jure Directors, corporate officers or executives against any Total entity or any one of its de facto or de jure employees, Directors, corporate officers or executives (a *Total Entity*). The claims, actions or complaints mentioned above are hereinafter referred to as the *ARKEMA Claim(s)*.

Consequently, Arkema S.A. has undertaken to indemnify Total S.A. and hold it harmless for the consequences of any ARKEMA Claim against any Total Entity.

Arkema S.A. has waived all ARKEMA Claims other than New Claims, as defined below.

ARKEMA's indemnity and the waiver mentioned in the two preceding paragraphs do not apply to any potential ARKEMA Claim that would be based on (i) events attributable to a Total Entity or (ii) grounds of which no ARKEMA entity has any knowledge as of the date of the Total Spin-Off agreement, after completing the necessary and customary due diligences, but only if and insofar as such events or grounds do not relate solely to the fact that the ARKEMA companies belonged to Total prior to 18 May 2006, or relate solely to the exercise of corporate offices or management functions by Total Entities within ARKEMA (the *New Claim(s)*).

At the same time, Total S.A. has declared, recognized and warranted that to its knowledge and to the knowledge of the Total entities, as of the date of the Total Spin-Off agreement, there were no grounds for claims, actions or complaints by any Total entity or by any one of its de facto or de jure Directors, corporate officers or executives against any ARKEMA entity or any one of its de facto or de jure employees, Directors, corporate officers or executives (the *ARKEMA Entity(ies)*), arising from the ownership or operation by Arkema entities of the companies or businesses acquired by Total before 18 May 2006 (the *Total Claim(s)*).

Total S.A. has declared, recognized and warranted that it had no Total Claim(s) arising from the exercise of corporate offices or functions by ARKEMA Entities within Total, and has waived all Total Claims on its part.

Consequently, Total S.A. has agreed to indemnify and hold harmless Arkema S.A. for the consequences of any Total Claim against any ARKEMA Entity.

Duration of the indemnities

No indemnity given in the Total Spin-Off agreement will survive after 10 years from 18 May 2006.

With the exception of the obligations or indemnities described in this section, Total has not given to ARKEMA other material commitments or indemnities of the kind referred to in the first paragraph of this section "Commitments received from Total in 2006".

14. EMPLOYEES

The average number of employees by category of personnel is as follows:

Engineers and managerial:	8
Supervisors and technicians	0
Total	**8**

15. TRANSACTIONS WITH RELATED PARTIES

The compensation of Directors and members of its Executive Committee (COMEX) recognized in expenses by Arkema S.A. is as follows:

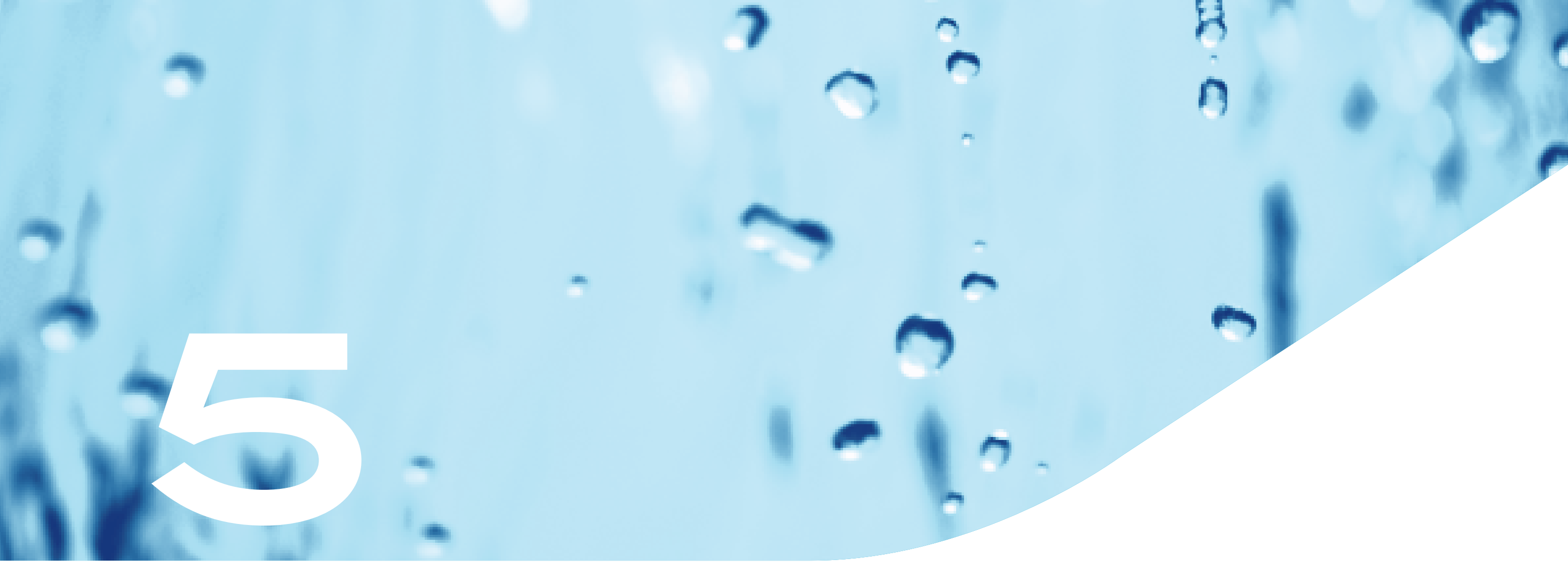
(in millions of euros)	2012	2011
Salaries and other short-term benefits	5.3	5.1
Pensions, other post-employment benefits and contract termination benefits *	1.6	1.3
Pensions, other post-employment benefits and contract termination benefits	-	-
Share-based payments	4.0	2.0

* *Excluded actuarial gains or losses.*

Other transactions with related parties involve subsidiaries directly or indirectly wholly owned by Arkema S.A. and do not fell within the scope of the Article 1 of the Regulation n° 2010-02 of 2 September 2010 of the French National Accounting Authority (*Autorité des Normes Comptables*, formerly *Conseil National de la Comptabilité*).

4.4.4 RESULTS OF THE COMPANY IN THE LAST 5 YEARS (ARTICLES R. 225-81, R. 225-83 AND R. 225-102 OF THE FRENCH COMMERCIAL CODE)

Type of disclosures In millions of euros (unless otherwise indicated))	**2008**	**2009**	**2010**	**2011**	**2012**
I - Financial position at year end					
a) Share capital	605	605	615	619	629
b) Number of shares issued	60,454,973	60,454,973	61,493,794	61,864,577	62,877,215
II - Operations and results					
a) Sales (excluding VAT)	7	8	10	12	14
b) Income before tax, depreciation, impairment and provisions	69	224	8	5	2
c) Income taxes	30	48	40	31	36
d) Employee legal profit sharing	-	-	-	-	-
e) Income after tax, depreciation impairment and provisions	94	20	42	(289)	26
f) Amount of dividends distributed	36	37	61	81	NC
III - Earnings per share (in euros)					
a) Income after tax but before depreciation, impairment and provisions	1.63	4.49	0.78	0.58	0.61
b) Income after tax, depreciation, impairment and provisions	1.55	0.33	0.68	(4,68)	0.42
c) Net dividend per share	0.60	0.60	1.00	1.30	NC
IV - Employee data					
a) Number of employees	8	8	8	8	7
b) Total payroll	5	3	5	5	7
c) Amounts paid to employee benefit bodies in the year	2	1	2	2	3



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5.1 LEGAL PRESENTATION OF THE GROUP

5.1.1 INFORMATION ABOUT THE COMPANY

The origins of the Company are rooted in the history of the chemical activities of the Elf Aquitaine and Total groups. ARKEMA was established in October 2004 from the Total group's Chemical branch to bring together Vinyl Products, Industrial Chemicals and Performance Products segments. On 18 May 2006, the Company's stock market listing marked ARKEMA's independence.

Since 2006, a number of major operations have enabled ARKEMA to strengthen its portfolio of businesses and to refocus its business on specialty chemicals activities:

- acquisition in October 2007 of Coatex, a producer of rheology additives;
- acquisition in January 2010 of certain assets from The Dow Chemical Company in acrylics and emulsions in North America;
- acquisition in July 2011 of coating resins (Cray Valley and Cook Composites and Polymers) as well as Total's photocure resins (Sartomer);
- acquisition in February 2012 of Chinese companies Suzhou Hipro Polymers Co. Ltd. and Hebei Casda Biomaterials Co. Ltd. in specialty polyamides;
- divestment in July 2012 of vinyl activities.

Arkema is a French *société anonyme* with a share capital of €628,772,150 and its registered office at 420 rue d'Estienne d'Orves, 92700 Colombes (telephone: + 33 1 49 00 80 80). It is governed by French law and therefore by the legislative and regulatory provisions of the French Commercial Code (*Code de commerce*).

The Company is registered with the Nanterre Trade and Companies Registry (*Registre du commerce et des sociétés*) under registration number 445 074 685. Its SIRET number is 445 074 685 00030. Its NAF code is 2016 Z.

The Company was incorporated on 31 January 2003 for a fixed period of 99 years from its date of registration at the Trade and Companies Registry, until 31 January 2102, unless the term is extended or the Company is wound up earlier.

The Company's corporate purpose (article 3 of its Articles of Association), directly or indirectly, in any country is:

- to carry out all operations directly or indirectly relating to research, production, processing, distribution and marketing of all chemical and plastic products and their derivatives, by-products thereof and of all parachemical products;
- to acquire, hold and manage all securities, negotiable or otherwise, in French and foreign companies, through newly-created companies, contributions, limited partnerships, or by subscribing for or purchasing securities or corporate rights, or through mergers, combinations, joint venture companies or by obtaining the use of any property or rights under a lease, lease-management agreement or by dation, or otherwise; and
- more generally, to enter into all financial, commercial, industrial, real or personal property transactions that may be directly or indirectly related to any of the objects referred to above or to any other similar or connected objects, and designed to promote the Company's purpose, expansion or development.

The Company's Articles of Association, minutes of general meetings, auditors reports and other company documents may be consulted at the registered office, 420 rue d'Estienne d'Orves, 92700 Colombes, at the Group's Legal Affairs Division. Furthermore, historical financial information, regulated information, reference documents, annual and sustainable development reports and others are available on the Company's website: www.arkema.com.

5.1.2 SUBSIDIARIES AND INVESTMENTS OF THE COMPANY

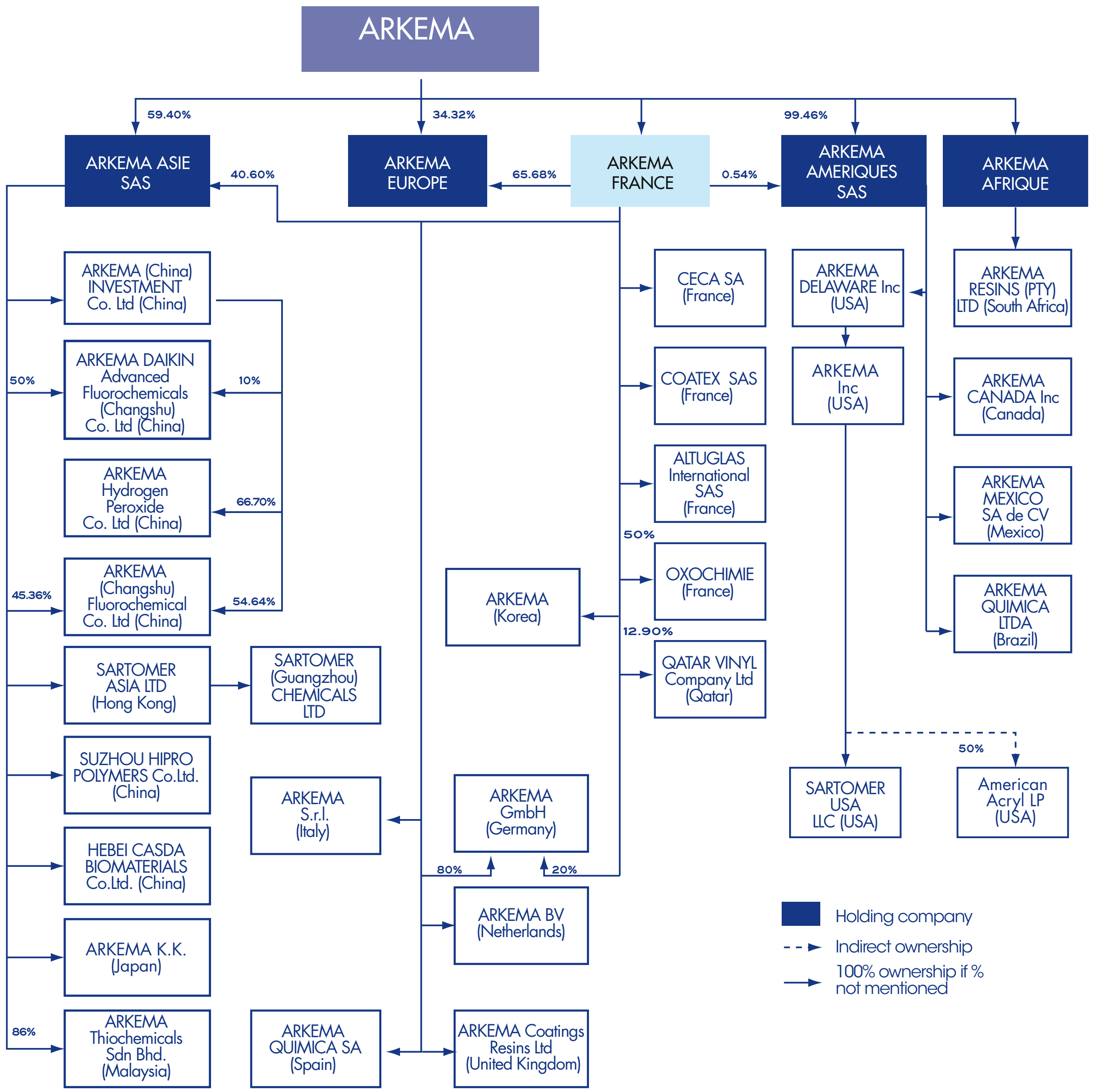
Arkema is the Group's ultimate parent company. It is also the head of the French tax group put in place between companies subject to French corporation tax.

The Company is a holding company that does not have its own operational or industrial activity.

The Company indirectly holds, via French sub-holding companies, including Arkema France, French and foreign subsidiaries of the Group, within the various geographic regions (France, America, Africa, Asia, Europe).

Arkema France is both a holding and an operating company and holds in particular all operational French companies of the Group.

As at the date of this reference document, the Company's main direct and indirect subsidiaries are shown in the following simplified organisational chart.



The following companies were acquired by the Group in 2012:

- Hebei Casda Biomaterials Co. Ltd., on 1 February 2012;
- Suzhou Hipro Polymers Co. Ltd., on 1 February 2012; and
- Coatex Latin America Industria e Comercio Ltda (formerly Albercryl Industria e Comercio Ltda), on 1st October 2012, which absorbed Coatex Latin America Comercio de Produtos Quimicos Ltda through a merger on 31 October 2012.

A comprehensive list of all of the Group's consolidated subsidiaries and their geographic location are given in note D to the consolidated financial statements in chapter 4 of this reference document.

Detailed information on the Company's main subsidiaries is also given in paragraph 4.4.2 of this reference document.

For further information on the Group's economic organisation, see chapter 1 of this reference document. The results of each business segment are presented in chapter 4 of this reference document.

5.1.3 RELATED PARTY TRANSACTIONS

The Group's ultimate parent company being a pure holding company, Arkema has few relations with its subsidiaries, except for the existence of administrative service contracts that are not material and are concluded under common conditions comparable to those prevailing in similar transactions with third parties.

Some of the Group's non-consolidated companies sell products or provide services to companies consolidated by the Group. In addition, certain consolidated Group companies sell products or provide services to certain non-consolidated companies.

These transactions, taken separately or together, are not material. They were entered into under ordinary conditions comparable to those applicable to similar transactions with third parties.

A description of related party transactions is provided in note 27 to the consolidated financial statements in paragraph 4.3.3 of this reference document and in the statutory auditors' special report on regulated agreements and commitments which is included in chapter 6 of this reference document.

5.2 SHARE CAPITAL

5.2.1 AMOUNT OF SHARE CAPITAL

At 31 December 2012, the Company's share capital was €628,772,150 divided into 62,877,215 fully paid-up shares of a single category, with a nominal value of €10 per share, against 61,864,577 shares at 1st January 2012 (214,080 of which are treasury shares).

In 2012, the number of shares increased by 1,012,638 shares: 535,013 shares subscribed as part of a share capital increase operation reserved for employees within the framework of the Group Savings Plan, and 477,625 shares through the exercise of the same amount of stock options.

5.2.2 HISTORY OF THE COMPANY'S SHARE CAPITAL OVER THE PAST THREE YEARS

Date	Amount of capital	Number of shares	Nature of operation
31 December 2009	€604,549,730	60,454,973	
15 April 2010	€612,793,970	61,279,397	Increase in capital reserved for employees: increase in capital by €8,244,240, combined with a share premium of €8,763,627.12, with the issue of 824,424 shares
31 December 2010	€614,937,940	61,493,794	Exercise of stock options: recording of share capital increase of €2,143,970, combined with a share premium of €3,936,328.92, with the issue of 214,397 shares
30 June 2011	€618,438,270	61,843,827	Exercise of stock options: recording of share capital increase of €3,500,330, combined with a share premium of €9,041,086.88, with the issue of 350,033 shares
31 December 2011	€618,645,770	61,864,577	Exercise of stock options: recording of share capital increase of €207,500, combined with a share premium of €628,274, with the issue of 20,750 shares
18 April 2012	€623,995,900	62,399,590	Increase in capital reserved for employees: increase in capital by €5,350,130, combined with a share premium of €23,813,428.63, with the issue of 535,013 new shares each with a €10 nominal value
30 June 2012	€625,388,180	62,538,818	Exercise of stock options: recording of share capital increase of €1,392,280, combined with a share premium of €4,004,504.62, with the issue of 139,228 shares

5.2.3 PLEDGES, GUARANTEES, SECURITIES

At 31 December 2012, existing pledges on the Company's pure registered shares and administered registered shares respectively concerned 422 shares held by 8 shareholders, and 2,485 shares held by 4 shareholders, namely less than 0.01% of the share capital.

The Company has no knowledge of pledges concerning the other shares constituting its share capital.

The shares held by the Company in its subsidiaries are not subject to pledges.

5.2.4 TREASURY SHARES

At 31 December 2012, the Company directly held 314,034 treasury shares.

This section presents (i) a review of the share buy-back program authorized in 2012, and (ii) the information that must be given in the description of the share buy-back program in accordance with article 241-2 of the *Autorité des marchés financiers* general regulation (*Réglement général*) as well as information required under article L. 225-211 of the *Code de commerce*.

REVIEW OF SHARE BUY-BACK PROGRAM AUTHORIZED ON 23 MAY 2012 (2012 SHARE BUY-BACK PROGRAM)

The annual general meeting of 23 May 2012 authorized the Board of Directors to implement a share buy-back program capped at 10% of the share capital and subject to a maximum purchase price per share of €95. This authorization, which supersedes for its unused portion, the authorization granted by the annual general meeting of 24 May 2011, was granted for an 18-month period and is therefore still in force.

The maximum amount of funds allocated to the implementation of the buy-back program may not exceed €100 million.

Under this 2012 share buy-back program, these shares may be purchased for any purpose permitted by law, notably the following:

- to implement market practices permitted by the *Autorité des Marchés Financiers* such as (i) purchasing shares of the Company to keep and subsequently tender as consideration for possible external growth operations, acquisitions, mergers, spin-offs or asset contributions up to a maximum of 5% of the share capital at the time of the transaction, or (ii) purchasing or selling shares under a liquidity agreement that complies with the Code of Conduct approved by the *Autorité des marchés financiers*, entered into with an investment services provider, and (iii) any market practice that might in the future be permitted by the *Autorité des marchés financiers*, or by law;
- to implement and honour obligations and more particularly to allot the shares upon the exercise of rights attached to securities giving immediate or future access to the share capital by whatever means, and to cover the Company's (or one of its subsidiaries') existing obligations in connection with such securities, under the conditions permitted by the market authorities and at the times the Board of Directors or its delegated representative deems appropriate;
- to cover stock option plans granted to employees or executive officers of the Company or its Group;
- to grant free shares to employees or executive officers of the Company or its Group under the conditions set out in articles L. 225-197-1 *et seq.* of *the Code de commerce;*
- to propose to employees to purchase shares, directly or through a company savings plan, under the conditions set out by law and particularly articles L.3332-1 *et seq.* of the French Labour Code;
- to cancel shares in order to reduce the Company's share capital.

The Board of Directors of 7 March 2012 decided to implement the share buy-back program subject to authorization by the combined general meeting of 23 May 2012.

OPERATIONS COMPLETED AS PART OF THE 2012 SHARE BUY-BACK PROGRAM

As at 23 May 2012, when the annual general meeting approved the 2012 share buy-back program, the Company held, directly or indirectly, 164,045 treasury shares.

The following tables give a summary of the operations carried out as part of the 2012 share buy-back program:

Summary statement as at 31 January 2013

Number of shares comprising the Company's capital at 23 May 2012	62,514,149
Treasury shares held directly or indirectly at 23 May 2012	164,045
Number of shares purchased between 23 May 2012 and 31 January 2013	150,000
Weighted average gross price of shares purchased *(in euros)*	49.73
Number of treasury shares at 31 January 2013	314,034
Number of shares cancelled in the last 24 months	None
Accounting value of portfolio *(in euros)*	16,427,328.65
Market value of portfolio *(in euros)* based on closing price at 31 January 2013, i.e. €84	26,378,856

The number of shares registered in the name of the Company at 31 December 2012 was 314,034. Taking a purchase price of €49.73, the value of the treasury share portfolio at 31 December 2012 was €15,617,963.

	Aggregate gross movements		Open positions at 31 January 2013	
Summary of transactions carried out through the program between 23 May 2012 and 31 January 2013	**Purchases**	**Sales/Transfers**	**Open buying positions**	**Open selling positions**
Number of shares	150,000	11 (1)	-	-
Average price of transaction *(in euros)*	49.73	N/A	-	-
Amounts *(in euros)*	7,460,002	N/A	-	-

(1) In August 2012, 11 free shares, allocated as part of the share capital increase operation reserved for employees conducted in April 2012, were released early and deducted from the Company's treasury shares account.

BREAKDOWN OF THE COMPANY'S TREASURY SHARES BY OBJECTIVES

As at 31 January 2013, the Company's 314,034 treasury shares were allocated for the purpose of covering the Company's plans to grant free shares to its employees and executive officers and those of its affiliated companies.

SHARE BUY-BACK PROGRAM RECOMMENDED TO THE ANNUAL GENERAL MEETING OF 4 JUNE 2013 (2013 SHARE BUY-BACK PROGRAM)

The Company's Board of Directors wishes the Company to further have at its disposal a share buy-back program.

To this end, the Board of Directors will recommend to the combined general meeting of 4 June 2013 the cancellation of the 11th resolution voted by the combined general meeting of 23 May 2012, for its unused portion, and the authorization for implementation of a new share buy-back program in accordance with the provisions of European Council Regulation n° 2273/2003 dated 22 December 2003 pertaining to the terms of application of European Directive n° 2003/6/EC dated 28 January 2003.

In accordance with article 241-2 of the *Autorité des marchés financiers* general regulation, the following paragraphs give a description of the share buy-back program to be subject to the authorization of the Company's next general meeting as above.

Objectives of the 2013 Share Buy-back Program

As part of the 2013 Share Buy-back Program that will be recommended to the combined general meeting of 4 June 2013, the Company is considering repurchasing own shares or having own shares repurchased for any purpose permitted by law either now or in the future, and notably for the following purposes:

- to implement market practices permitted by the *Autorité des Marchés Financiers* such as (i) purchasing shares in the Company to keep and subsequently tender as consideration for possible external growth operations, acquisitions, mergers, spin-offs or asset contributions up to a maximum of 5% of the share capital at the time of the transaction, or (ii) purchasing or selling shares under a liquidity agreement that complies with the Code of Conduct approved by the *Autorité des marchés financiers*, entered into with an investment services provider, and (iii) any market practice that might in the future be permitted by the *Autorité des marchés financiers* or by law;
- to implement and honour obligations and more particularly to grant the shares upon the exercise of rights attached to securities giving immediate or future access to the share capital by whatever means, and to cover the Company's (or one of its subsidiaries') existing obligations in connection with such securities, under the conditions permitted by the market authorities and at the times the Board of Directors or its delegated representative deems appropriate;
- to cover stock option plans granted to employees or executive officers of the Company or its Group;
- to grant free shares to employees or executive officers of the Company or its Group in particular under the conditions set out in articles L. 225-197-1 *et seq.* of the *Code de commerce*;
- to propose to employees to purchase shares, directly or through a company savings plan, under the conditions set out by law and particularly articles L. 3332-1 *et seq.* of the French Labour Code; and
- to reduce the Company's share capital.

As the authorization granted to the Board of Directors by the annual general meeting of 24 May 2011 with a view to cancelling the repurchased securities expires on 24 May 2013, the combined general meeting of 4 June 2013 will be asked to renew this authorization for a twenty-four month period.

Maximum proportion of share capital to be repurchased and maximum number of shares that may be acquired under the 2013 Share Buy-back Program

The maximum proportion of share capital to be repurchased under the 2013 Share Buy-back Program shall be 10% of the total number of shares comprising the Company's share capital (as an indication, at 31 January 2013, the total number of shares comprising the share capital was 62,900,640).

In accordance with article L. 225-210 of the French Commercial Code, the number of shares that the Company may hold at any time may not exceed 10% of the shares comprising the Company's share capital on the date in question.

The securities that the Company is considering acquiring are shares.

Maximum unit purchase price authorized

The maximum purchase price would be €110 per share, it being specified that this purchase price may be adjusted to take account of the impact on the share price of transactions such as a capitalization of share premiums, reserves or earnings giving rise either to an increase in the par value of the shares or to the issuance and distribution of shares for no consideration, a stock split or reverse stock split, or any other transaction affecting the share capital.

Accordingly, the maximum amount of cash dedicated to the 2013 Share Buy-back Program would be €100 million.

Terms and conditions for the 2013 Share Buy-back Program

The shares may be purchased or transferred at any time, except for periods of public offers on the Company's share under the conditions and within the limits, particularly volume and price, permitted by law at the date of the transaction in question, by any and all means, including over the counter, by way of block trades or by way of derivatives traded on a regulated or over-the-counter market, under the conditions permitted by the market authorities and at the times the Board of Directors or its delegated representative deems appropriate.

Duration of the 2013 Share Buy-back Program

In accordance with the resolution to be submitted for the approval of the combined general meeting of 4 June 2013, the 2013 Share Buy-back Program would be authorized for a period of 18 months from the date of its approval, namely until 4 December 2014.

5.2.5 UNISSUED AUTHORIZED CAPITAL, UNDERTAKINGS TO ISSUE CAPITAL

As of 31 December 2012 there were no securities other than the Company's shares giving access to the Company's capital.

A summary table of the outstanding authorizations which were confered by the shareholders' meeting to the Board of Directors in order to increase the share capital as well as use of it, is set out hereafter:

Summary of purpose	Date of annual general meeting	Period of authorization	Maximum authorized nominal value	Use made by the Board of Directors (date)
Delegation of authority granted to the Board of Directors to issue shares in the Company and/or any securities giving access to shares in the Company or one of its subsidiaries, **with** preferential subscription rights	23 May 2012	26 months	€300 million €600 million (debt securities)	None
Delegation of authority granted to the Board of Directors to issue shares in the Company and/or any securities giving access to shares in the Company or one of its subsidiaries, **without** preferential subscription rights	23 May 2012	26 months	15% of the Company's share capital on 23 May 2012 €600 million (debt securities)	None
Authorization granted to the Board of Directors in the event of a capital issue with or without preferential subscription rights of existing shareholders to increase the number of shares to be issued	23 May 2012	26 months	15% of the initial issue subject to the cap provided for by the resolution deciding the issue	None
Overall limitation of authorizations to increase the share capital immediately and/or in the future	23 May 2012	26 months	€300 million	None
Delegation of authority granted to the Board of Directors allowing the issue of shares in the Company reserved for employees subscribing to a company savings plan	23 May 2012	26 months	€20 million	Used at 31 December 2012: None

For information on delegations of authority to be put to the vote of the Company's annual general meeting on 4 June 2013, please refer to section 6.2 of this reference document.

At 31 December 2012, the Company's capital, which was €628,772,150, divided in 62,877,215 shares, was also subject to an increase of 1,128,468 shares resulting from the exercise of 1,128,468 options, giving potential maximum dilution of 1.8%.

There are no other securities giving access to the Company's capital either immediately or in the future (see paragraph 5.2.6 hereafter of this reference document for a description of these options).

5.2.6 STOCK OPTION AND PERFORMANCE SHARE AWARD PLANS

From its stock-market listing in 2006, the Group has been keen to put in place compensation instruments based on the share capital, in order to incentivize and closely involve managers and certain employees in its future growth as well as its stock market performance.

Additional information on the stock option plans and the performance share award plans put in place by the Group is given in paragraph 3.4.4 of this reference document as well as in note 28 to the consolidated financial statements at 31 December 2012 presented in chapter 4 of this reference document.

STOCK OPTION PLANS

Stock option plans prior to 2012

The plans implemented from 2006 to 2008 feature common characteristics:

- exercise price set as the average opening price of the shares during the twenty trading days prior to the date of the Board of Directors meeting, with no discount applied;
- deferral of exercise of options for two years, and deferral of sale for a further two years, *i.e.* four years from the award date;
- condition of presence in the Group at the time of exercise of options.

As regards these three years, the Board of Directors authorized the award of a number of stock options concerning 2.64% of the Company's share capital at the date of the shareholders general meeting that authorized the award.

At 31 December 2012, 506,983 stock options resulting from these plans were still outstanding.

In 2009, given the economic crisis, it was decided not to award any stock options.

From 2010, the Board of Directors amended the provisions pertaining to the plans:

- in accordance with the AFEP-MEDEF corporate governance code, stock awards are subject to performance criteria chosen to align medium-term compensation in shares with the Group's strategy.

  The chosen criteria are indicators reflecting the Group's economic performance, as well as relative performance compared to a panel of other chemical companies comprising AkzoNobel (Specialty Chemicals only), BASF (excluding Oil & Gas), Clariant, DSM, Lanxess, and Solvay.

  The table below details the performance conditions applicable to each plan. The level of fulfilment of the targets is not disclosed for these plans, as an *a posteriori* interpretation of these figures is not relevant given the changes in the Group's portfolio of activities as well as the economic climate in which the Group has been operating;
- longer deferral of exercise of stock options in order to strengthen the "loyalty-building" component of this compensation tool.

Hence, the plans decided in 2010 and 2011 feature the following characteristics:

- beneficiaries: executive managers in 2010 (74 beneficiaries), Executive Committee members only in 2011 in order to reserve these riskiest plans to executive managers exercising the greatest responsibilities;
- exercise price set as the average opening price of the shares during the twenty trading days prior to the date of the Board of Directors meeting, with no discount applied;
- 50% of rights allocated may be exercised after a two-year deferral period, 50% of the rights being exercisable after five years for the 2010 plan, and four years for the 2011 plan;
- condition of presence in the Group at the time of exercise of options;
- performance criteria detailed in the table below.

As regards these two years, the Board of Directors authorized the award of a number of stock options concerning 1% of the Company's share capital at the date of the shareholders general meeting that authorized the award.

At 31 December 2012, 621,485 stock options resulting from 2010 and 2011 plans were still outstanding.

In 2012, no stock option plan was implemented.

At 31 December, the total number of outstanding share subscription options was 1,128,468, *i.e.* 1.79% of the Company's share capital on that date.

History of stock option plans

	2006	2007	2008	2010		2011	
Date of annual general meeting	10 May 2006	10 May 2006	10 May 2006	15 June 2009	15 June 2009	15 June 2009	15 June 2009
Maximum number of options that may be awarded relative to the Company's share capital	5%			5%			
Date of Board of Directors meeting	4 July 2006	14 May 2007	13 May 2008	10 May 2010	10 May 2010	4 May 2011	4 May 2011
Number of stock options awarded	540,000	600,000	460,000	225,000	225,000	105,000	105,000
Number of outstanding options at 31 December 2012	43,858	201,298	261,827	191,485	220,000	105,000	105,000
Aggregate by authorization	1,600,000, i.e. 2.7% of share capital at the date of annual general meeting			660,000, i.e. 1% of share capital at the date of annual general meeting			
Vesting period [(1)]	2 years	2 years	2 years	2 years	5 years	2 years	4 years
Minimum period until sale	2 years	2 years	2 years	2 years	-	2 years	-
Expiry date	4 July 2014	14 May 2015	13 May 2016	10 May 2018	10 May 2018	4 May 2019	4 May 2019
Exercise price (in euros)	€28.36	€44.63	€36.21	€30.47	€30.47	€68.48	€68.48
Performance conditions (other than exercise price)	-	-	-	EBITDA 2010 (50%), Progress of ARKEMA'S 2010/2011 average EBITDA margin versus 2005 compared to panel of competitors (50%)	EBITDA margin 2014	ROCE 2011	Average EBITDA margin 2011/2014
Achievement rate	-	-	-	100%	not known to date	100%	not known to date

(1) Subject to the individual being still employed by ARKEMA at the end of the acquisition period.

FREE SHARE AND PERFORMANCE SHARE ALLOCATION PLANS

The beneficiaries of free share allocation plans are executive managers as well as a number of Group employees whose performance has been outstanding. The number of beneficiaries is comprised between 600 and 700 employees.

Previous free share allocation plans

The plans implemented in 2006, 2007, 2008 and 2009 feature similar characteristics:

- the free allocation of shares is not definitive until the end of a two-year period, subject to a condition of presence and conditions of performance;
- following this acquisition period, the shares are definitively acquired by the beneficiaries, who must then hold them for a further two years (holding period).

The performance conditions are relative to the Group's economic performance, measured principally by EBITDA or by the EBITDA margin.

The table below details the performance conditions for each plan, as well as the rate of achievement of the objectives.

Note that in 2009 the members of the Executive Committee declined the awards decided by the Board of Directors, in the light of the economic crisis.

As regards these four years, the rights granted accounted for 1% of the Company's share capital at the date of the shareholders general meeting having authorized the award.

From 2010, the Board of Directors amended the provisions pertaining to the plans:

- in accordance with the AFEP-MEDEF corporate governance code, the definitive award of the rights is subject to performance conditions relating to several years, as well as "external" criteria comparing the Group's economic performance to that of a panel of other chemical companies comprising

AkzoNobel (Specialty Chemicals only), BASF (excluding Oil & Gas), Clariant, DSM, Lanxess, and Solvay.

The table below details the performance conditions applicable to each plan. The level of fulfilment of the targets is not disclosed as an *a posteriori* interpretation of these figures is not relevant given the changes in the Group's portfolio of activities as well as the economic climate in which the Group has been operating;

- implementation of separate plans for employees of subsidiaries outside France, providing for a rights acquisition period of four years, with no obligation to hold, to ensure that the availability of securities coincides with the tax liability relating to the definitive acquisition of free shares;
- strengthening of the "loyalty-building" component of this compensation tool, by extending the rights acquisition period: should the number of rights to free shares exceed 200, 50% are awarded definitively after two years, 50% after three years.

Performance share plans 2012

In 2012, in accordance with this allocation policy and on a proposal by the Nominating, Compensation and Corporate Governance Committee, the Board of Directors meeting on 9 May 2012 agreed the terms of three performance share allocation plans.

Plans 1 and 2 are intended for employees of the Group's French companies.

The rules of Plan 1 stipulate that rights to performance shares may only be definitively awarded at the end of a two-year period from the award date, providing the bearer is still employed by the Group, and subject to performance conditions. Shares definitively awarded may not be sold for a further two-year period (holding requirement). The rules of Plan 2 stipulate a three-year rights acquisition period, a two-year holding period, and employment and performance conditions.

When they exceed 200, the beneficiary' rights to free shares are split evenly between Plan 1 and Plan 2. When they are below 200, the beneficiary is awarded his rights under Plan 1.

Plan 3 is intended for employees of the Group's subsidiaries outside France; its rules stipulate that rights to performance shares may only be definitively awarded at the end of a four-year period from the award date, providing the bearer is still employed by the Group, and subject to performance conditions. Shares that have been definitively awarded may be sold freely at the end of this period.

Note that the performance conditions, common to all three plans, only apply to the quota of a beneficiary's rights in excess of 80 rights, for all plans, except for members of the Executive Committee for whom the performance criteria apply to all rights.

These three plans comprise 713 beneficiaries awarded 101,860 rights to performance shares under Plan 1, 74,805 under Plan 2, and 64,150 under Plan 3.

Furthermore, as part of the 2012 share capital increase operation reserved for employees, the following awards were made:

- 1,185 rights to free share allocation, under Plan 3, to employees in countries where they could not subscribe to the Company's share capital increase due to regulatory and tax constraints;
- 17,163 rights to free share allocation, under a separate plan, to employees of companies outside France, designed to make the award more attractive. Further details may be found in paragraph 5.2.7 hereafter in this chapter.

The definitive award of these rights requires the bearer to be still employed by the Group at the time. No performance condition is required for these share allocations relating to the share capital increase reserved for employees.

Finally, as indicated in the table below, it should be noted that the shares definitively allocated as part of the 2006 plan came from a share capital increase, while those delivered with regard to subsequent plans were purchased by the Company as part of the buy-back program.

Consequently, and given the performance share award policy, as detailed in paragraph 3.4.4.1 of this reference document, these plans together with the plans that could be put in place subject to the corresponding resolution being voted by the general shareholders meeting on 4 June 2013, result in no potential dilution for shareholders.

It should also be noted that the Chairman & Chief Executive Officer and the members of the Executive Committee are required to retain the shares, the terms of these provisions being set out in paragraph 3.4.4.2 of this reference document.

History of performance share plans

	2006	2007	2008	2009		2010			2011				2012
Date of Annual General Meeting	10 May 2006	10 May 2006	10 May 2006	10 May 2006	15 June 2009	15 June 2009	15 June 2009	15 June 2009	15 June 2009	15 June 2009	15 June 2009	15 June 2009	15 June 2009
% of rights that may be awarded relative to the Company's share capital	3%				3%								
Date of Board of Directors' meeting	4 July 2006	14 May 2007	13 May 2008	12 May 2009	10 May 2010	10 May 2010	4 May 2011	4 May 2011	4 May 2011	9 May 2012	9 May 2012	9 May 2012	9 May 2012
Number of rights awarded	150,000	125,000	180,000	184,850	153,705	50,795	88,305	59,380	52,315	101,860	74,805	65,335	17,163
Aggregate by authorization	639,850 i.e. 1% of share capital at the date of AGM				663,663 i.e. 1% of share capital at the date of AGM								
Hedging terms of the plans	Share capital increase	Share buy-back	Share buy-back	Share buy-back	Share buy-back								
Number of rights still to be acquired at 31 December 2012	-	-	-	-	-	47,723	87,160	58,825	50,995	101,735	74,805	64,745	17,092
Vesting period	2 years	2 years	2 years	2 years	2 years	4 years	2 years	3 years	4 years	2 years	3 years	4 years	4 years [1]
Holding period	2 years	2 years	2 years	2 years	2 years	-	2 years	2 years	-	2 years	2 years	-	- [2]
Performance conditions	Growth of 2007 EBITDA versus 2005	2008 EBITDA margin	2009 EBITDA margin	2009 free cash flow (50%), Progress of ARKEMA's average EBITDA margin from 2007 to 2009 compared to panel of competitors (50%)	2010 EBITDA (50%), Progress of ARKEMA's 2010/2011 average EBITDA margin versus 2005 compared to panel of competitors (50%)		2011 EBITDA (50%), Progress of ARKEMA's 2011/2012 average EBITDA margin compared to panel of competitors (50%)			2012 EBITDA (50%), Progress of ARKEMA's 2012/2013 average EBITDA margin compared to panel of competitors (50%)			None
Achievement rate	100%	71.30%	0%	100%	100%	100%	1 criterion out of 2 100% achieved			1 criterion out of 2 100% achieved			-

(1) Except Italy and Spain where the rights acquisition period is 3 years.
(2) Except Italy and Spain where the rights holding period is 3 years.

5.2.7 SHARE CAPITAL INCREASE RESERVED FOR EMPLOYEES

The Board of Directors, meeting on 7 March 2012, decided to carry out a share capital increase operation reserved for employees. This operation took place in 21 countries in which the Group is present, from 12 to 25 March 2012 inclusive.

The subscription conditions were as follows:

- subscription price of €54.51, corresponding to the average opening price quoted in the 20 trading days preceding 7 March 2012, to which a 20% discount is applied;
- for employees of Group companies outside France, allocation of one free share for every five subscribed, up to a maximum of twenty free shares;
- for employees of French companies, possibility of subscribing using sums paid out of the incentive scheme or the profit-sharing scheme, with the possibility of a top-up;
- possibility of spreading the payment of the shares over 24 months.

This operation resulted in the creation of 535,013 new shares on 18 April 2012, *i.e.* 0.85% of the Company's share capital.

6,150 subscriptions were registered, representing an overall take-up rate of around 30%.

The 1,208 subscriptions by employees outside France led to the allocation of 17,163 rights to free shares, as part of a specific plan, the provisions and list of beneficiaries of which were established by the Board of Directors meeting on 9 May 2012.

Definitive allocation will take place after four years, with no holding period required, namely 10 May 2016, except in Italy and Spain where definitive allocation will take place after three years, namely 10 May 2015, with a three-year holding period.

This operation helped increase to 4.9% the share of the Company's capital held by employees.

5.3 SHARE OWNERSHIP

5.3.1 BREAKDOWN OF SHARE OWNERSHIP AND VOTING RIGHTS AT 31 DECEMBER 2012

To the best of the Company's knowledge, the breakdown of Arkema's share ownership and voting rights at 31 December 2012 was as follows:

	% of capital	% of voting rights	% of theoretical voting rights*
FMR LLC (Fidelity Investments)	5.4	5.0	5.0
Greenlight Capital	5.3	5.0	5.0
Employee shareholding**	4.9	8.5	8.5
Treasury shares	0.5	0.0	0.5
Public	83.9	81.5	81.0
TOTAL	**100**	**100**	**100**

* *Pursuant to Article 223–11 of the general regulation of Autorité des marchés financiers, the number of theoretical voting rights is calculated on the basis of all shares to which voting rights are attached, including shares without voting rights.*

** *See details presented in paragraph 5.3.4.*

The breakdown of the share capital was established on the basis of a total number of 62,877,215 shares at 31 December 2012, carrying 67,086,290 voting rights, including double voting rights and on the basis of the declarations made to the *Autorité des marchés financiers* of threshold crossing. TPI (*Titres au Porteur Identifiable* – identifiable bearer shares) procedures were carried out at the end of 2012, 2011 and 2010 in accordance with Article 8.1 of the Company's Articles of Association.

To the Company's knowledge, the Arkema Actionnariat France and the Arkema Actionnariat International FCPE held 6.5% of the Company's share capital at 31 December 2012, representing 11.9% of the Company's voting rights. These funds include the shareholding of employees of ARKEMA (see paragraph 5.3.4 below), of Total and of Kem One (vinyl activities divested in July 2012). Amundi stated on behalf of Arkema Actionnariat France FCPE that it crossed upward the 10% threshold of voting rights in the Company (see paragraph 5.3.5 of this reference document).

To the Company's knowledge, based on its register and except for the securities described in paragraph 5.2.3 of this reference document, no share of the Company has been pledged, or used as a guarantee or a surety.

The Company has also put in place an ADR (American Depositary Receipt) program in the United States, and accordingly concluded a Deposit Agreement with Bank of New York Mellon on 18 May 2006. At 31 December 2012, 775,584 shares were held by Bank of New York Mellon on behalf of ADR bearers.

5.3.2 CONTROL OF THE COMPANY

As of the date of this reference document:

- the Company is not controlled directly or indirectly by any shareholder;
- to the best of the Company's knowledge, there is no shareholders' pact or agreement which if implemented could result in the acquisition of control over the Company.

5.3.3 CLAUSES LIKELY TO HAVE AN EFFECT ON CONTROL OF THE COMPANY

Subject to the granting of double voting rights to any shareholder who owns fully-paid up shares and for which said shareholder must prove registered ownership for at least 2 years (Article 17.3 of the Articles of Association) and to the limitation on voting rights (Article 17.4 of the Articles of Association), no provision of the Articles of Association can delay, defer or prevent a change of control over the Company.

The clauses pertaining to double voting rights and limitations on voting rights that are likely to have an effect on control over the Company are set out in paragraph 5.5.2 of this reference document.

5.3.4 EMPLOYEE SHAREHOLDING

In accordance with the definition of employee shareholding under article L.225-102 of the French Commercial Code, the number of Arkema shares held by employees at 31 December 2012 amounted to 3,060,476, accounting for 4.9% of the share capital and 8.5% of the voting rights. This may be broken down as follows:

Shares held by ARKEMA employees within FCPE Arkema Actionnariat France	2,620,566
Shares held by ARKEMA employees within FCPE Arkema Actionnariat International	177,431
Pure registered shares held within a PEG Group Savings Plan (*Plan Épargne Groupe*)	172,378
Shares arising from exercise of stock options and held as pure registered shares within a PEG	90,101
TOTAL EMPLOYEE SHAREHOLDING	**3,060,476**

5.3.5 HISTORY OF DISCLOSURES OF LEGAL THRESHOLD CROSSING IN 2012

The following disclosures of legal shareholding threshold crossing were made to the *Autorité des marchés financiers* in 2012 and up to the date of this reference document:

Company	Threshold crossing date	Threshold crossed
Groupe Bruxelles Lambert*	14 March 2012	downward the 10% threshold of share capital and voting rights
BlackRock Inc.	4 April 2012	upward the 5% threshold of share capital
Norges Bank	23 April 2012	upward the 5% threshold of share capital
Norges Bank	24 April 2012	downward the 5% threshold of share capital
BlackRock Inc.	30 April 2012	downward the 5% threshold of share capital
Natixis	31 May 2012	upward the 5% threshold of share capital and voting rights
Natixis	1st June 2012	downward the 5% threshold of voting rights
BlackRock Inc.	31 May 2012	upward the 5% threshold of share capital
Amundi**	4 June 2012	upward the 10% threshold of voting rights
Natixis	6 June 2012	downward the 5% threshold of share capital
BlackRock Inc.	5 July 2012	downward the 5% threshold of share capital
Norges Bank	6 August 2012	upward the 5% threshold of share capital
Norges Bank	7 August 2012	downward the 5% threshold of share capital
FMR LLC (Fidelity Investments)	23 August 2012	upward the 5% threshold of share capital
FMR LLC (Fidelity Investments)	14 September 2012	upward the 5% threshold of voting rights
FMR LLC (Fidelity Investments)	23 October 2012	downward the 5% threshold of voting rights
FMR LLC (Fidelity Investments)	1st November 2012	upward the 5% threshold of voting rights
Greenlight Capital	27 December 2012	downward the 5% threshold of voting rights (4.97% of voting rights)
Greenlight Capital	19 February 2013	downward the 5% threshold of share capital

* *Groupe Bruxelles Lambert, ultimately controlled by the Desmarais and Frère families, reported that, on 14 March 2012, it crossed downward the 10% and 5% thresholds of the Company's share capital and voting rights, and that it no longer owned any shares of the Company. This threshold crossing is the result of an off-market sale of shares.*

** *Amundi, acting on behalf of the 'Arkema Actionnariat France' FCPE (fonds commun de placement d'entreprise – company collective investment fund) that it manages, made the following declaration of intent:*

"Amundi declares in the name and on behalf of the Arkema Group FCPE PEE that the latter:

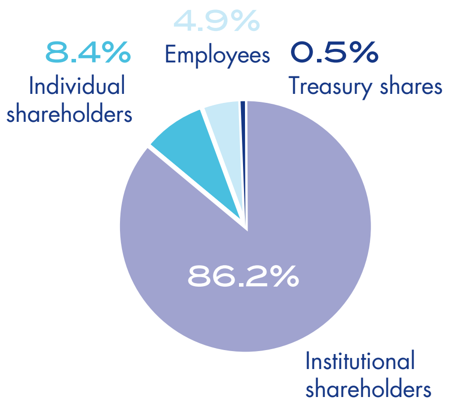
- *has funded the acquisition of Arkema shares through dividends received that were reinvested directly into the fund or through payments from employees;*
- *is acting alone;*
- *has no intention of continuing to buy Arkema shares, but, this being an open fund, this position could change […];*
- *has no intention of acquiring the control of Arkema;*
- *has no intention of modifying Arkema's strategy or any of the operations listed under article 223-17 I 6° of the general regulation;*
- *has concluded no temporary sale agreement concerning Arkema's shares and/or voting rights;*
- *is represented by a director on the Board of Directors, and has no intention of seeking the appointment of one or more further persons to Arkema's Board of Directors."*

5.3.6 HISTORY OF SHARE CAPITAL AND VOTING RIGHTS BREAKDOWN

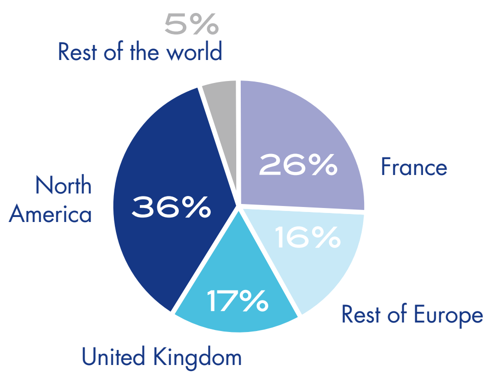
	31 December 2012		31 December 2011		31 December 2010	
	% of share capital	% of voting rights	% of share capital	% of voting rights	% of share capital	% of voting rights
FMR LLC (Fidelity Investments)	5.4	5.0	n/a	n/a	n/a	n/a
Greenlight Capital	5.3	5.0	5.5	5.0	9.9	9.1
Groupe Bruxelles Lambert	0.0	0.0	10.0	12.5	5.0	8.1
AllianceBernstein L.P.	n/a	n/a	n/a	n/a	5.0	4.6
Dodge & Cox	n/a	n/a	n/a	n/a	5.2	4.7
Other institutional shareholders	75.5	70.8	70.0	63.6	61.4	56.2
Individual shareholders	8.4	10.7	9.4	10.9	8.4	9.8
Employee shareholding	4.9	8.5	4.8	8.0	4.9	7.5
Treasury shares	0.5	0.0	0.3	0.0	0.2	0.0
TOTAL	**100**	**100**	**100**	**100**	**100**	**100**
Number of shares/voting rights	62,877,215	67,086,290	61,864,577	68,161,755	61,493,794	67,146,382

5.3.7 ESTIMATED SHARE OWNERSHIP OF ARKEMA AT 31 DECEMBER 2012

BY SHAREHOLDER TYPE



BY GEOGRAPHIC REGION



5.4 STOCK MARKET

5.4.1 STOCK MARKET QUOTATION

The Arkema share is quoted on Euronext Paris, compartment A. It is eligible for the Deferred Settlement Service (*Système de Règlement Différé* – SRD) as well as the Personal Equity Savings Plan (*Plan d'Épargne en Actions* – PEA).

An ADR (American Depositary Receipt) program has been in place in the United States since 18 May 2006. Each ADR represents one American Depositary Share (ADS), and each ADS in turn represents one Arkema share.

CODES

ISIN	FR0010313833
Ticker	AKE
Reuters	AKE.PA
Bloomberg	AKE FP

INDEXES

The Arkema share is included in the following indexes:

- CAC Next 20;
- CAC Large 60;
- SBF 120;
- Euro Stoxx Chemicals;
- MSCI.

PERFORMANCE OF ARKEMA SHARE IN 2012

Performance since 1st January 2012 (as at 31 December 2012)	44.8%
Last closing price of the year *(in euros)*	€79.21
Average of last 30 closing prices of the year *(in euros)*	€78.50
Highest price of the year *(in euros)*	€84.26
Lowest price of the year *(in euros)*	€46.60

EVOLUTION OF ARKEMA SHARE SINCE 1ST JANUARY 2012

Month	Number of securities traded	Trading volume *(in millions of euros)*	Highest price *(in euros)*	Lowest price *(in euros)*
January 2012	5,973,310	349.11	63.49	53.22
February 2012	5,927,811	398.93	71.36	61.88
March 2012	9,677,130	665.45	72.69	62.33
April 2012	6,802,365	463.38	71.70	64.00
May 2012	11,676,021	685.14	69.60	52.74
June 2012	8,862,129	462.21	57.25	46.60
July 2012	11,536,197	667.37	64.00	51.42
August 2012	7,204,547	477.23	71.00	60.57
September 2012	6,452,964	466.00	75.94	66.58
October 2012	7,278,098	533.54	77.35	68.06
November 2012	5,383,420	398.27	78.88	69.89
December 2012	3,134,378	251.67	84.26	77.51
January 2013	5,465,061	441.74	84.90	75.76
February 2013	4,253,329	352.79	87.77	77.15

5.4.2 FINANCIAL COMMUNICATION

The Group regularly provides information on its activities, results and outlook to its shareholders, investors, analysts, and the financial community at large. Press releases, financial reports, presentations of the Group, and reports of shareholders meetings are available on the website www.finance.arkema.com. Every year the Group files a reference document with the *Autorité des marchés financiers*. An English version of this document is also available on the website.

5.4.3 RELATIONS WITH INVESTORS AND FINANCIAL ANALYSTS

The Group is committed to maintaining an active and permanent dialogue with institutional investors and financial analysts, in particular through road shows and conferences. Representatives from the Group's senior management, primarily the Chairman and Chief Executive Officer and the Chief Financial Officer, regularly meet with portfolio managers and financial analysts in the main financial centres of Europe and North America. The Investor Relations team also regularly meets with the financial community. The main purpose of these various meetings is to inform the market of the Group's results and main operations, and improve understanding, by investors and analysts, of the Company, its activities, strategy and outlook.

In 2012, the Group organised some 350 meetings, and took part in about twelve conferences in Paris, London, San Francisco, Boston, Amsterdam and Roma.

The Group also organised an Investor Day in Paris on 18 September 2012, which was attended by around 80 participants. This Investor Day was an opportunity to present the Group's new profile following the divestment of its vinyl business finalised in early July 2012, its ambition to become a major player in specialty chemicals and advanced materials by 2016, and its vision for 2020.

At the time of the publication of its annual results, the Group organises a presentation for portfolio managers and financial analysts. At the time of the publication of its quarterly and half-year results, a conference call is hosted by the Chairman and Chief Executive Officer or by the Chief Financial Officer with the financial community.

5.4.4 RELATIONS WITH INDIVIDUAL SHAREHOLDERS

The Group aims to inform its individual shareholders of its strategy, results and activities, with an emphasis on open dialogue, exchanges and meetings.

ARKEMA meets with its individual shareholders on a regular basis, in particular at the Annual General Meeting which is a dedicated opportunity for exchanges on the Company's strategy and outlook. A number of meetings with shareholders are also organized in France every year. In 2012, ARKEMA met with its shareholders in Montpellier, Lyon and Nantes. On 23 and 24 November 2012, the Investor Relations team also welcomed many visitors on its stand at the Actionaria show in Paris.

Additionally, through its Shareholders Club, the Group offers its members various activities throughout the year allowing them to discover the world of chemistry, and the innovations and applications of chemical products in everyday life.

Presentations, interviews, reports and shareholders newsletters are available in the Individual Shareholders section of the website.

5.4.5 REGISTERED SHARES

Arkema shares can be registered in the name of the holders. In this case, shareholders are identified by Arkema in its capacity as issuer, or by its agent BNP Paribas Securities Services which is responsible for the register of the shareholder's registered shares.

Advantages of registered shares include:

- double voting right if shares are held for 2 years continuously (see paragraph 5.5.2.1 of this reference document);
- possibility of receiving directly the notice of annual general meeting.

Contact details for registered shares agent:

BNP Paribas Securities Services
CTS – Services aux Émetteurs
Les Grands Moulins de Pantin
9, rue du Débarcadère
93 761 Pantin Cedex – France

Phone:

- 0 800 115 153 (within France)
- 33 (0)1 55 77 41 17 (from outside France)

Email address:

- paris_bp2s_arkema_actionnaires@bnpparibas.com

5.4.6 DIVIDEND POLICY

At an Investor Day held in September 2012, the Group clarified its dividend policy. Thus, the Group targets a 30% payout ratio on adjusted net income and aims not to reduce the amount of its dividend per share.

In this context and in respect of 2012, the Board of Directors meeting on 27 February 2013, after closing the 2012 financial statements, decided to propose to the Annual General Meeting on 4 June 2013 to pay a dividend of €1.80 per share representing a 25% payout ratio on the adjusted net income of continuing operations for the year. This decision reflects the Group's confidence in its medium-term outlook and in the strength of its balance sheet.

	2012	2011	2010	2009	2008
Dividend per share *(in euros)**	1.80**	1.30	1.00	0.60	0.60
Payout rate (dividend per share / adjusted net income)	25%	14%	17%	n/a	25%

** Dividend eligible for the 40% deduction provided for in the French General Tax Code.*
*** In 2012, amount of dividend proposed to the Annual General Meeting on 4 June 2013.*

5.5 EXTRACT FROM THE ARTICLES OF ASSOCIATION

5.5.1 GENERAL MEETINGS (ARTICLES 16 AND 17 OF THE ARTICLES OF ASSOCIATION)

CONVENING – PLACE OF MEETING – ADMISSION

General meetings are called under the conditions provided by the applicable laws and regulations.

Meetings are held at the registered office or at any other place indicated in the notice of meeting.

In accordance with the applicable laws and regulations, all shareholders, regardless of the number of shares they own, have the right to attend general meetings and take part in the deliberations, or to be represented if it can be established, in legal and regulatory conditions, that the shares are registered in their name or in the name of an authorized intermediary on their behalf in application of the seventh paragraph of article L. 225-1 of the *Code de commerce*, no later than three business days prior to the annual general meeting at 0:00 a.m., Paris time, either in the registered share accounts held by the Company, or in bearer securities accounts held by the authorized intermediary.

The registration or accounting entry of the shares in bearer securities accounts held by the authorized intermediary shall be evidenced by a certificate of participation issued by the intermediary holding the account under applicable legal and regulatory conditions.

EXERCISE OF VOTING RIGHTS

As from the time the meeting is called, any shareholder may request from the Company in writing a paper absentee ballot, or, if the Board of Directors provides for this option in both the announcement and notice of meeting, an electronic absentee ballot. Such requests must be delivered to or received at the registered office of the Company no later than six days before the date of the meeting. The Board of Directors has the power to reduce or waive this period.

Paper absentee ballots must be delivered to or received by the Company at least three days before the date of the general meeting. Electronic absentee ballots may be delivered to or received by the Company until 3:00 p.m., Paris time, on the eve of the general meeting. The Board of Directors or Chairman, if so authorized by delegation, has the power to reduce or waive this period.

REPRESENTATION

Shareholders may be represented at general meetings by another shareholder, by their spouse, by a partner with whom they have signed a "civil solidarity pact", or by any other physical person or legal entity under the terms and conditions set forth in articles L. 225-106 *et seq.* of the French Commercial Code.

Shareholders that are legal entities attend meetings through their legal representatives or any proxy appointed for this purpose.

Any member of the meeting who wishes to be represented by proxy shall send a proxy form to the Company, either on paper, or, if the Board of Directors provides for this option in both the announcement and convening notice, in electronic format, at least three days before the meeting. However, the Board of Directors or Chairman, if so authorized by delegation, has the power to reduce or waive such notice periods and to accept proxy forms that do not fall within this limit.

Proxies in electronic format may be filed or received by the Company until 3:00 p.m., Paris time, on the eve of the general meeting. The Board of Directors or Chairman, if so authorized by delegation, has the power to reduce or waive this period.

USE OF TELECOMMUNICATION MEANS

The Board of Directors has the power to decide that shareholders who take part in the general meeting by videoconference or other means of telecommunication that enable them to be identified and where the nature and conditions of such means of participation are determined by the French Commercial Code, shall be deemed present for the purposes of calculating quorum and majority.

CHAIR OF GENERAL MEETINGS

General meetings are chaired by the Chairman of the Board of Directors or, in his absence, by a director who is appointed specifically for this purpose by the Board of Directors. Failing this, the meeting elects its own Chairman.

QUORUM AND MAJORITY

General meetings, whether they are ordinary, extraordinary, combined or special, are duly constituted when they meet the quorum and majority conditions provided by applicable laws and regulations governing such meetings, and exercise the powers ascribed to them by the law.

5.5.2 VOTING RIGHTS

5.5.2.1 VOTING RIGHTS, DOUBLE VOTING RIGHTS (ARTICLE 17.3 OF THE ARTICLES OF ASSOCIATION)

Subject to the provisions set forth below, each member of the meeting is entitled to as many voting rights and votes as the number of shares he owns or represents, providing that all payments due for such shares have been met.

However, double voting rights are conferred on all fully paid-up shares in registered form that have been registered in the name of the same shareholder for at least 2 years, under the conditions applicable by law and by regulations.

Furthermore, in the event of a capital increase by capitalisation of reserves, profits or share premiums, double voting rights are conferred, as of their issue, to shares in registered form allocated to shareholders on the basis of existing shares held by such shareholders and conferring such entitlement.

The merger or spin-off of the Company has no effect on double voting rights, which may be exercised within the beneficiary company or companies if the Articles of Association of such company or companies provide for such rights.

Any share converted to a bearer share or the ownership of which is transferred loses the double voting rights gained under the three provisions above. However, transfer resulting from inheritance, the separation of assets between spouses or a living gift to a spouse or close relative does not result in the loss of rights acquired nor interrupt the qualifying period indicated above.

5.5.2.2 LIMITATIONS ON VOTING RIGHTS (ARTICLE 17.4 OF THE ARTICLES OF ASSOCIATION)

In a general meeting, no shareholder may, directly or through a proxy, express more than 10% of the total voting rights attached to the Company's shares, taking into account single voting rights attached to shares that he directly or indirectly holds and to the powers conferred to him. However, if such a shareholder also holds personally or as a proxy double voting rights, the 10% limit may be exceeded, taking into account only the additional voting rights resulting therefrom, and the combined voting rights expressed shall not exceed 20% of the total voting rights attached to the Company's shares.

In application of the foregoing provisions:

- the total number of voting rights attached to the Company's shares that is taken into consideration is calculated as of the date of the general meeting and the shareholders are notified thereof at the beginning of such general meeting;
- the number of voting rights held directly and indirectly means those voting rights attached to shares to which a natural person holds title, either personally or jointly, or through a company, group, association or foundation, and those that are attached to the shares held by a company that is controlled, within the meaning of article L. 233-3 of the *Code de commerce*, by another company or by a natural person, association, group or foundation; and
- a shareholder's proxy returned to the Company without stating the name of the proxy is subject to the foregoing limitations. However, such limitations do not apply to the Chairman of a general meeting who is voting by virtue of all such proxies combined.

The limitations provided in the foregoing paragraphs have no effect in calculating the total number of voting rights, including double voting rights, attached to the Company's shares and which must be taken into account in applying the legal, regulatory or statutory provisions providing for specific obligations by reference to the number of voting rights existing in the Company or the number of shares having voting rights.

The limitations set forth above shall lapse, without any need for a new resolution by an extraordinary general meeting, whenever a natural person or a legal entity, acting separately or in concert with one or more natural persons or legal entities, should come to hold at least two thirds of the total number of shares in the Company following a public offering for all of the Company's shares. The Board of Directors then recognises that the limitations have lapsed, and carries out the related formalities to amend the Articles of Association.

5.5.3 ALLOCATION OF PROFITS (ARTICLE 20 OF THE ARTICLES OF ASSOCIATION)

The following sums are allocated from the Company's profits for the year, less any retained losses, in the following order:

1. at least 5% is allocated to the legal reserve fund; once the legal reserve fund amounts to one-tenth of the share capital, this allocation is no longer mandatory;
2. any amounts that the shareholders have resolved to transfer to reserves, for which they will determine the allocation or use; and
3. any amount that the general meeting shall decide to allocate to retained earnings.

Any remaining balance is paid out to the shareholders as dividends. The Board of Directors may pay interim dividends under the conditions provided by the applicable laws and regulations.

The general meeting called to approve the accounts for the financial year may grant each shareholder the option to receive all or part of the dividends or interim dividends in cash or in shares.

The general meeting may, at any time, on the Board of Directors' recommendation, decide to distribute all or part of the amounts contained in the reserve fund accounts either in cash or in shares in the Company.

5.5.4 RIGHTS AND OBLIGATIONS ATTACHED TO THE SHARES (ARTICLE 9 OF THE ARTICLES OF ASSOCIATION)

In addition to the right to vote, each share gives the bearer the right of ownership of a portion of the Company's assets, its profits and winding-up dividends (*boni de liquidation*), determined proportionately to the shareholding it represents.

Ownership of one share entails compliance with the Articles of Association of the Company and with all resolutions approved by the Company's shareholders at general meetings.

Any changes to the rights attached to the shares is subject to the provisions of the law.

5.5.5 FORM AND TRANSFER OF SHARES (ARTICLE 7 OF THE ARTICLES OF ASSOCIATION)

Shares may be held in registered or bearer form as required by the shareholder and providing that there are no legal or regulatory stipulations to the contrary.

The shares are freely negotiable. They are registered in an account and are transferred from one account to another, under the conditions of the applicable laws and regulations.

5.5.6 IDENTIFICATION OF SHAREHOLDERS (ARTICLE 8.1 OF THE ARTICLES OF ASSOCIATION)

The Company may at any time make use of all applicable laws and regulations to identify the holders of securities that confer immediate or future voting rights in its own general meetings.

For purposes of identifying the holders of shares in bearer form, the Company has the right, under the conditions provided by the applicable laws and regulations, to request at any time, at its own expense, that the central depository in charge of its securities issue account provide, as the case may be, the name or company name, nationality, year of birth or of incorporation and the address of the holders of securities giving immediate or future access to voting rights at its general meetings as well as the number of securities held by each and any restrictions that may apply to such securities. If such information is not received within the period of time stipulated by the applicable regulations or if the information provided by the custodian account-holder is incomplete or erroneous, the central depository may request that the President of the district court (*Président du tribunal de grande instance*) order such information to be provided under financial compulsion in a summary proceeding (*en référé*).

The information obtained by the Company cannot be transferred thereby, even at no charge, subject to the criminal sanctions provided by Article 226-13 of the French Criminal Code (*Code pénal*).

Under the conditions specified by the applicable laws and regulations (particularly those concerning time limits), the intermediary registered on behalf of holders of securities in registered form who are not domiciled on the French territory is required to disclose the identity of the holders of such securities and of the number of securities held by each, at the request of the Company or of its representative, which may be submitted at any time.

As long as the Company deems that certain holders of securities in bearer form or in registered form whose identity has been communicated to the Company hold such shares on behalf of third parties, it has the right to request such holders to disclose the identity of the owners of these securities and the number of securities of each such owner under the conditions indicated above. When a person who has received a request in accordance with the foregoing provision fails to provide the information thus requested within the time specified by laws and regulations, or has provided incomplete or erroneous information either on his own capacity, or on the owners of the securities, or on the number of securities held by each, the shares or securities giving immediate or future access to the share capital and for which that person was registered shall be disqualified for voting purposes at any general meeting that may be held until the date on which all such information is made accurate, and payment of the corresponding dividend shall be postponed until such date.

Moreover, in the event that a registered person should knowingly fail to comply with the above provisions, the court having jurisdiction in the territory of the Company's registered office may, at the request of the Company or of one or more shareholders holding at least 5% of the share capital, partially or completely disqualify the questionable shares from voting and potentially from receiving the dividend, for a total of no more than 5 years.

Furthermore, without prejudice to the disclosure requirements set forth in Article 8.2 of the Articles of Association, the Company may ask any legal entity that holds shares in the Company for more than one-fortieth of the share capital or voting rights to disclose the identity of persons who directly or indirectly hold more than one-third of the share capital or of the voting rights which are liable to be exercised at general meetings of such legal entity.

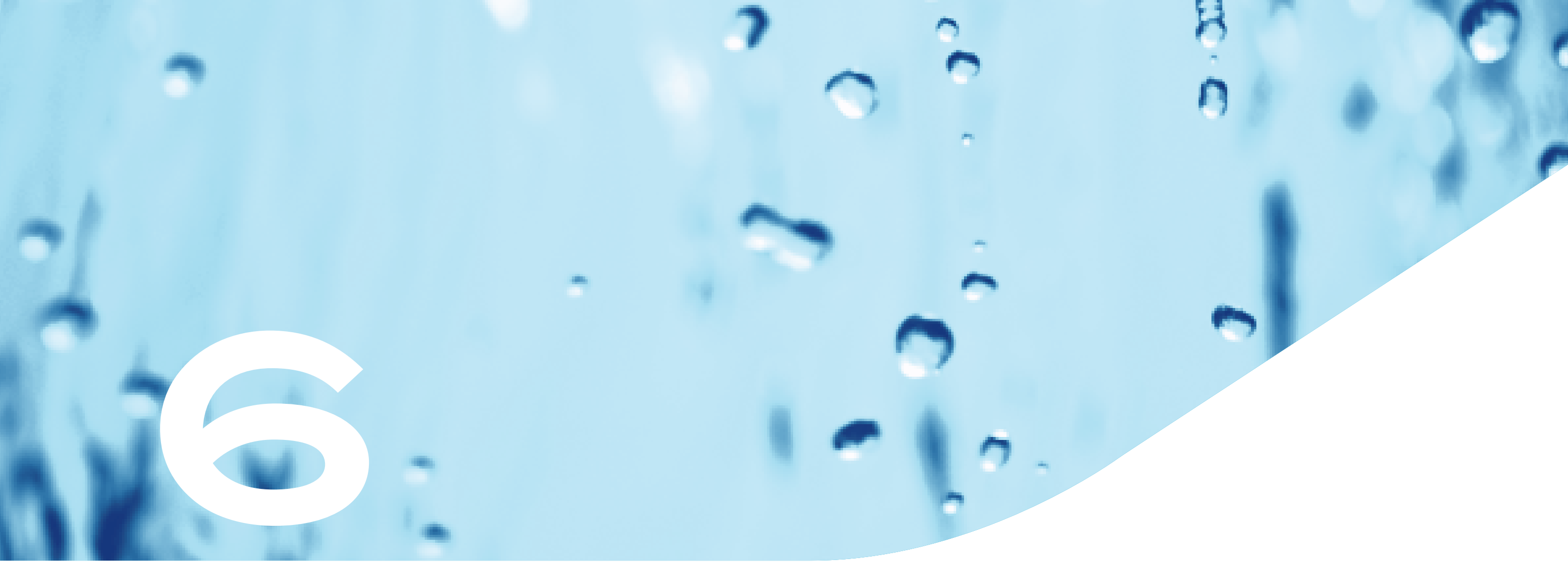
5.5.7 CROSSING OF THRESHOLDS (ARTICLE 8.2 OF THE ARTICLES OF ASSOCIATION)

In addition to the legal obligation to notify the Company of their holding of certain percentages of the share capital or voting rights, any natural person or legal entity, acting alone or in concert, that shall come to own, within the meaning of articles L. 233-9 and L. 233-10 of the *Code de commerce*, directly or indirectly, 1% or more of the share capital or voting rights, is required to notify the Company thereof by registered letter with return receipt stating the total number of shares, voting rights and securities giving future access to the capital and of voting rights attached thereto that it holds, alone or in concert, directly or indirectly, within five trading days from the date on which it crosses this threshold.

Above this 1% threshold and up to 30%, this disclosure requirement must be fulfilled under the conditions set forth above, each time the shareholder crosses a multiple of 0.5% of the share capital or voting rights.

Failure to disclose these thresholds as set forth in the first two paragraphs above shall result in those shares that should have been disclosed being disqualified for voting purposes at general meetings, if such failure is acknowledged and if so requested at a meeting by one or more shareholders together holding at least 3% of the Company's share capital or voting rights.

All shareholders, whether natural persons or legal entities, must also notify the Company in the manner and within the time limits indicated in the first two paragraphs above, whenever their direct, indirect or joint holdings fall below any of the thresholds mentioned in the said paragraphs.



ANNUAL GENERAL MEETING

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6.1 SPECIAL REPORT BY THE STATUTORY AUDITORS ON REGULATED AGREEMENTS AND COMMITMENTS

This is a free translation of a report issued in the French language and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

KPMG Audit
Département de KPMG S.A.
1, cours Valmy
92923 Paris-La Défense Cedex
Commissaire aux Comptes
Membre de la Compagnie régionale de Versailles

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable
Commissaire aux Comptes
Membre de la Compagnie régionale de Versailles

Arkema

Registered office: 420, rue d'Estienne d'Orves - 92700 Colombes

Share capital: € 628,772,150

Special report by the statutory auditors on regulated agreements and commitments

Year ended 31 December 2012

To the shareholders,

Ladies and Gentlemen,

In our capacity as statutory auditors of your Company, we hereby report on the regulated agreements and commitments advised to us.

Our role is to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments that were notified to us or may have come to our attention during our assignment, without being required to comment as to whether these are beneficial or appropriate, or to ascertain whether any other agreements and commitments exist. It is your responsibility, in accordance with article R. 225-31 of the French Commercial Code (*Code de Commerce*) to evaluate the benefits resulting from these agreements and commitments prior to their approval.

Furthermore, we are required, where applicable, to provide you with the information set out under article R. 225-31 of the Commercial Code (*Code de Commerce*) relating to the execution, in the year ended 31 December 2012, of the agreements and commitments already approved by the Annual General Meeting.

We have performed the procedures that we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) relating to this assignment. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

AGREEMENTS AND COMMITMENTS REQUIRING APPROVAL BY THE ANNUAL GENERAL MEETING

We inform you that we were not advised of any agreement or commitment authorized in the year ended 31 December 2012 requiring approval by the Annual General Meeting in accordance with article L. 225-38 of the French Commercial Code (*Code de Commerce*).

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE ANNUAL GENERAL MEETING

Agreements and commitments authorized in the year ended 31 December 2012

In accordance with article R. 225-30 of the French Commercial Code, we were advised that the following agreements and commitments, already approved by the Annual General Meeting of 23 May 2012, on presentation of the special auditors report dated 16 March 2012 remained current in the year ended 31 December 2012, and have not given rise to effective implementation in the year ended 31 December 2012.

With Mr Thierry Le Hénaff, Chairman and Chief Executive Officer of your Company

In the event of non-voluntary early termination of contract or termination linked to a change of control of the Company or a change of strategy decided by the Board of Directors, and except in the event of serious or gross misconduct, Thierry Le Hénaff shall benefit from a redundancy payment the amount of which shall be calculated on the basis of the fulfilment of the performance conditions by the beneficiary, with regard to the Company's performance, and shall not exceed twice his total annual gross compensation for the year in question.

The performance conditions are based on five criteria: one criterion related to safety (total recordable injury rate), one external criterion (growth in EBITDA margin compared to that of a given reference panel of chemical industry groups), and three financial criteria (working capital, EBITDA margin, return on capital employed). The reference index applicable for the calculation of the five performance criteria shall be the index corresponding to the Arkema Group data at 31 December 2005, and the value of the index at year-end applicable for the calculation of all criteria shall be the index average calculated at Group level over the two accounting periods preceding the date of early termination.

The performance conditions related to the above-mentioned five quantitative criteria are set out in detail in our special report of 16 March 2012.

Agreements and commitments approved in prior years

a) Which remained in effect during the year ended 31 December 2012

In accordance with article R. 225-30 of the French Commercial Code (*Code de Commerce*), we were advised that the following agreements and commitments, approved by the annual general meeting in prior years, remained current in the year ended 31 December 2012.

With the company Arkema France S.A. (wholly owned by your Company)

The multi-currency syndicated credit facility, approved by your combined general meeting on 10 May 2006, signed between your Company and Arkema France S.A. on the one hand and a syndicate of banks including among others Calyon, BNP Paribas, ABN AMRO and Citybank International plc on the other hand, remained current during 2012.

This credit facility is renewable and is for a maximum amount of €1.1 billion, and its purpose in particular is to finance, in the form of drawings and bank guarantees, the Arkema Group's general corporate purposes. Arkema reduced this credit facility before the due date to €300 million on 26 July 2011 with maturity on 31 March 2013.

The agreement provides for other entities of the Arkema Group to withdraw cash on this credit facility. The credit facility provides situations for early reimbursement, including a change of control over your Company (as defined as the holding, by a person acting solely or together, of a direct or indirect ownership interest representing more than one third of the voting rights of your Company); should this clause be triggered by a lender, it could lead to early reimbursement and cancellation of the commitments to this lender.

This credit facility was not used at 31 December 2012.

b) Without effective implementation in the year ended 31 December 2012

Furthermore, we were advised of the continuation of the following agreements and commitments, already approved by the annual general meeting in prior years, which did not result in effective implementation in the year ended 31 December 2012.

With Mr Thierry Le Hénaff, Chairman and Chief Executive Officer of your Company

In addition to the general pension schemes operated for employees of the Group, Mr Thierry Le Hénaff benefits from a supplementary scheme, financed by the Company and offered to certain executives of the Group, provided that the beneficiary is in the employ of the Company when he comes to retire. Your Board of Directors meeting on 4 July 2006 approved the calculation of accumulated benefits vested by the Chairman and Chief Executive Officer in 2006 as part of this supplementary scheme, whereby the Company's pension liabilities relating to the Chairman and Chief Executive Officer correspond, at 31 December 2012, to an annual retirement pension equal to 25.7% of his current annual compensation.

With the company Arkema France S.A. (wholly owned by your Company)

The multi-currency syndicated credit facility, approved by the Annual General Meeting on 16 May 2012, signed by your Company and Arkema France S.A. on the one hand and a syndicate of banks on the other hand, remained current during 2012.

This multi-currency syndicated credit facility is renewable, is for a maximum amount of €0.7 billion, and its purpose is to finance, in the form of drawings and bank guarantees, the Arkema Group's general corporate purposes until 26 July 2016.

The agreement provides for other entities of the Arkema Group to withdraw cash on this credit facility.

The credit facility is subject to early reimbursement, including a change of control over your Company (as defined as the holding, by a person acting solely or together, of a direct or indirect ownership interest representing more than one third of the voting rights of your Company); should this clause be triggered by a lender, it could lead to early reimbursement and cancellation of the commitments to this lender.

This credit facility was not used at 31 December 2012.

Paris La Défense, 27 February 2013

The statutory auditors

French original signed by

KPMG Audit	ERNST & YOUNG Audit
Département de KPMG S.A.	
Jacques-François Lethu	Valérie Quint
Partner	*Partner*

6.2 DRAFT AGENDA AND DRAFT RESOLUTIONS PROPOSED TO THE SHAREHOLDERS' COMBINED GENERAL MEETING

6.2.1 DRAFT AGENDA OF THE COMBINED GENERAL MEETING TO BE HELD ON 4 JUNE 2013

RESOLUTIONS PROPOSED TO THE ORDINARY GENERAL MEETING

- Approval of the Company's financial statements for the financial year ended 31 December 2012.
- Approval of the consolidated financial statements for the financial year ended 31 December 2012.
- Allocation of the net income for the financial year ended 31 December 2012.
- Distribution of an amount deducted from the "paid-in-surplus" account after deduction of the negative retained earnings.
- Reappointment of Mr Bernard Kasriel as Director.
- Reappointment of Mr Thierry Morin as Director.
- Reappointment of Mr Marc Pandraud as Director.
- Reappointment of Mr Philippe Vassor as Director.
- Ratification of the appointment of Mrs Victoire de Margerie as Director.
- Authorisation to be granted to the Board of Directors to trade in the Company's shares.

RESOLUTIONS PROPOSED TO THE EXTRAORDINARY GENERAL MEETING

- Authorisation granted to the Board of Directors for the purpose of reducing the share capital by way of cancellation of shares held by the Company.
- Authorisation given to the Board of Directors to grant shares of the Company free of charge.
- Powers for formalities.

6.2.2 DRAFT RESOLUTIONS PROPOSED TO THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING TO BE HELD ON 4 JUNE 2013

RESOLUTIONS PROPOSED TO THE ORDINARY GENERAL MEETING

1st resolution

(Approval of the annual financial statements for the financial year ended 31 December 2012)

The General Meeting, voting in the quorum and majority conditions required for Ordinary General Meetings, after having considered the Company's annual financial statements for the financial year that ended on 31 December 2012, as well as the Board of Directors' management report and the statutory auditors' reports, approves the Company's annual financial statements for the financial year that ended on 31 December 2012, as well as the operations reflected in these financial statements and summarised in these reports.

In accordance with the provisions of article 223 *quater* of the French General Tax Code (*Code Général des Impôts*), the Ordinary General Meeting formally noted that none of the expenses and charges referred to in article 39-4 of said Code were incurred during the financial year ended.

2nd resolution

(Approval of the consolidated financial statements for the financial year ended 31 December 2012)

The General Meeting, voting in the quorum and majority conditions required for Ordinary General Meetings, after having considered the consolidated financial statements for the financial year that ended on 31 December 2012, as well as the Board of Directors' report on the Group's management and the statutory auditors' report on the consolidated financial statements, approves the consolidated financial statements for the financial year that ended on 31 December 2012, as well as the operations reflected in these financial statements and summarised in these reports.

3rd resolution

(Allocation of the net income for the financial year ended 31 December 2012)

The General Meeting, voting in the quorum and majority conditions required for Ordinary General Meetings, formally notes that the balance sheet for the financial year that ended on 31 December 2012 shows a net profit of €26,433,736.89. Based on a proposal of the Board of Directors, the General Meeting decides to allocate this profit of €26,433,736.89 to retained earnings as follows:

Financial year's profit	€26,433,736.89
Retained earnings from previous financial year	€(174,644,789.27)
New balance of retained earnings	€(148,211,052.38)

4th resolution

(Distribution of an amount deducted from the "paid-in surplus" account, after deduction of negative retained earnings)

The General Meeting, voting in the quorum and majority conditions required for Ordinary General Meetings, after having considered the Board of Directors' report, formally notes that the distributable reserves for the financial year that ended on 31 December 2012, amounts to €976,824,205,11, and less negative retained earnings (€148,211,052.38), amounts to €828,613,152.73, and decides, as proposed by the Board of Directors, to distribute a dividend, to be deducted from the reserve account "paid-in surplus" as follows:

Paid-in surplus	€976,824,205.11
Retained earnings	€(148,211,052.38)
Balance of paid-in surplus less retained earnings	€828,613,152.73
Distributed dividends	€113,178,987.00
New Balance of the Distributable Reserves	€715,434,165.73

Accordingly, the General Meeting decides to pay on the 62,877,215 shares bearing dividend right on 1st January 2012 and existing on the date of the Board of Directors' Meeting held to draw up the draft resolutions, a dividend of €113,178,987, corresponding to a distribution of €1.80 per share, it being specified that full power is granted to the Board of Directors to record under the "retained earnings" the fraction of the dividend corresponding to the Company's treasury shares.

The General Meeting authorises the Board of Directors to deduct from the "paid-in surplus" account the amounts needed to pay the aforementioned dividend on the shares resulting from the subscriptions or allotments carried out prior to the dividend payment date and being entitled to said dividend. The ex dividend date for the financial year 2012 dividend shall be 6 June 2013, and the dividend shall be payable on 11 June 2013 on the positions closed on the evening of 10 June 2013.

This distribution is eligible for the 40% rebate to which individual persons domiciled in France for tax purposes are entitled, as indicated in article 158.3–2° of the French General Tax Code.

It is hereby recalled that the following dividend was paid for the three previous financial years:

Financial year	2009	2010	2011
Net dividend per share *(in euros)*	0.60 (1)	1 (1)	1.30 (1)

(1) Amounts eligible in full for the 40% deduction for individual persons domiciled in France for tax purposes, as indicated in article 158.3–2° of the French General Tax Code.

5th resolution

(Reappointment of Mr Bernard Kasriel as Director)

The General Meeting, voting in the quorum and majority conditions required for Ordinary General Meetings, after having considered the Board of Directors' report and observed that the term of office of Mr Bernard Kasriel expires on todays' date, decides to reappoint Mr Bernard Kasriel as director for a term of four years, which will expire at the end of the General Meeting held to approve the 2016 financial statements.

6th resolution

(Reappointment of Mr Thierry Morin as Director)

The General Meeting, voting in the quorum and majority conditions required for Ordinary General Meetings, after having considered the Board of Directors' report and observed that the term of office of Mr Thierry Morin expires on todays' date, decides to reappoint Mr Thierry Morin as director for a term of four years, which will expire at the end of the General Meeting held to approve the 2016 financial statements.

7th resolution

(Reappointment of Mr Marc Pandraud as Director)

The General Meeting, voting in the quorum and majority conditions required for Ordinary General Meetings, after having considered the Board of Directors' report and observed that the term of office of Mr Marc Pandraud expires on todays' date, decides to reappoint Mr Marc Pandraud as director for a term of four years, which will expire at the end of the General Meeting held to approve the 2016 financial statements.

8th resolution

(Reappointment of Mr Philippe Vassor as Director)

The General Meeting, voting in the quorum and majority conditions required for Ordinary General Meetings, after having considered the Board of Directors' report and observed that the term of office of Mr Philippe Vassor expires on todays' date, decides to reappoint Mr Philippe Vassor as director for a term of four years, which will expire at the end of the General Meeting held to approve the 2016 financial statements.

9th resolution

(Ratification of the appointment of Mrs Victoire de Margerie as Director)

The General Meeting, voting in the quorum and majority conditions required for Ordinary General Meetings, after having considered the Board of Directors' report, ratifies the appointment, decided on a provisional basis by the Board of Directors on 7 November 2012, of Mrs Victoire de Margerie as director, in place of Mrs Isabelle Kocher who resigned, for the remainder of the term of her office, *i.e.* until the end of the General Meeting to be held to approve the 2014 financial statements.

10th resolution

(Authorization granted to the Board of Directors, for a period of 18 months, to trade in the Company's shares)

The General Meeting, voting in the quorum and majority conditions required for Ordinary General Meetings, after having considered the Board of Directors' report, authorizes the Board of Directors, in accordance with articles L. 225-209 *et seq.* of the French Commercial Code, European Commission Regulation N°2273/2003 of 22 December 2003 and Title IV of Book II of the General Regulations of the French Financial Markets Supervising Authority (*Autorité des marchés financiers*), to buy, or to have others buy, shares of the Company, for up to 10% of the total number of the shares comprising the share capital at any time (it being stipulated that this 10% limit shall apply to a number of shares of the Company that will, if applicable, be adjusted to take account of the transactions affecting the share capital following this General Meeting) in the following conditions:

(i) the maximum purchase price must not exceed €110 per share;

However, the Board of Directors can adjust the aforementioned purchase price in the event of the incorporation of premiums, reserves or profits, giving rise to an increase of the nominal value of the shares, or to the creation and grant of free shares, as well as in the case of a stock split, share consolidation, or in the event of any other transaction relating to the shareholders' equity, so as to reflect the impact of these transactions on the value of the share;

(ii) the maximum aggregate amount of the funds that can be used to implement this share buyback program is €100 million;

(iii) the acquisitions made by the Company pursuant to this authorization cannot under any circumstances cause it to directly or indirectly hold more than 10% of the shares comprising the share capital;

(iv) the shares purchased and held by the Company shall be deprived of their voting right and shall not be entitled to dividend payment;

(v) these shares can be acquired or transferred at any time, with the exception of periods of public offers on the Company's shares, under the conditions and within the limits, notably, the volume and pricing conditions and limits, stipulated by laws and regulations in force on the date of the transactions in question, by any means, inter alia, on the market or over the counter, including by the acquisition or sale of blocks of shares, *via* the use of financial derivative instruments or warrants traded on a regulated market or over the counter, under the conditions stipulated by the market authorities and at the times that the Board of Directors or the person acting on the Board of Directors' delegation shall determine.

The General Meeting decides that these purchases of shares can be made with a view to any allocation permitted by law, whether currently or in future, and, *inter alia*, with a view:

(i) to implement market practices allowed by the French Financial Markets Supervising Authority, such as (a) the purchase of the Company's shares to be retained and subsequently delivered by way of exchange or payment in the context of any potential external growth transaction, it being specified that the number of shares acquired with a view to their subsequent delivery in the context of a merger, demerger or contribution transaction cannot exceed 5% of its share capital at the time of the acquisition or (b) purchase or sales transactions within the scope of a liquidity contract entered into with an investment services provider and consistent with the ethical charter recognized by the French Financial Markets Supervising Authority, as well (c) any market practice subsequently allowed by the French Financial Markets Supervising Authority or by the law;

(ii) to put in place and comply with its obligations and in particular to deliver shares upon the exercise of rights attached to negotiable securities granting access, by any means, whether immediately or in future, to shares of the Company, as well as to enter into any hedging transactions in respect of the Company's obligations (or those of any of its subsidiaries) linked to these negotiable securities, under the conditions stipulated by market authorities and at the times determined by the Board of Directors or by the person acting on the delegation of the Board of Directors;

(iii) to cover purchase option plans granted to employees or directors of the Company or of its group;

(iv) to allocate shares of the Company, free of charge to the employees or directors of the Company or of its group, under the conditions stipulated by articles L. 225-197-1 *et seq.* of the French Commercial Code;

(v) to offer employees the right to acquire shares, whether directly, or via a company savings plan, under the conditions stipulated by law, notably, articles L. 3332-1 *et seq.* of the French Labour Code (*Code du travail*);

(vi) to cancel all or part of the purchased shares in order to reduce the Company's share capital.

The General Meeting decides that the Board of Directors shall inform the General Meeting each year of the transactions carried out pursuant to this resolution, in accordance with article L. 225-211 of the French Commercial Code.

The General Meeting grants all necessary powers to the Board of Directors, including the right to sub-delegate under the conditions stipulated by law, to implement such authorization, clarify as the case may be its terms, and determine its conditions, implement the share buy-back and notably place any stock market orders, enter into any agreements, draw up and modify any documents, in particular, information documents, perform all formalities, including, to allocate or reallocate the shares acquired for the various purposes pursued, and to make all declarations to the French Financial Markets Supervising Authority and any other bodies, and, in general, to do whatever is necessary.

The General Meeting decides that this authorization is given for a period of eighteen months from the date of this Meeting or until the date of its renewal by an Ordinary General Meeting prior to the expiry of the aforementioned eighteen-month period. It shall render ineffective for its unused portion the eleventh resolution of the Combined General Meeting held on 23 May 2012.

RESOLUTIONS PROPOSED TO THE EXTRAORDINARY GENERAL MEETING

11th resolution

(Authorisation granted to the Board of Directors, for a period of 24 months, for the purpose of reducing the share capital by way of cancellation of shares held by the Company)

The General Meeting, voting in the quorum and majority required for Extraordinary General Meetings, after having considered the Board of Directors' report and the statutory auditors' special report, and in accordance with article L. 225-209 *et seq.* of the French Commercial Code:

- authorizes the Board of Directors to reduce the share capital, on one or more occasions, in the proportions and at the times it will decide, by cancellation of any proportion of Company's treasury shares it will decide, within the limit of 10% of the Company's share capital per period of twenty-four (24) months, being precised that such 10% limit applies to an amount of the Company's share capital which may, if necessary, be adjusted to take account operations affecting the share capital of the Company subsequently to this General Meeting;
- decide that the amount of the share purchase price in excess of their nominal value will be allocated to the "issue premium" account or to any available reserves account, including the legal reserve, the latter subject to a limit of 10% of the share capital reduction carried out;
- grants all the necessary powers to the Board of Directors, including the right to sub-delegate such powers under conditions provided for by law, to carry out a reduction in the share capital resulting from the cancellation of shares and the aforementioned allocation, and to amend Articles of Association accordingly and perform all formalities.

This authorisation shall be granted for a period of 24 months from the date of this General Meeting.

12th resolution

(Authorisation given to the Board of Directors to grant shares of the Company free of charge, subject to performance conditions, for a period of 38 months, and up to the limit of 1,250,000 shares (2% of the share capital))

The General Meeting, voting in the quorum and majority conditions required for Extraordinary General Meetings, after having considered the Board of Directors' report and the statutory auditors' special report, and in accordance with articles L. 225-197-1 *et seq.* of the French Commercial Code:

1. authorizes the Board of Directors to grant existing shares or shares to be issued of the Company free of charge, on one or more occasions, to beneficiaries or categories of beneficiaries determined by the Board of Directors among the employees and/or eligible executive officers (in the meaning of article L. 225-197-1.II of the French Commercial Code) of the Company or of companies or groupings that are affiliated with it pursuant to article L. 225-197-2 of the French Commercial Code;
2. decides that the shares of the Company that are granted free of charge to the above mentioned eligible executive officers of the Company and to the members of the Executive Committee shall be subject to at least two performance criteria (one internal criterion and one external criterion) decided by the Board of Directors, in particular, on the basis of which the number of shares definitely acquired shall be determined, these criteria being assessed over a minimum period of two financial years;
3. decides that, pursuant this authorization, the total number of the Company's existing shares or shares to be issued granted free of charge may not exceed a maximum number of 1,250,000 shares (2% of the share capital) (the "Ceiling"), it being specified that this Ceiling is fixed without taking into account the adjustments which may occur in accordance with the applicable legal and regulatory provisions or any contractual provisions to protect the rights of holders of securities granting access to the share capital;

4. decides that the Board of Directors shall determine, under the conditions required by law, at the time of each granting decision:

(i) the acquisition period, at the end of which the granting of the shares shall become definitive, which shall last at least two years, and

(ii) the compulsory retention period of the beneficiaries; this period running from the definitive granting of the shares, which shall be, for all or some of the shares, a minimum period of two years, with the exception of the shares for which the acquisition period shall be at least four years, and for which the compulsory retention period can be eliminated or shortened;

5. decides that the granting of shares to their beneficiaries will become definitive before the end of the aforementioned acquisition period in case of disability of the beneficiary corresponding to ranking in the second or third category provided for in article L. 341-4 of the French Social Security Code, and in case of death of the beneficiary, his or her heirs may request the definitive granting of the shares within six months from the date of death; these shares being freely transferable;

6. decides that the existing shares that can be granted pursuant to this resolution shall be acquired by the Company, either within the framework of article L. 225-208 of the French Commercial Code, or, if applicable, in the context of the share buyback program authorized by the General Meeting pursuant to article L. 225-209 of the French Commercial Code;

7. acknowledges that, in the event of grant of shares free of charge to be issued, this authorization shall entail, at the end of the acquisition period, increase of the share capital by incorporation of reserves, profits or premiums in favour of the beneficiaries of these shares and a waiver by the shareholders of (i) their preferential subscription right to subscribe to the shares that will be issued in the context of the definitive grant of shares, (ii) any right to the shares granted free of charge on the basis of this delegation, and (iii) any right on the amount of the reserves and premiums against which, if applicable, the issuance of the new shares shall be charged;

8. grants full power to the Board of Directors, with the right to sub-delegate under the conditions stipulated by law and within the above-mentioned limits, in order to implement this authorization, and in particular, in order to:

(i) determine whether the free shares being granted are shares to be issued or existing shares,

(ii) determine the identity of the beneficiaries or the category(ies) of beneficiaries, the granting criteria, the number of shares granted to each of them, the terms and conditions for the granting of the shares and, in particular, the acquisition period and the compulsory retention period,

(iii) define, in particular regarding the shares granted to the eligible executive officers of the Company and the members of the Executive Committee, the performance criteria,

(iv) decide for the shares granted to the eligible executive officers of the Company that they cannot be sold by the interested parties before said persons have left their positions, or determines the quantity of shares granted free of charge that the latter shall be bound to keep in registered form until they have left their positions,

(v) define, under the conditions defined by law and within legal limits, the dates on which the shares shall be granted,

(vi) decide on the new issued shares' vesting date, even if retroactive,

(vii) decide on the conditions under which the number of shares granted free of charge shall be adjusted, and

(viii) more generally, with the right to sub-delegate under the conditions stipulated by law, enter into agreements, draw up any documents, record or acknowledge increases of the share capital following definitive granting, amend, if applicable, the Articles of Association to reflect this, perform all formalities and make all declarations to any entities and do whatever is otherwise necessary.

Each year, the Board of Directors shall inform the Ordinary General Meeting of each granting made pursuant to this resolution, in accordance with article L. 225-197-4 of the French Commercial Code.

The General Meeting decides that this authorisation is given for a term of 38 months from the date of this Meeting.

13th resolution

(Powers for formalities)

The General Meeting grants full powers to the bearer of an original, a copy or an excerpt of the minute of this Meeting for the purposes of performing all filing, publicity or other required formalities.

6.3 REPORT OF THE BOARD OF DIRECTORS ON THE RESOLUTIONS PROPOSED TO THE SHAREHOLDERS' COMBINED GENERAL MEETING TO BE HELD ON 4 JUNE 2013

The Board of Directors considers to submit to the shareholders' vote for approval at the Combined General Meeting to be held on 4 June 2013, the resolutions presented below.

RESOLUTIONS PROPOSED TO THE ORDINARY GENERAL MEETING

Approval of the annual financial statements, allocation of the net income and distribution of an amount deducted from the "paid-in surplus" account after deduction of the negative retained earnings (1st, 2nd, 3rd and 4th resolutions)

The purpose of the **1st resolution** is to approve the Company's annual financial statements for the financial year 2012 as summarized in the Board of Directors' management report, as well as all operations reflected by or mentioned in the said report. We propose that you formally acknowledge that no expenses and charges referred to in article 39-4 of the French General Tax Code have been incurred during the past financial year.

It is proposed, in the **2nd resolution**, in accordance with the provisions of article L. 225-100 of the French Commercial Code, to approve the consolidated financial statements for the financial year 2012, and all operations reflected by or mentioned in the said financial statements.

As a result of the net profit of €26,433,736.89 showed in the financial statements, the Board of Directors proposes, in the **3rd resolution**, that you allocate this profit as follows:

Financial year's profit	€26,433,736.89
Retained earnings from previous financial year	€(174,644,789.27)
New balance of retained earnings	€(148,211,052.38)

In the **4th resolution**, the Board of Directors proposes that you formally acknowledge that the distributable reserves for the financial year that ended on 31 December 2012 amounts to €976,824,205.11 in aggregate, and decreased by the negative amount of retained earnings €(148,211,052.38), amounts to €828,613,152.73 and that you decide to distribute a dividend, to be deducted from the reserve account "paid-in surplus" as follows:

Paid in surplus	€976,824,205.11
Retained earnings	€(148,211,052.38)
Balance of paid-in surplus less retained earnings	€828,613,152.73
Distributed dividends	€113,178,987.00
New Balance of the Distributable Reserves	€715,434,165.73

The payment of the dividend of €113,178,987, on the 62,877,215 shares bearing dividend right on 1 January 2012 and existing on the date of the Board of Directors' meeting approving the text of draft resolutions, would correspond to a distribution of €1.80 per share.

It is also proposed that you authorize the Board of Directors to deduct from the "paid-in surplus" account the amounts needed to pay the aforementioned dividend on the shares resulting from the subscriptions or allotments carried out prior to the dividend payment date and that have dividend rights. The ex dividend date for the financial year 2012 shall be 6 June 2013 and the dividend shall be payable on 11 June 2013 on the positions closed on the evening of 10 June 2013.

This distribution would be eligible for the 40% deduction to which individual persons domiciled in France for tax purposes are entitled, as indicated in article 158.3-2° of the French General Tax Code.

It is hereby recalled that the following dividend was paid for the three previous financial years:

Financial year	2009	2010	2011
Net dividend per share *(in euros)*	0.60 (1)	1.00 (1)	1.30 (1)

(1) Amounts eligible in full for the 40% deduction for individual persons domiciled in France for tax purposes, as indicated in article 158.3–2° of the French General Tax Code.

If, on the payment date of the dividend, the Company holds some treasury shares, the amount corresponding to the dividends not paid in relation to these shares would be allocated to the "retained earnings" account.

Reappointment of Directors (5th, 6th, 7th, and 8th resolutions)

The Board of Directors proposes that you renew the terms of office of Mr Bernard Kasriel (in the **5th resolution**), Mr Thierry Morin (in the **6th resolution**), Mr Marc Pandraud (in the **7th resolution**) and Mr Philippe Vassor (in the **8th resolution**) as Directors, for a four-year period expiring at the end of the General Meeting to be held in 2017 to approve the financial statements for the financial year ending on 31 December 2016.

Information relating to the candidates for renewal of their terms of office as directors is provided below:

Bernard Kasriel, born in 1946, holds a degree from *École Polytechnique*, a Master of business administration from Harvard Business School and from Insead. He was a partner of LBO France from September 2006 to September 2011.

He joined Lafarge in 1977 as Executive Vice-President (and then Chief Executive Officer) of the health division. He was appointed Executive Vice-President of the Lafarge group and member of its executive committee in 1981. After spending two years in the United States as Chairman and Chief Operating Officer of National Gypsum, in 1989 he became Director and Chief Executive Officer, then Vice-Chairman and Chief Executive Officer of Lafarge in 1995. He was Chief Executive Officer of Lafarge from 2003 to end 2005.

Before joining Lafarge, Bernard Kasriel had begun his career at the *Institut de Développement Industriel* (1970), before becoming Chief Executive Officer in regional companies (1972), and then joining the *Société Phocéenne de Métallurgie* as Executive Vice-President (1975).

Bernard Kasriel is currently a member of Arkema's Nominating, Compensation and Corporate Governance Committee.

Thierry Morin, born in 1952, holds a degree in Management from the University of Paris IX – Dauphine.

An *Officier de l'Ordre National du Mérite, Chevalier de la Légion d'Honneur et des Arts et des Lettres*, he is also Chairman of the INPI (*Institut National de la Propriété Industrielle*), and Chairman of Thierry Morin Consulting.

He joined the Valeo Group in 1989, where he occupied several different positions (Financial Director of branch, of the Group, Purchasing and Strategy Director), before he was appointed as Executive Vice-President in 1997, Executive Director in 2000, Chairman of the Management Board in 2001, and Chairman and Chief Executive Officer from March 2003 to March 2009. Before, he occupied several different positions within Burroughs, Schlumberger and Thomson Consumer Electronics.

Thierry Morin is currently a member and chairman of Arkema's Nominating, Compensation and Corporate Governance Committee.

Marc Pandraud, born in 1958, holds a degree from *École Supérieure de Commerce de Paris* (ESCP). He has been Chief country officer of Deutsche Bank in France since June 2009.

He began his career as auditor at Peat Marwick Mitchell (1982-1985). Then, he became Vice-President of Bear Stearns & Co Inc. (1985-1989), Chief Executive Officer of SG Warburg France S.A. (1989-1995), Chief Executive Officer of Deutsche Morgan Grenfell (1995-1998), and then Executive Director, in charge of the merchant banking activities (1998). He joined afterwards Merrill Lynch as Chief Executive Officer of Merrill Lynch & Co Inc. (1998) and Chief Executive Officer of Merill Lynch France (1998), and then he was appointed as Chairman of Merril Lynch France (2005-2009). Marc Pandraud is *Chevalier de l'Ordre National du Mérite*.

Philippe Vassor, born in 1953, holds a degree from *École Supérieure de Commerce de Paris* (ESCP), and he is also qualified as certified accountant and auditor.

He has been Chairman of Baignas S.A.S. since June 2005, Chairman of V.L.V. SAS and of DGI Finance SAS, and director of BULL, a listed company.

Philippe Vassor spent most of his career (1975-2005) at Deloitte, where he became Chairman and Chief Executive Officer for France and a member of the World wide Executive Group, responsible for human resources (from 2000 to 2004).

Philippe Vassor is currently a member and chairman of Arkema's Audit and Accounts Committee.

Ratification of the appointment of Mrs Victoire de Margerie as Director (9th resolution)

In the **9th resolution**, the Board of Directors proposes that you ratify the appointment of Mrs Victoire de Margerie as Director, decided on a provisional basis by the Board of Directors on 7 November 2012, in place of Mrs Isabelle Kocher who resigned, for the remainder of the term of her office, *i.e.* until the end of the General Meeting held during the 2015 financial year to approve the financial statements of the financial year that ended on 31 December 2014.

Victoire de Margerie, born in 1963, is a graduate of *École des Hautes Études Commerciales* (HEC) in Paris and of *Institut d'Études Politiques* (IEP) in Paris, and she holds a DESS in Private Law from the *Université de Paris 1 Panthéon-Sorbonne*, and a PhD in Management Science from the *Université de Paris 2 Panthéon-Assas*.

She has been chairman and principal shareholder of Rondol Industrie, a British micromechanics SME, since 2009.

She previously held operational posts in industry in Germany, France and the United States within Elf Atochem, Carnaud MetalBox and Pechiney. Between 2002 and 2011, she also taught strategy and management of technology at the Grenoble School of Management.

She is, since 7 November 2012, a member of Arkema's Nominating, Compensation and Corporate Governance Committee.

Authorisation to trade in the Company's shares (10th resolution)

As the authorisation granted by the General Meeting held on 23 May 2012 is about to expire, it is proposed that you authorise the Board of Directors, with the right to sub-delegate, to purchase or to have other purchases shares of the Company, at any time, within the limit of 10% of the total number of shares comprising the share capital, being précised that this 10% limit applies to a number of shares of the Company that will, if applicable, be adjusted to take into account the operations affecting the share capital subsequently to this General Meeting, in the following conditions:

(i) the maximum purchase price should not exceed €110 per share.

However, the Board of Directors can adjust the aforementioned purchase price in the event of the incorporation of premiums, reserves or profits, giving rise to an increase of the nominal value of the shares, or to the creation and grant of free shares, as well as in the case of a stock split, share consolidation, or in the event of any other transaction relating to the shareholders' equity, so as to reflect the impact of these transactions on the value of the share;

(ii) the maximum aggregate amount of the funds that can be used to implement this share buyback program would be €100 million;

(iii) the acquisitions made by the Company pursuant to this authorisation cannot under any circumstances cause it to directly or indirectly hold more than 10% of the shares comprising the share capital;

(iv) the shares purchased and held by the Company would be deprived of their voting right and would not be entitled to dividend payments;

(v) these shares could be acquired or transferred at any time, with the exception of periods of public offers on the Company's shares, under the conditions and within the limits, in particular regarding volume and pricing, stipulated by laws and regulations in force on the date of the transactions in question, by any means, inter alia, on the market or over the counter, including by the acquisition or sale of blocks of shares, *via* the use of financial derivative instruments or warrants traded on a regulated market or over the counter, under the conditions stipulated by the market authorities and at the times that the Board of Directors or the person acting on the Board of Directors' delegation will determine.

These transactions of buy back the Company's own shares would be carried out in accordance with the provisions of articles L. 225-209 *et seq.* of the French Commercial Code, pursuant to the provisions of European Regulation No. 2273/2003 of 22 December 2003 and Title IV of Book II of the General Regulations of the French Financial Markets Supervising Authority (*Autorité des marchés financiers*), and *inter alia*, with a view:

(i) to implement the market practices allowed by the French Financial Markets Supervising Authority, such as (a) the purchase of the Company's shares to be retained and subsequently delivered by way of exchange or payment in the context of any potential external growth transaction, it being specified that the number of shares acquired with a view to their subsequent delivery in the context of a merger, demerger or contribution transaction cannot exceed 5% of its share capital at the time of the acquisition or (b) purchase or sales transactions within the scope of a liquidity contract entered into with an investment services provider and consistent with the ethical charter recognised by the French Financial Markets Supervising Authority, and (c) any market practice subsequently allowed by the French Financial Markets Supervising Authority or by the law;

(ii) to put in place and comply with its obligations and in particular to deliver shares upon the exercise of rights attached to negotiable securities granting access, by any means, whether immediately or in future, to shares of the Company, as well as to enter into any hedging transactions in respect of the Company's obligations (or those of any of its subsidiaries) linked to these negotiable securities, under the conditions stipulated by market authorities and at the times determined by the Board of Directors or by the person acting on the delegation of the Board of Directors;

(iii) to cover purchase option plans granted to employees or directors of the Company or of its group;

(iv) to allocate shares of the Company, free of charge to the employees or directors of the Company or of its group, under the conditions stipulated by articles L. 225-197-1 *et seq.* of the French Commercial Code;

(v) to offer employees the right to acquire shares, whether directly, or via a company savings plan, under the conditions stipulated by law, notably, articles L. 3332-1 *et seq.* of the French Labour Code (*Code du travail*);

(vi) to cancel all or part of the purchased shares in order to reduce the Company's share capital.

The Board of Directors would inform each year the General Meeting of the transactions carried out pursuant to this resolution, in accordance with article L. 225-211 of the French Commercial Code.

The Board of Directors proposes that you grant it all necessary powers, including the right to sub-delegate under the conditions stipulated by law, to decide and implement such authorisation, clarify as the case may be its terms, and determine its conditions, implement the share buy-back and notably to place any stock market orders, enter into any agreements, draw up and modify any documents, in particular, information documents, perform all formalities, including, to allocate or reallocate the shares acquired for the various purposes pursued, and to make all declarations to the French Financial Markets Supervising Authority and to any other bodies, and, in general, to do whatever is necessary.

The Board of Directors proposes that you grant it this authorisation to buy back the Company's shares for a term of eighteen months from the date of this Meeting, and to render ineffective, as of this same date, the unused portion of the 11th resolution of the Combined General Meeting held on 23 May 2012.

RESOLUTIONS PROPOSED TO THE EXTRAORDINARY GENERAL MEETING

Authorisation granted to the Board of Directors for the purpose of reducing the share capital by way of cancellation of shares (11th resolution)

The Board of Directors proposes that you renew the authorization, in accordance with provisions of articles L. 225-209 *et seq.* of the French Commercial Code, to reduce the share capital by way of cancellation of the shares acquired, inter alia, pursuant to the authorisation to buy back the Company's shares referred to in the 10th resolution, within the limit of 10% of the share capital of the Company per period of 24 months.

The Board of Directors proposes that you grant it all necessary powers, with the right to sub-delegate under the conditions stipulated by law, to carry out the reduction in the share capital resulting from the cancellation of shares, and the aforementioned allocation, and amend the articles of association accordingly, and perform all formalities.

The Board of Directors proposes that you grant it this authorization for a period of 24 months from the date of this Meeting.

Authorisation granted to the Board of Directors to grant shares of the Company free of charge (12th resolution)

The Board of Directors proposes that you authorise it, in accordance with the provisions of articles L. 225-197-1 *et seq.* of the French Commercial Code, to grant existing shares or shares to be issued of the Company free of charge, on one or more occasions. The beneficiaries would be employees or eligible executive officers of the Company or groupings that are affiliating with it, or certain categories of them pursuant to article L. 225-197-2 of the French Commercial Code.

The Board of Directors proposes that you decide that:

- the shares of the Company that are granted free of charge to the eligible executive officers of the Company and the members of the Executive Committee would be subject to at least two performance criteria (one internal criterion and one external criterion) decided by the Board of Directors, in particular, on the basis of which the number of shares definitely acquired would be determined, it being specified that these criteria would be assessed over a minimum period of two financial years;
- the total number of the Company's existing shares or shares to be issued granted free of charge pursuant this authorisation may not exceed a maximum number of 1,250,000 shares (2% of the share capital) (the "Ceiling"), it being specified that this Ceiling would be fixed without taking into account the adjustments which may be effected in accordance with the applicable legal and regulatory provisions or any contractual provisions to protect the holders of securities giving access to the share capital;
- it would determine, under the conditions required by law, at the time of each granting decision: (i) the aforementioned acquisition period, at the end of which the granting of the shares shall become definitive, which shall last at least two years and (ii) the compulsory retention period, this period running from the definitive granting of the shares, which shall be, for all or some of the shares, a minimum period of two years, with the exception of the shares for which the acquisition period shall be at least four years, and for which the compulsory retention period can be eliminated or shortened;
- the granting of shares to their beneficiaries would become definitive before the end of the above mentioned acquisition period in case of disability of the beneficiary corresponding to the ranking in the second or third category provided for in article L. 341-4 of the French Social Security Code, and in case of death of the beneficiary, his or her heirs may request the definitive granting of the shares within six months from the date of death; these shares being freely transferable;
- the existing shares that can be granted pursuant to this resolution shall be acquired by the Company, either within the framework of article L. 225-208 of the French Commercial Code, or, if applicable, in the context of the share buyback program authorised by the General Meeting pursuant to article L. 225-209 of the French Commercial Code.

The Board of Directors invites you to acknowledge that in the event of free granting of shares to be issued, this authorisation will entail, at the end of the acquisition period, one or more increases of the share capital by incorporation of reserves, profits or premiums in favour of the beneficiaries of the shares free of charge and a waiver by the shareholders of (i) their preferential subscription right to subscribe to the shares that will be issued in the context of the definitive granting of shares, (ii) any right to the shares granted free of charge on the basis of this delegation, and (iii) any right on the amount of the reserves and premiums against which, if applicable, the issuance of the new shares shall be charged.

The Board of Directors proposes that you grant it full power, with the right to sub-delegate under the conditions stipulated by law and within the above-mentioned limits, in order to implement this authorisation, and in particular, to:

(i) determine whether the free shares being granted are shares to be issued or existing shares;

(ii) determine the identity of the beneficiaries or the category(ies) of beneficiaries, the granting criteria, the number of shares granted to each of them, the terms and conditions for the granting of the shares and, in particular, the acquisition period and the compulsory retention period;

(iii) define, in particular regarding the shares granted to the eligible executive officers of the Company and the members of the Executive Committee, the performance criteria;

(iv) decide for the shares granted free of charge to the eligible executive officers of the Company, either that they cannot be sold by the interested parties before said persons have left their positions, or to determine the quantity of shares granted free of charge that the latter shall be bound to keep in registered form until they have left their positions;

(v) define, under the conditions defined by law and within legal limits, the dates on which the shares shall be granted;

(vi) decide on the new issued shares' vesting date, even if retroactive;

(vii) decide on the conditions under which the number of shares granted free of charge shall be adjusted; and

(viii) more generally, with the right to sub-delegate under the conditions stipulated by law, enter into agreements, draw up any documents, record or acknowledge increases of the share capital following definitive granting, amend, if applicable, the Articles of Association to reflect this, perform all formalities and make all declarations to any entities and do whatever is otherwise necessary.

Each year, the Board of Directors will inform the Ordinary General Meeting of each granting made pursuant to this resolution, in accordance with article L. 225-197-4 of the French Commercial Code.

The Board of Directors proposes that you grant it this authorisation for a term of 38 months from the date of this Meeting.

Powers to perform legal formalities (13rd resolution)

The Board of Directors proposes that you grant full powers to the bearer of a copy or an excerpt of the minutes of the meeting to perform all necessary formalities.

This report contains the main provisions of the text of draft resolutions. Please vote favourably on these draft resolutions.

The Board of Directors

6.4 STATUTORY AUDITORS' REPORT ON REDUCTION OF SHARE CAPITAL

KPMG Audit

Département de KPMG S.A.

1, cours Valmy

92923 Paris-La Défense Cedex

Commissaire aux Comptes

Membre de la Compagnie

régionale de Versailles

ERNST & YOUNG Audit

1/2, place des Saisons

92400 Courbevoie - Paris-La Défense 1

S.A.S. à capital variable

Commissaire aux Comptes

Membre de la Compagnie

régionale de Versailles

This is a free translation of a report issued in the French Language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

Arkema

Extraordinary General Meeting of 4 June 2013, 11th resolution

Statutory auditors' report on reduction of share capital

To the shareholders

Ladies and Gentlemen,

In our capacity as statutory auditors of your Company and in compliance with article L. 225-209 of the French Commercial Code (*Code de commerce*) in respect of a reduction in share capital by cancellation of repurchased shares, we hereby report on our assessment of the terms and conditions of the considered share capital reduction.

Your Board of Directors requests that it be authorized, for a period of 24 months from the date of this General Meeting, to proceed with the cancellation of treasury shares, within the limit of 10% of the said capital, per 24-month periods, in compliance with the article mentioned above.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) relating to this assignment. These procedures consisted in verifying that the terms and conditions of the proposed reduction in share capital, which should not compromise equality among the shareholders' rights, are fair.

We have no matters to report as to the terms and conditions of the proposed reduction in share capital.

.

Paris La Défense, 27 February 2013

The statutory auditors
French original signed by

KPMG Audit

Département de KPMG S.A.

Jacques-François Lethu

Partner

ERNST & YOUNG Audit

Valérie Quint

Partner

6.5 STATUTORY AUDITORS' REPORT ON THE AUTHORIZATION TO GRANT PERFORMANCE SHARES

KPMG Audit
Département de KPMG S.A.
1, cours Valmy
92923 Paris-La Défense Cedex
Commissaire aux comptes
Membre de la Compagnie régionale de Versailles

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable
Commissaire aux comptes
Membre de la Compagnie régionale de Versailles

This is a free translation of a report issued in the French Language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

Arkema

Registered office: 420, rue d'Estienne d'Orves – 92700 Colombes

Share capital: €628,772,150

Combined general meeting of 4 June 2013, 12th resolution

Statutory auditors' report on the authorization to allot free existing shares or shares to be issued

To the shareholders

Ladies and Gentlemen,

In our capacity as statutory auditors of your Company and in accordance with the terms of our engagement defined by article L. 225-197-1 of the French Commercial Code (*Code de Commerce*), we present below our report on the project of authorization to allot free existing shares or shares to be issued to eligible salaried employees and executive directors (within the meaning of article L.225-197-1 II paragraph 1 of the French Commercial Code) of your Company or companies or groupings related to it pursuant to article L.225-197-2 of the French Commercial Code, upon which you are requested to vote.

Your Board of Directors therefore proposes, on the basis of its report that you delegate to the Board, for a period of 38 months, with effect from the date of this general meeting, the authority to allot free existing shares or shares to be issued.

It is the responsibility of your Board of Directors to prepare a report on this proposed operation. Our role is to report, where applicable, our observations on the information provided to you on the proposed operation.

We have performed those procedures that we considered necessary to comply with the professional guidance issued by the French national auditing body (*Compagnie Nationale des Commissaires aux Comptes*) relating to this assignment. These procedures have consisted mainly in verifying that the proposed methods set out in the report of the Board of Directors comply with the provisions of the law.

We have no matters to report on the information given in the report of the Board of Directors relating to the proposed to authorise the allotment of free shares.

Paris La Défense, 27 February 2013

The statutory auditors
French original signed by

KPMG Audit
Département de KPMG S.A.
Jacques-François Lethu
Partner

ERNST & YOUNG Audit
Valérie Quint
Partner

6.6 FAIRNESS OPINION OF AN INDEPENDENT THIRD PARTY PURSUANT TO ARTICLE L.225-102-1 OF THE FRENCH COMMERCIAL CODE

BUREAU VERITAS

CERTIFICATION FRANCE S.A.S

Immeuble Le Guillaumet

60, avenue du Général de Gaulle

92800 PUTEAUX

Société par Action Simplifiée
au capital de 382 500 euros

399 851 609 RCS Nanterre

FAIRNESS OPINION ON INFORMATION DISCLOSED PURSUANT TO DISCLOSURE OBLIGATIONS REGARDING SOCIAL AND ENVIRONEMENTAL MATTERS

Year ended December, 31, 2012

At the request of Arkema Group, we performed an independent verification to provide an opinion on the sincerity of the environmental, social and societal information produced by Arkema Group in its registration document, and provide a moderate level of assurance on the quantitative data. We examined the following elements taking into account the framework of the French decree n° 2012-257 relative to the requirements of transparency of companies on the disclosure of environmental and social topics, with a specific focus on:

- sincerity of the qualitative and quantitative information of Arkema Group, and their consolidation at the group level;
- the qualitative assertions in the registration document regarding the social, societal, environmental and health & safety information.

The reviewed information subject to verification covers the reporting period of January 1st 2012 to December 31, 2012.

This opinion is independently stated, and without partiality. Our work has been conducted according to the professional practice. Bureau Veritas Certification has implemented its Code of Ethics which is applied by all its salaries.

The collection and management of the quantitative and qualitative information has been coordinated by the Sustainable Development Direction of Arkema according to:

- the reporting tools REED (environment) and Safetylog (health & safety) as well as the environmental and health & safety linked procedures;
- the reporting tools AREA 1 and AREA 2 for the social information as well as the linked guidance.

This is further named “The reporting methodology” and available at Corporate level.

In addition, the methodological note relative to the implementation of the “The reporting methodology” within the Group is provided in the section 2.6 of the registration document and available on Arkema’s website.

It is important to note, about this “The reporting methodology”, the change of reporting’s rules in USA, as requested by the Environmental Protection Agency, which impacted the reported data. This change is justified in the registration document.

Nature and scope of our work

We undertook the following work:

- Reviewed of "The reporting methodology" with regard to relevance, completeness, neutrality, understandability and reliability of information, particularly according to the French decree n° 2012-257 on 24 April 2012;
- conducted at corporate level, interviews with key personnel responsible for environment, safety, and/or social reporting in order to verify the correct application of the "The reporting methodology";
- conducted at corporate level, different interviews with those with responsibility for environmental, social and societal topics;
- performed an analytical review on a sample of data to check the effectiveness of the consolidation of the information at the corporate level;
- selected a sample of 14 sites or companies, on the basis of their activities and contributions to the Group's consolidated data, their localization and the results of the previous verification work: 8 sites for the environmental and health & safety information and 6 companies for social information [(1)];
- conducted at the corporate level and selected sites the checking of the qualitative information through:
  - interviews with managers in charge of environmental, social and societal subjects: sustainable development department, goods and services purchasing department, external communication department, accounting and management control department, social relation and compensation system department, and health & safety and environment department,
  - examination on a sample basis the evidence and the subjects addressed by those departments or entities,
  - reconciliation of the affirmation with public data, if any.

At the level of the selected sites or entities, we tested the understanding and correct application of "The reporting methodology", and conducted detailed checks on a sample of collected data, its supporting evidence and calculation methodology and formulas applied. The sites selected accounted for an average of more than 20% of the consolidated data for each topic environment and social.

Presence and sincerity of the information requested by the French relative to the requirements of transparency of companies on the disclosure of environmental and social topics

Presence

All the information required by the French decree n° 2012-257 on 24 April 2012 is present in Arkema's reporting with the exception of "number training hours" for which justification is provided.

Sincerity

- For the reported quantitative information, the data testing by Bureau Veritas Certification conducted on a sample basis has not revealed any significant discrepancy, error or misstatement at the corporate level.
- For the reported qualitative information, the work conducted did not reveal any significant error, bias or misstatement in assertions made.

Conclusion

On the basis of the defined scope work nothing has come to our attention to suggest that the information communicated by Arkema Group in its registration document is not reliable.

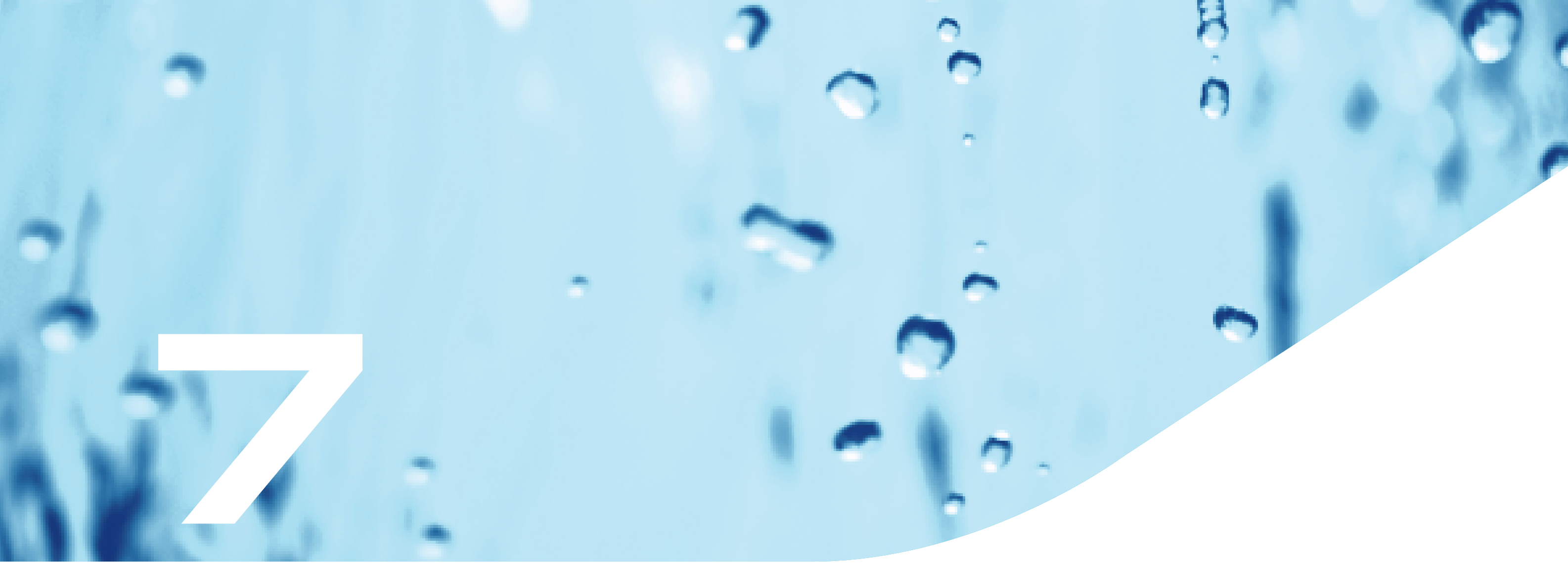
Puteaux, 27 February 2013

Bureau Veritas Certification France s.a.s

Etienne Casal

Managing Director

(1) Selected sites for Environmental: Feuchy, Saint - Auban, Marseille, Pierre Bénite, Lannemezan, Parentis et La chambre (France), Rho (Italy). Selected companies for social informations: Ceca SA (France), KPO (USA), Arkema Chemical Company Limited (China), Arkema Investment CO. LTD Shanghai Branch (China), Arkema Fluorochemical CO LTD (China), Arkema Investment CO. LTD Changshu Branch (China).



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7.1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT AND PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

7.1.1 PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Thierry Le Hénaff, Chairman and Chief Executive Officer, Arkema.

7.1.2 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

"Having taken all reasonable care to ensure that such is the case, I certify that the information contained in this reference document accurately reflects, to the best of my knowledge, the facts and contains no omission that would be likely to affect its meaning.

I certify, to the best of my knowledge, that (i) the accounts have been prepared in accordance with the relevant accounting standards and give a true representation of the assets, financial situation and result of the Company and all consolidated companies, and (ii) the management report, consisting of the sections of this reference document listed in the reconciliation table given on pages 272 to 276 of this reference document, is a true reflection of the evolution of the business, the results and the financial situation of the Company and all consolidated companies as well as a description of the main risks and uncertainties facing them.

I have obtained a letter from the statutory auditors confirming that they have completed their work and indicating that they have verified the financial situation and the financial statements included in this reference document and that they have reviewed the document as a whole. This letter does not contain any comments regarding this reference document.

The consolidated financial statements for the financial year ended 31 December 2012 and the audit report from KPMG Audit and Ernst & Young Audit, statutory auditors, are included in chapter 4 of this reference document. This report is presented on pages 137 and 138 of this reference document.

The historical financial information and the related reports by the statutory auditors are incorporated by reference in this reference document.

The consolidated financial statements for the financial year ended 31 December 2010 as well as the audit report from KPMG Audit and Ernst & Young Audit, statutory auditors, are included in Chapter 20 of the reference document registered with the Autorité des marchés financiers on 31 March 2011 under n°D.11-0203. This report set out in pages 134 and 135 of this last reference document includes an observation relating to a revised standard applied in 2010."

Colombes, 26 March 2013

Thierry Le Hénaff

Chairman and Chief Executive Officer

7.1.3 PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

Statutory auditors	*Statutory auditors*
KPMG Audit Department of KPMG S.A.	**Ernst & Young Audit**
Represented by Mr Jacques-François Lethu	Represented by Mrs Valérie Quint
1, cours Valmy 92923 Paris-La Défense Cedex	1/2, place des Saisons 92400 Courbevoie – Paris – La Défense 1
Appointed at the annual general meeting of 20 May 2008. Current term ends at the conclusion of the annual general meeting to be held in order to approve the financial statements for the year ending 31 December 2013.	Appointed at the annual general meeting of 23 May 2012. Current term ends at the conclusion of the annual general meeting to be held in order to approve the financial statements for the year ending 31 December 2017.

Alternate auditor	*Alternate auditor*
Mr Jean-Marc Decléty	**AUDITEX**
1, cours Valmy 92923 Paris-La Défense Cedex	1/2, place des Saisons 92400 Courbevoie – Paris – La Défense 1
Appointed at the annual general meeting of 20 May 2008. Current term ends at the conclusion of the annual general meeting to be held in order to approve the financial statements for the year ending 31 December 2013.	Appointed at the annual general meeting of 23 May 2012. Current term ends at the conclusion of the annual general meeting to be held in order to approve the financial statements for the year ending 31 December 2017.

7.2 PERSON RESPONSIBLE FOR THE INFORMATION

For any question concerning ARKEMA and its business activities:

- Sophie Fouillat, Vice-President Investor Relations

ARKEMA

420, rue d'Estienne d'Orves

92700 Colombes (France)

Telephone: +33 (0)1 49 00 74 63

7.3 CROSS-REFERENCE TABLE AND RECONCILIATION TABLE

7.3.1 CROSS-REFERENCE TABLE

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13.	**Profit forecasts or estimates**	**Nil**	**-**
14.	**Administrative, management and supervisory bodies and Executive Committee of the Company**		
14.1.	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside that issuer where these are significant with respect to that issuer: a) members of the administrative, management or supervisory bodies; b) partners with unlimited liability, in the case of a limited partnership with a share capital; c) founders, if the issuer has been established for fewer than 5 years; and d) any member of the Executive Committee who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business. The nature of any family relationship between any of those persons. In the case of each member of the administrative, management or supervisory bodies of the issuer and of each person mentioned in points (b) and (d) of the first subparagraph, details of that person's relevant management expertise and experience and (a) the names of all companies and partnerships of which such person has been a member of the administrative, management or supervisory bodies or partner at any time in the previous 5 years; (b) any convictions in relation to fraudulent offences for at least the previous 5 years; (c) details of any bankruptcies, receiverships or liquidations for at least the previous 5 years; (d) details of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous 5 years.	3.2.1.1	97
14.2.	Conflicts of interest, undertakings related to appointments, restrictions on the sale of interests in the Company's share capital	3.2.1.3 and 3.2.3.3	102, 111

In accordance with Annex I of EC regulation n° 809/2004 of 29 April 2004		Reference document	
N°	**Heading**	**Reference**	**Page(s)**
15.	**Compensation and benefits**	**3.4**	**112-118**
15.1.	The amount of compensation paid and benefits in kind granted by the Company and its subsidiaries	3.4	112
15.2.	Total amounts covered by provisions or recorded elsewhere by the Company and its subsidiaries for purposes of paying pension, retirement or other benefits	3.4.1 and 3.4.2 note 20.3 to consolidated financial statements	112-113, 172
16.	**Functioning of administrative and management bodies**		
16.1.	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office	3.2.1.1	97
16.2.	Information about members of the administrative, management or supervisory bodies' service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement.	3.2.3.4	105
16.3.	Information on the Company's Audit Committee and Compensation Committee	3.3.3.1 and 3.3.3.2	109-111
16.4.	A statement as to whether or not the Company complies with the corporate governance regime in its country	3.1	96
17.	**Employees**	**2.5**	**79-91**
17.1	Number of employees at the end of each period covered by the historical financial information and breakdown of employees by main category of activity and by location	2.5.1.1	79
17.2.	Shareholdings and stock options	2.5.1.3 and 5.2.6	82, 231
17.3.	Description of any arrangements for involving employees in the capital of the Company	2.4.1.3 and 5.2.2.3	82, 235
18.	**Major shareholders**	**5.3**	**235-238**
18.1.	The name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the Company's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest or, if there are no such persons, an appropriate negative statement	5.3.1	235
18.2.	Different voting rights or an appropriate negative statement	5.3.3	236
18.3.	Direct or indirect control over the Company	5.3.2	236
18.4.	A description of any arrangements, known to the Company, the operation of which may at a subsequent date result in a change in control of the Company	5.3.2	236
19.	**Related party transactions**	**5.1.3**	**226**
20.	**Financial information concerning the assets, financial condition and results of the Company**	**4.3 and 4.4**	**137-221**
20.1.	Historical financial information	4.3.2 and 4.4.2	139, 205
20.2.	Pro forma financial information	Nil	
20.3.	Financial statements	4.3.2 and 4.4.2	139, 205
20.4.	Auditing of historical annual financial information	4.3.1 and 4.4.1	137, 203
20.4.1.	Declaration that the historical financial information has been audited	4.3.1 and 4.4.1	137, 203
20.4.2.	Other information in the reference document which has been audited by the statutory auditors	Not applicable	-
20.4.3.	Where financial data in the registration document is not extracted from the Company's audited financial statements, state the source of the data and state that the data is unaudited	Not applicable	-
20.5.	Date of the latest audited financial information	4.3.2 and 4.4.2	139, 205
20.6.	Interim and other financial information	Not applicable	-
20.6.1.	Quarterly or half yearly financial information published since the last financial statements and, where appropriate, the audit or review report	Not applicable	-
20.6.2.	Interim financial information, which may be unaudited, covering at least the first six months of the financial year if the reference document is dated more than nine months after the last audited financial year	Not applicable	-
20.7.	Dividend policy	5.4.6	241
20.7.1.	Dividend per share	5.4.6	241

In accordance with Annex I of EC regulation n° 809/2004 of 29 April 2004		Reference document	
N°	**Heading**	**Reference**	**Page(s)**
20.8.	Legal and arbitration proceedings	1.6.2.4 and note 21.2 to consolidated financial statements	50, 178
20.9.	Significant change in the issuer's financial or trading position	Not applicable	-
21.	**Additional information**	**Chapter 5**	**223**
21.1.	Share capital	5.2.1	226
21.1.1.	The amount of issued capital, the number of shares authorized, the number of shares issued and fully paid, the number of shares issued but not fully paid, the par value per share and a reconciliation of the number of shares in issue at the beginning and end of the year	5.2.1	226
21.1.2.	Shares not representing capital	Not applicable	
21.1.3.	The number, book value and par value of shares in the Company held by or on behalf of the issuer itself or by subsidiaries of the issuer	5.2.4	227
21.1.4.	Convertible securities, exchangeable securities or securities with warrants	5.2.6	231
21.1.5.	Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital	Not applicable	-
21.1.6.	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	Not applicable	-
21.1.7.	History of share capital for the period covered by the historical financial information	5.2.2	227
21.2.	Memorandum and Articles of Association		
21.2.1.	Company purpose	5.1.1	224
21.2.2.	A brief description of any provision of the Company's Articles of Association, statutes, charter or bylaws concerning the members of administrative, management and supervisory bodies	3.2 and 3.3	96, 105
21.2.3.	A description of the rights, preferences and restrictions attaching to each class of the existing shares	5.5.4	244
21.2.4.	A description of what action is necessary to change the rights of holders of the shares	5.5.2	243
21.2.5.	**A description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called, including the conditions of admission**	**5.5.1**	**242**
21.2.6.	A brief description of any provision of the Company's Articles of Association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer	5.5.2.2	243
21.2.7.	An indication of the Articles of Association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed	5.5.6 and 5.5.7	244-245
21.2.8.	A description of the conditions imposed by the memorandum and Articles of Association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law	Not applicable	-
22.	**Significant contracts**	**1.3**	**29-31**
23.	**Third party information and statement by experts and declarations of any interest**	**Not applicable**	
24.	**Documents available to the public**	**5.1.1**	**224**
25.	**Information on shares held by the Company**	**4.3.2, 4.4.2 and 5.1.2**	**199, 205, 225**

7.3.2 RECONCILIATION TABLE

This reference document features all the elements of the Company's management report as required under articles L225-100 et seq., L.232-1, II and R.225-102 of the French Commercial Code (Code de commerce) (I). It also features all information from the annual financial report referred to under article L.451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) and article 222-3 of the general regulation of the Autorité des marchés financiers (II).

In order to facilitate reading of the management report and the annual financial report mentioned above, the following reconciliation table has been prepared to help identify the sections constituting these reports. However, some sections of this reference document which also constitute sections of the management report by the Board of Directors, have been completed since February 27, 2013, the date at which this report was reviewed by the Board of Directors. It concerns mainly section 1.6.2.

Additionally, in accordance with AMF recommendation n° 2010-13, the reconciliation table is designed to help identify social and environmental responsibility data required to be disclosed pursuant to articles R. 225-104 and R. 225-105 of the French Commercial Code (III). The reconciliation table also helps identify the information required in the Chairman's report pursuant to article L. 225-37 of the Commercial Code (IV).

Finally, the reconciliation table also lists the other reports by the Board of Directors and the reports by the statutory auditors (V).

N°	Information	Reference
I	**MANAGEMENT REPORT**	
1	Situation and activity of the Company during the past year and, where applicable, its subsidiaries and the companies under its control	1.2
2	Results of the activity of the Company, its subsidiaries and the companies under its control	4.1.5
3	Key financial performance indicators	Arkema 2012 highlights
4	Analysis of evolution of the business, the results and the financial situation	4.1 and 4.2
5	Progress achieved or problems encountered	4.2.1
6	Description of main risks and uncertainties facing the Company (including the Company's exposure to financial risks)	1.6.2
7	Indications on the use of financial instruments, and the Company's objectives and policy in terms of financial risk management	1.6.2.5
8	Significant events that have occurred since the accounts closing date	Note 31 to the consolidated financial statements and 1.6.2
9	Foreseeable evolution and outlook of the Company	4.2.2
10	Research and development activities	1.5
11	List of terms of office and duties held in any company by each director in the year ended	3.2.1.1
12	Total compensation and employee benefits of any kind paid to each director in the year ended [1]	3.4.2, 3.4.3 and 3.4.4
13	Undertakings of any kind made by the Company for the benefit of its executive officers, corresponding to items of compensation, indemnities or benefits due or expected to be due as a result of the commencement or termination of these duties or to changes in these duties, or post-duties	3.4.2, 3.4.3 and 3.4.4
14	Operations conducted by the directors and members of the Executive Committee on the Company's securities	3.4.5
15	Information regarding social and environmental responsibility	See III of Reconciliation table
16	Shareholdings in companies headquartered in France and representing over 1/20, 1/10, 1/5, 1/3, 1/2 or 2/3 of these companies' capital or voting rights	5.1.2 Annex D to the consolidated financial statements

N°	Information	Reference
17	Transfer or disposal of shares undertaken to regularize cross shareholdings	Not applicable
18	Natural persons or corporate bodies holding directly or indirectly over 1/20, 1/10, 3/20, 1/5, 1/4, 1/3, 1/2, 2/3, 18/20 or 19/20 of the Company's share capital or voting rights at annual general meetings	5.3.1, 5.3.2 and 5.3.6
19	Injunctions or financial penalties in respect of anticompetitive practices	1.6.2.1 and 1.6.2.4 and note 21.2.2 to consolidated financial statements
20	Items that may have an incidence in the event of a public offering:	
	Structure of the Company's capital	5.2.1 and 5.3.1
	Restrictions under the Articles of Association on the exercising of voting rights and the transfer of shares, clauses of the agreements notified to the Company pursuant to article L.233-11 of the French Commercial Code	5.5.2
	Direct or indirect shareholdings in the Company's capital of which it is aware under articles L.233-7 and L.233-12 of the French Commercial Code	5.3.1 and 5.3.2
	List of bearers of any securities entailing special controlling rights and description thereof	Not applicable
	Control mechanisms in place for personnel shareholding scheme, if applicable, where controlling rights are not exercised by the latter	Not applicable
	Agreements between shareholders of which the Company is aware and which can entail restrictions on the transfer of shares and on the exercising of voting rights	Not applicable
	Rules applicable to the nomination and replacement of members of the Board of Directors, and to amendments to the Company's Articles of Association	3.2.1, 3.2.1.3, 3.2.3 and 3.3.2.2
	Powers of the Board of Directors, in particular regarding share issuance and buy-back	3.3.2.1 and 5.2.5
	Agreements reached by the Company and which are amended or lapse in the event of a change of control (2)	1.3.4, 4.1.7.1 and note 29.2 to the consolidated financial statements(3)
	Agreements providing indemnities to members of the Board of Directors or to employees who resign or are made redundant without any real or serious reason or if their job is made redundant as a result of a public offering	3.4.2
21	Company management mode (only in the event of amendments)	Not applicable
22	Items of calculation and results of adjustment of conversion bases or of exercising of securities giving access to capital and of stock options	5.2.6
23	Information on share buy-back programs	5.2.4
24	Summary table of outstanding delegations regarding share capital increase	5.2.5
25	Table of results of the Company in the last 5 years	4.4.4
26	Amount of dividends distributed in the last 3 years and dividends eligible for the 40% tax rebate	5.4.6
27	Details of suppliers debts (article D.441-4 of the French Commercial Code)	Note D 7 to the annual financial statements
II	**ANNUAL FINANCIAL REPORT**	
1	Annual accounts	4.4.2
2	Consolidated accounts	4.3.2
3	Report by statutory auditors on annual accounts	4.4.1
4	Report by statutory auditors on consolidated accounts	4.3.1
5	Management report featuring at least the information mentioned under articles L.225-100, L.225-100-2, L.225-100-3 and L.225-211 paragraph 2 of the French Commercial Code	Please see I of this table above, and in particular headings 4, 5, 7, 8, 15, 17, 20 and 21
6	Declaration by the people accepting responsibility for the management report	7.1.2
7	Statutory auditors' fees	Note 30 to the consolidated financial statements
8	Report by the Chairman on the conditions for preparing and organizing the Board of Directors' work as well as the internal control procedures implemented by the Company	See IV of this table
9	Report by the statutory auditors prepared pursuant to article L 225-35 of the French Commercial Code	3.5

N°	Information	Reference
III	**CROSS-REFERENCE TABLE FOR PERSONNEL AND ENVIRONMENTAL INFORMATION**	
1	**Key environmental and social indicators**	2.2
2	**Personnel information**	
	Employment	
	• Total headcount and breakdown of employees by sex, age and geographic region	2.5.5.1
	• New recruits, redundancies	2.5.1.2
	• Compensation and compensation trends	2.5.1.3
	Organisation of work (I)	
	• Organisation of working week	2.5.3.1
	Social relations	
	• Organisation of dialogue with social partners, in particular personnel information and consultation as well as negotiation procedures	2.5.4.1
	• Review of collective agreements	2.5.4.3 and 2.5.5.3
	Health and safety (I)	
	• Health and safety at work	2.5.5.1
	• Review of agreements signed with trade unions or personnel representatives on matters of occupational health	2.5.5.3
	Training	
	• Policies implemented for training	2.5.2.1
	• Total number of training hours	2.5.2.1
	Equal opportunities – equal treatment	
	• Measures taken for the employment and integration of disabled people	2.5.6.2
	• Measures taken for gender equality	2.5.6.1
	• Anti-discrimination policy	2.5.6.3
	Organisation of work (II)	
	• Absenteeism	2.5.3.2
	Health and safety (II)	
	• Occupational accidents, in particular their frequency and severity, as well as occupational illnesses	2.1.2 and 2.5.5.4
	Promotion and compliance with the provisions of the core conventions of the International Labour Organisation regarding	
	• Respect for freedom of association and right to collective bargaining	2.5.7.1
	• Elimination of discrimination on matters of employment and profession	2.5.7.2
	• Elimination of forced or compulsory labour	2.5.7.3
	• Effective abolition of child labour	2.5.7.3
3	**Environmental information**	
	General environmental policy (I)	
	• Organisation of the Company to address environmental issues, and, where applicable, environmental evaluation or certification initiatives	2.1.1 and 2.2.1.1
	• Employee training and information regarding environmental protection	2.1.1.2 and 2.5.2.1
	• Resources allocated to the prevention of environmental risks and pollutions	2.1.1.2 and 2.2.1
	Pollution and waste management	
	• Measures for the prevention, reduction or remediation of emissions to air, water and soil with a serious impact on the environment	2.2.1.2
	• Measures for the prevention, recycling and disposal of wastes	2.2.1.2
	• Addressing noise pollution and all other forms of pollution specific to an activity	2.2.1.2
	Climate change	
	• Greenhouse gas emissions	2.2.1.4

N°	Information	Reference
	Sustainable use of resources (I)	
	• Consumption of water and water supply based on local constraints	2.2.1.3
	• Consumption of raw materials and measures taken to improve their efficient use	2.2.1.3
	• Consumption of energy and measures taken to improve energy efficiency and the use of renewable energies	2.2.1.3
	Protection of biodiversity	
	• Measures taken to protect or develop biodiversity	2.2.1.5
	General environmental policy (II)	
	• Amount of provisions and guarantees for environmental risks	2.2.1.6 and notes 20.2 and 20.4 to the consolidated financial statements
	Sustainable use of resources (II)	
	• Usage of soils	2.2.1.3
	Climate change (II)	
	• Adaptation to the consequences of climate change	2.2.1.4
	Information on technological accident risk prevention, the Company's ability to cover its civil liability in terms of property and people due to classified facilities, and resources provided to oversee the processing of victim compensation in the event of a technological accident for which the Company bears responsibility	1.6.2.3 and 2.1
4	**Societal information in favour of sustainable development**	
	Territorial, economic and social impact of the Company's activity	
	• On employment and regional development	2.4.1
	• On local or neighbouring populations	2.4.1
	Relations with the people and organisations interested in the Company's activity, in particular employment associations, educational establishments, environmental associations, consumer associations and local communities	
	• Conditions of dialogue with these people or organisations	2.4.2.1
	• Partnership and sponsorship actions	2.4.2.2
	Subcontracting and suppliers (I)	
	• Social and environmental issues in the procurement policy	2.4.4
	Subcontracting and suppliers (II)	
	• Importance of subcontracting, and social and environmental issues in relations with suppliers and subcontractors	2.4.4
	Fair practices	
	• Actions undertaken to prevent corruption	2.4.3
	• Measures taken to protect the health and safety of consumers	2.2.2.2
	• Other actions undertaken to protect human rights	2.5.7
IV	**REPORT BY THE CHAIRMAN ON THE WORK OF THE BOARD AND THE INTERNAL CONTROL PROCEDURES**	
1	Composition of the Board, and application of balanced gender representation within the Board	3.2.1 (introduction: balanced representation) 3.2.1.1 (composition)
2	Conditions for the preparation and organisation of the work of the Board	3.3.2.2 and 3.3.3
3	Internal control and risk management procedures put in place by the Company, detailing in particular those relating to the preparation and treatment of accounting and financial information for the corporate financial statements and, where applicable, the consolidated financial statements	1.6.1
4	Potential limitations imposed by the Board on the powers of the CEO	3.3.1
5	Where a company voluntarily applies a corporate governance code drawn up by business organisations: provisions that were discarded, and the reasons why they were discarded, as well as the place where the code may be consulted	3.1 and 3.4.2
6	Where applicable, the reasons why the Company decided not to apply any of the provisions of a corporate governance code and the rules followed in addition to the requirements of the law	Not applicable

N°	Information	Reference
7	Specific conditions for shareholder participation in general meetings or referral to the provisions of the articles of association that provide for these conditions	5.5.1 and 5.5.2
8	Principles and rules laid down by the Board of Directors to determine the compensation and benefits in all kind awarded to corporate officers	3.4
9	Reference to the publication of information provided for under article L. 225-100-3 of the French Commercial Code	See I.20 of this reconciliation table
V	**OTHER DOCUMENTS**	
1	Statutory auditors' report prepared pursuant to article L. 225-235 of the French Commercial Code	3.5
2	Special report by statutory auditors on regulated agreements and commitments	6.1
3	Draft agenda of the combined general meeting on 4 June 2013	6.2.1
4	Draft resolutions proposed to the combined general meeting on 4 June 2013	6.2.2
5	Report by the Board of Directors to the combined general meeting on 4 June 2013	6.3
6	Statutory auditors' report on the authorisation to grant free existing or new shares	6.4
7	Statutory auditors' report on the authorisation to grant performance shares	6.5
8	Fairness opinion of an independent third party pursuant to article L.225-102-1 of the French Commercial Code	6.6

(1) This includes compensations and employee benefits granted by the Company and its subsidiaries, including in the form of allocation of equity securities, debt securities, or securities giving access to equity. A distinction should be made between the fixed, variable and exceptional components making up these compensations and employee benefits, as well as the criteria used to calculate them or the circumstances on the basis of which they have been established.

(2) Except if this disclosure, excluding cases of lawful disclosure, were to violate the Company's interests.

(3) The significant contracts will need to be reviewed to establish whether they feature or otherwise clauses on change of control.

GLOSSARY

Term	Definition
Acrylic acid	An acid derived from propylene and mainly used as an intermediate in the preparation of superabsorbents and derivatives used in the manufacture of paints, inks and adhesives.
Acrylic esters	Acrylic acid esters.
Activated carbon	Processed charcoal used for its properties as an adsorption agent (i.e. the retention of molecules of a gas or a substance in solution or suspension on the surface of a solid).
Adsorption	The retention of molecules of a gas or a substance in solution or suspension on the surface of a solid.
Amines	A compound obtained by substituting monovalent hydrocarbon radicals for one of the hydrogen atoms of ammonia.
Carbon nanotubes	Cylindrical structure consisting of coils of one to tens of graphite planes, with a diameter ranging from 10 to 100 nanometers, and a few microns in length.
Chloromethane	A molecule obtained by substituting one atom of chlorine for one of the hydrogen atoms of methane. It is used mainly in the manufacture of fluorinated derivatives and silicones.
CO2	Carbon dioxide.
COD	Chemical oxygen demand. A parameter for measuring water pollution by organic compounds, whose decomposition consumes oxygen.
Copolyamide	A polyamide obtained from two or more types of monomer.
Crosslinking	The modification of a linear polymer into a three-dimensional polymer by creating crosslinks.
Debottlenecking	A modification made to an industrial installation in order to increase production capacity.
Diatomites	Unicellular micro-organisms used in their fossil state (diatomites) by the chemical industry for their properties as filter aid.
DMAEA	Abbreviation for dimethylaminoethyl acrylate.
DMDS	Abbreviation for dimethyldisulfide.
Dioctylphthalate or DOP	An ester made from phthalic anhydride and mainly used as a plasticizer.
EDA	Refers to copolymers and terpolymers made from ethylene and acrylic esters.
Emulsions	Binders for paints, adhesives or varnishes produced by polymerization of monomers (acrylic, vinyl, and others), and forming a stable dispersion in water of polymer particles which, when coated and dry, form a continuous film.
Functional polyolefins	Ethylene-derived polymers used as binding agents in multilayer food packaging and other industrial applications.
GHGs	Greenhouse gases.
GWP (Global Warming Potential)	Index measuring the impact of a given mass of gas estimated to contribute to global warming, expressed in relation to carbon dioxide.
H2S	Hydrogen sulfide.
HCFCs	Hydrochlorofluorocarbons.
Heat stabilizers	Additives used to improve a polymer's resistance to heat.
HF	Hydrofluoric acid.
HFCs	Hydrofluorocarbons. Hydrogen-, carbon- and fluorine-based products that are mainly used in refrigeration as substitutes to CFCs (chlorofluorocarbons), following the introduction of the Montreal Protocol.
Hotmelts	Thermoplastic adhesives.
Hydrazine hydrate	A nitrogen-, hydrogen- and water-based product used as an intermediate in agrochemicals, pharmaceuticals, chemical synthesis, water treatment and blowing agents for plastics and elastomers.
ICCA	International Council of Chemical Associations.
IEED	Instituts d'Excellence dans le domaine des Énergies Décarbonées. Interdisciplinary platforms in the field of low-carbon energies in France.
Impact modifiers	Additives introduced into certain products, in particular PVC, to make them more impact-resistant.
Initiators	Products used to initiate chemical reactions.
Interface agents	Products used in the formulation of additives.
IRT	Instituts de Recherche Technologique. Interdisciplinary technological research platforms in France.
ISO 14001	An international standard that defines the criteria for introducing an environmental management system in companies.

Term	Definition
Kyoto Protocol	An international agreement between 84 countries on 11 December 1997 in Kyoto (Japan), which is complementary to the Convention on Climate Change of May 1992 within the framework of the United Nations (known as UNFCCC – United Nations Framework Convention on Climate Change). The Kyoto Protocol came into force on 16 February 2005.
Latex	Binders for paints, adhesives and varnishes produced by polymerization of monomers (acrylic, vinyl and others) and forming a stable dispersion in water of polymer particles which, coated and dried, form a continuous film.
Mercaptans	Thio-alcohols and phenols.
Methyl methacrylate (MMA)	An essential raw material in the manufacture of polymethyl methacrylate (PMMA) for the automotive, construction and equipment industries. Methyl methacrylate is used not only in the manufacture of PMMA, but also in the fields of acrylic emulsions and plastic additives.
MIS	Refers to organic materials in suspension. These are solid particles present in water that can be retained by physical or mechanical means (filtration and sedimentation).
Molecular sieves	Synthesized mineral products used to purify liquids and gases by the selective adsorption of molecules.
NOx	Nitrogen oxides
ODP (Ozone Depletion Potential)	Index measuring the impact of a given mass of gas estimated to contribute to the depletion of the ozone layer, expressed in relation to the impact of a chlorofluorocarbon.
Organic peroxides	Oxidizing organic products used as initiators for polymerization and as crosslinking agents.
Oxo-alcohols	Alcohols derived from propylene and used as synthesis intermediates.
Oxygenated solvents	Substances such as alcohols, ketones and ethers that contain oxygen atoms and have the ability to dissolve other substances without modifying them chemically.
Perlite	A natural silicate of volcanic origin used in industry for its properties as a filter aid.
Photocure resins	Synthetic resins that harden under the effect of ultraviolet light.
Phthalic anhydride	An orthoxylene derivative mainly used in the manufacture of plasticizers and as a synthesis intermediate.
PMMA	The ISO code for polymethyl methacrylate.
Polyamide	A polymer obtained by the reaction of a di-acid on a di-amine, or from the polymerization of a monomer having both an acid and an amine function.
Polyamide 10 (PA10), Polyamide 11 (PA 11) and Polyamide 12 (PA 12)	Thermoplastic polyamides, whose monomers have 10, 11 and 12 carbon atoms, respectively.
Polyethylene	A plastic obtained by the polymerization of ethylene.
Polymerization	The union of several molecules of one or more compounds (monomers) to form a large molecule.
Polymers	Products made by polymerization.
Polyphthalamide (PPA)	A thermoplastic material from the polyamide family, obtained by polymerization of aromatic diacides and aliphatic diamines, and characterized by high melting point and high mechanical rigidity.
Polystyrene	A plastic obtained by the polymerization of styrene, an aromatic compound.
Photocure resins	Synthetic resins which harden under ultra violet radiation.
Processing agents	Products that facilitate the conversion of polymers by molding or extrusion.
Product life cycle	Refers to the various processing stages of a material, from raw material extraction through to management of end-of-life.
PTFE	The ISO code for polytetrafluoroethylene.

Term	Definition
PVC	The ISO code for vinyl polychloride or polyvinyl chloride.
PVDF	The ISO code for polyvinylidene fluoride.
REACH (Registration, Evaluation and Authorisation of Chemicals)	The European regulation n° 1907/2006 of the Parliament and the Council dated 18 December 2006, concerning the registration, evaluation and authorisation of chemical substances, that came into force on 1 June 2007.
RCMS	The Responsible Care® Management System.
Responsible Care®	A voluntary initiative by the world chemical industry to achieve continuous progress in safety, health and environment, managed in France by the UIC under the name of "Engagement de progrès®" ("Commitment to Progress").
Sebacic acid	Diacid derived from castor oil, used as an intermediate in the manufacture of bio-sourced polymers, plastics, lubricants, and anti-corrosion agents.
SO_2	Sulfur dioxide.
Sodium chlorate	Sodium salt used in the treatment of paper pulp, as a herbicide, or as a synthesis intermediate.
Sodium perchlorate	Sodium salt used as a synthesis intermediate.
SOx	Sulfur oxides
Stabilizers	Additives used to preserve a given composition of a product.
Surfactant	An agent that causes an increase in a liquid's flow and wetting properties by lowering its surface tension.
The Spin-Off of Arkema's Businesses	Refers to the transaction, the subject of the prospectus that received the Autorité des marchés financiers visa n° 06-106 dated 5 April 2006.
UIC	Union des Industries Chimiques (Union of Chemical Industries). The professional body of the chemical industry in France.
Unsaturated polyesters	Esters with high molecular weights produced by the linking of numerous ester molecules that have double bonds between carbon atoms.
VF2	The PVDF monomer.
Vinyl acetate	An ester derived from methanol and mainly used as raw material for EVAs (functional polyolefins).
VOC	Volatile Organic Compounds.

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Investor Relations
420, rue d'Estienne d'Orves
92700 Colombes - France
www.arkema.com