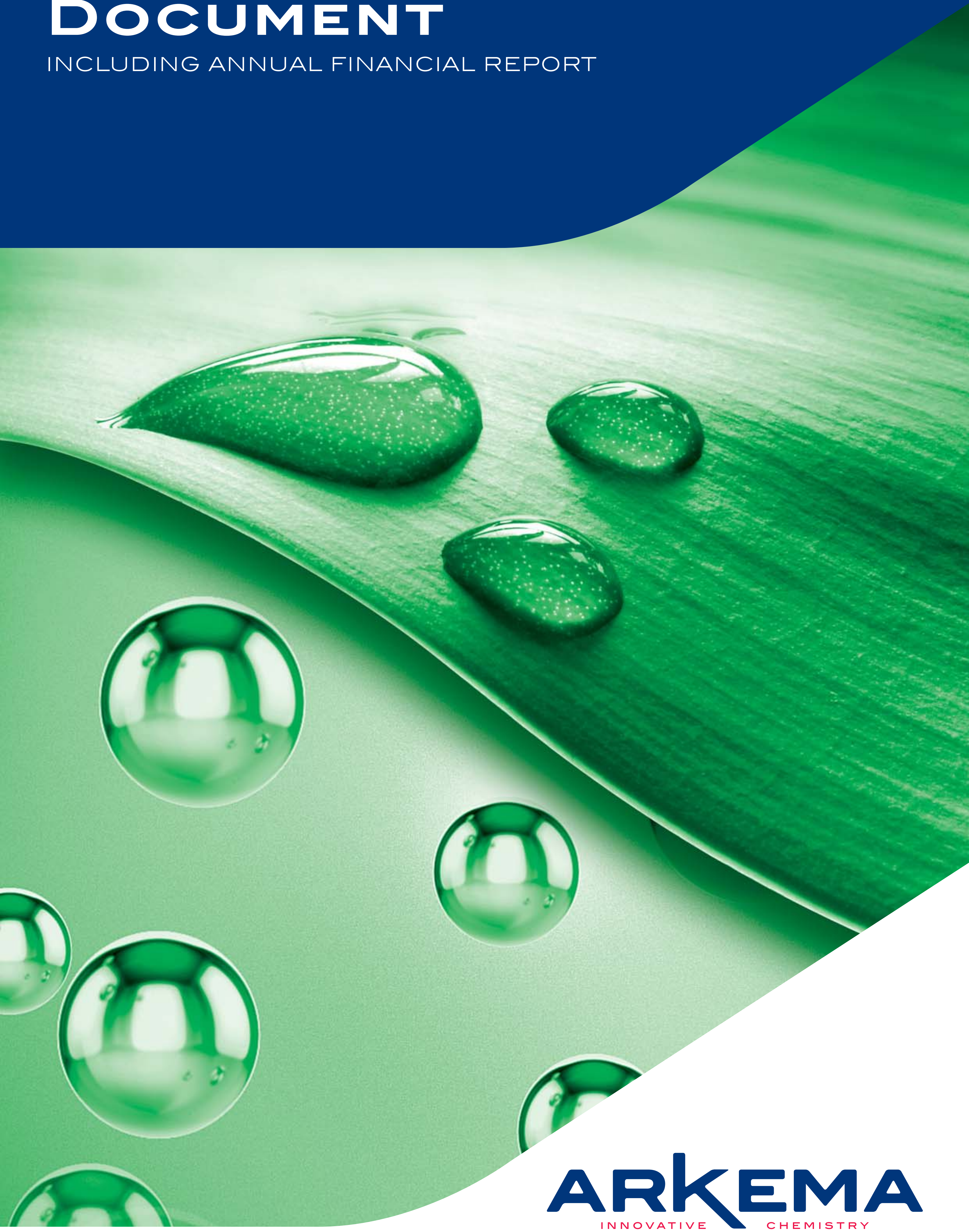
2014 Reference Document

INCLUDING ANNUAL FINANCIAL REPORT



ARKEMA

INNOVATIVE CHEMISTRY

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

2014 REFERENCE DOCUMENT

INCLUDING ANNUAL FINANCIAL REPORT

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This document is a free translation of the French language reference document that was filed with the *Autorité des marchés financiers* (the "AMF") on 30 March 2015. 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 30 March 2015 with visa number D.15-0231. 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 marchés 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 2013 included in chapter 4 of the reference document granted visa n° D.14-0221 by the *Autorité des marchés financiers* on 27 March 2014, as well as the statutory auditors' reports related thereto;
- the consolidated financial statements for the year ended 31 December 2012 included in chapter 4 of the reference document granted visa n° D.13-0229 by the *Autorité des marchés financiers* on 27 March 2013, as well as the statutory auditors' reports related thereto; and
- a comparative analysis of the 2013 consolidated financial statements and the 2012 consolidated financial statements included in chapter 4 of the reference document granted visa n° D.14-0221 by the *Autorité des marchés financiers* on 27 March 2014.

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

ARKEMA

INNOVATIVE CHEMISTRY

ARKEMA IN 2014

"In 2014, Arkema achieved several significant steps in its transformation with the start-up of our plant in Malaysia which positions our Thiochemicals business very favourably, our access to a competitive acrylic monomer production source in China with our acquisition of a stake in Sunke and, of course, the significant acquisition of Bostik finalised in February 2015. These major investments together with all the transformation work of the Group's profile achieved in recent years ideally position Arkema on a path for future growth."

Thierry Le Hénaff
Chairman and CEO

€5,952 m
Sales

13.2 %
EBITDA margin

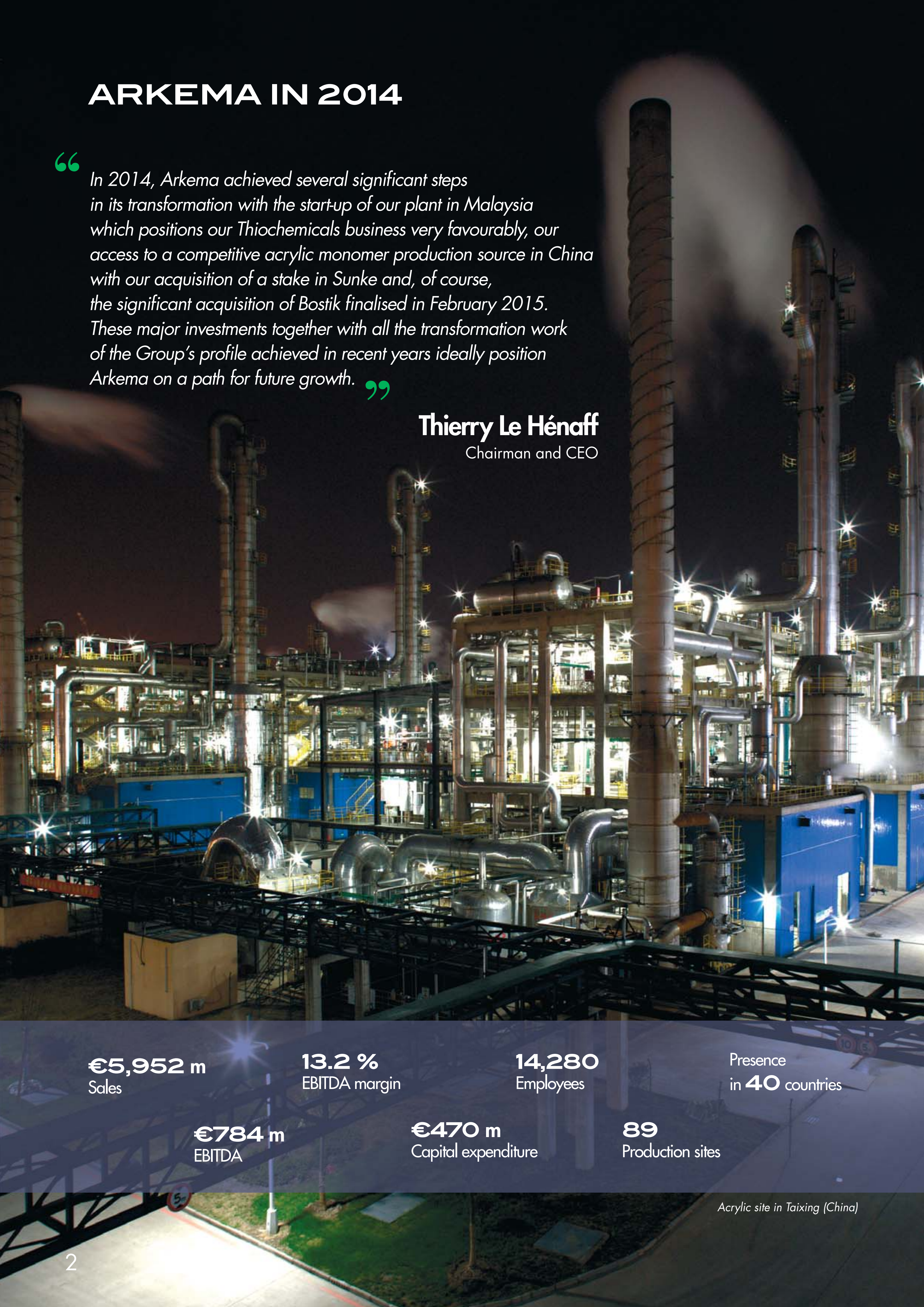
14,280
Employees

Presence
in **40** countries

€784 m
EBITDA

€470 m
Capital expenditure

89
Production sites



Acrylic site in Taixing (China)

STRATEGY

Our ambition:

“Become a world leader in specialty chemicals and advanced materials”

3 PROMISING GROWTH PLATFORMS FOR FUTURE YEARS

BOSTIK

Significant acquisition in the attractive adhesive market with a strong mid- and long-term growth potential

THIOCHEMICALS

1st Thiochemicals platform in Asia for the animal nutrition, petrochemical and refining markets

SUNKE

Development of a competitive production base in acrylic monomers in Asia

2017 AND 2020 TARGETS*

	2017 targets
EBITDA	€1.31 bn
Gearing	< 40 %

	2020 targets
Sales	€10 bn
EBITDA margin	Close to 17 %
Gearing	< 40 %

PORTFOLIO MANAGEMENT

2017 targets *(versus 2013)*	**Achieved**	**To be achieved**
Acquisitions **+ €230 m EBITDA****	- 1st step of the acquisition of a stake in Sunke in Acrylics in China - Acquisition of BOSTIK	2nd step of the acquisition of a stake in Sunke in Acrylics in China
Divestments **- €60 m EBITDA**	€225 m sales already divested - Tin stabilizers - Coating resins in South Africa	€700 m sales to be further divested
Total portfolio management **+ €170 m EBITDA**		

* Targets communicated on 1 August 2014.

** On the basis of a full-year contribution in normalized market conditions of two acrylic acid lines representing a total production capacity of 320,000 tonnes in China.

2014
HIGHLIGHTS

JANUARY

Investment

Announcement of a project to double the production capacity of organic peroxides at Changshu (China)

Acquisition

Announcement of an acquisition project in Acrylics in China with the creation of Sunke, a joint-venture with Jurong Chemical

APRIL

Employee share ownership

Successful 4th share capital increase reserved for employees totalling €32 m

Investment

Inauguration of the membrane electrolysis at Jarrie (France)

JULY

Investment

Start-up of a methyl acrylate production plant in Clear Lake (United States), last phase of the US$110 m investment plan to strengthen ARKEMA's position in Acrylics in the US

SEPTEMBER

Competitiveness

Announcement of a project to shutdown fluorogas production in Zaramillo (Spain)*

Acquisition

Announcement of the project to acquire BOSTIK, n°3 worldwide in adhesives

OCTOBER

Acquisition

Finalization of the first step of the acquisition project in Acrylics in China

Financing

Issuance of perpetual hybrid bonds for €700 m with annual coupon of 4.75%, as part of the BOSTIK acquisition

MAY

Geographical expansion

Partnership for the construction of an oilfield production chemicals blending plant and storage facility in Saudi Arabia

AUGUST

Strategic raw materials

Announcement of the signature of a long-term agreement with Enterprise Products Partners L.P. for the supply of propylene produced by propane dehydrogenation (PDH) in the United States

DECEMBER

Share capital increase

Completion of the €350 m share capital increase with preferential subscription rights completed as part of the BOSTIK acquisition

** Discussions with social partners in Spain currently being finalised.*

ACQUISITION OF BOSTIK

Nº 3 WORLDWIDE IN ADHESIVES

On 19 September 2014, ARKEMA announced its project to acquire BOSTIK. This acquisition, a major step forward in the Group's transformation into a world leader in specialty chemicals and advanced materials, was finalised on 2 February 2015.

With this worldwide, resilient and low-capital intensive business implementing a growth strategy based on strong brands, innovation momentum, geographical expansion and bolt-on acquisitions, ARKEMA reinforces the quality of its profile and its resilience to changes in the economic environment.

2014 KEY FIGURES *(proforma)*

Sales:	**€1,533 million**	EBITDA margin:	**10.3 %**
EBITDA:	**€158 million**	Employees:	**4,880**

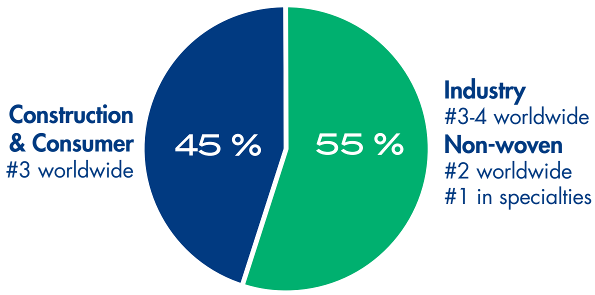
POWERFUL BRANDS

Bostik smart adhesives

SADER · QUELYD · MEM DICHTEN. KLEBEN. PFLEGEN. · EVO-STIK · FORTALEZA argamassas e revestimentos

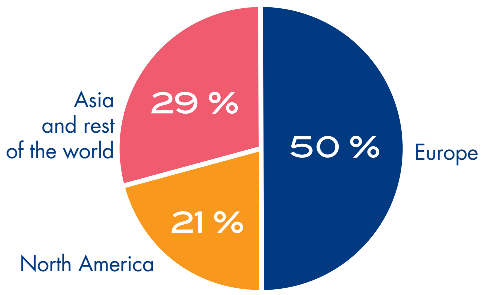
A BALANCED PORTFOLIO

(2014 sales breakdown)



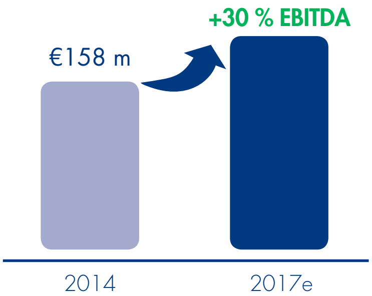
A WORLDWIDE PRESENCE

(2014 sales breakdown)

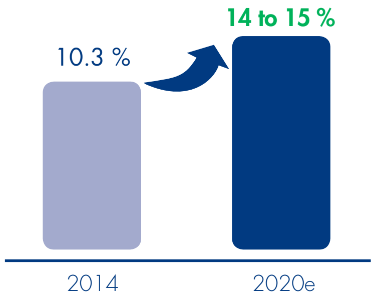


A VALUE CREATING ACQUISITION

Mid-term EBITDA growth target



Long-term EBITDA margin target



BUSINESS SEGMENTS

HIGH PERFORMANCE MATERIALS

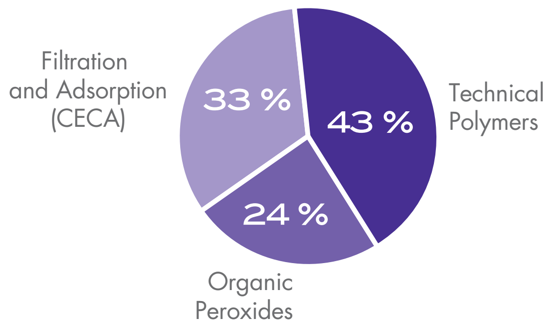
High value and innovative solutions

- Products with exceptional properties and performance
- Leadership positions in high-growth niche markets
- Strong innovation capacity
- Close proximity with customers

MAIN PROJECTS

- Integration of BOSTIK as a new growth platform for the Group and implementation of well-identified cost synergies
- Doubling of organic peroxide production capacity in China and project to build a new plant in Saudi Arabia
- Development of the oil and gas market in Filtration and Adsorption (CECA)
- Ramp-up of Hipro's polyamide 10 (China)
- Innovation platforms focused on megatrends

Sales breakdown by BU (2014)



In €m	2014	2013
Sales	1,826	1,842
EBITDA	284	316
EBITDA margin	15.6 %	17.2 %
Recurring operating income	175	212

INDUSTRIAL SPECIALTIES

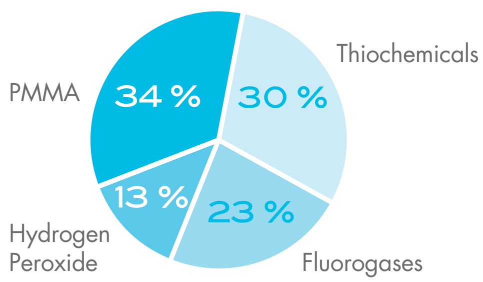
Global and integrated industrial niches

- Leadership positions and world-scale industrial sites
- Unique know-how in complex industrial processes
- Global markets with strong outlook

MAIN PROJECTS

- Ramp-up of the Thiochemicals platform in Kerteh (Malaysia)
- Restore gradually competitiveness of fluorogases
- Project to build production capacities of low-GWP* 1234yf fluorogas
- Development of lightweight materials (Altuglas® ShieldUp, Elium® thermoplastic composites)

Sales breakdown by BU (2014)



In €m	2014	2013
Sales	1,972	1,993
EBITDA	300	340
EBITDA margin	15.2 %	17.1 %
Recurring operating income	172	225

** Global Warming Potential*

COATING SOLUTIONS

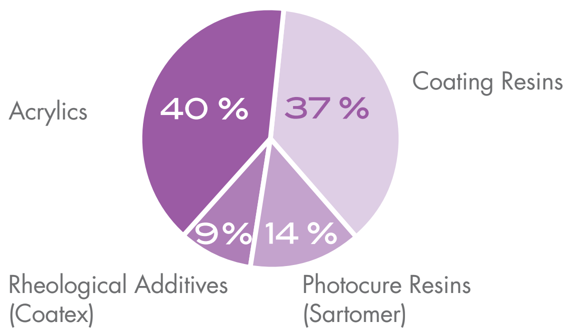
Solutions for decorative paints, industrial coatings and high-growth acrylic applications

- Strong positions, world-scale sites and recognized technology in Acrylics
- Comprehensive offer of solutions for paints and industrial coatings
- Strong integration downstream of Acrylics

MAIN PROJECTS

- Ramp-up of the units started as part of the US$110 m investment plan in Acrylics in the United States
- Build a leading position in Acrylics in Asia with Sunke
- Development of low-VOC coatings
- Productivity improvements in Coating Resins

Sales breakdown by BU (2014)



In €m	2014	2013
Sales	2,131	2,224
EBITDA	245	292
EBITDA margin	11.5 %	13.1 %
Recurring operating income	147	199

INNOVATION

10
R&D centres

1,200
researchers

186
patent applications

€155 m
budget

ARKEMA in
2014 THOMSON REUTERS
TOP 100
GLOBAL INNOVATORS
for the 4th consecutive year

R&D centre in Oise (France)

Kepstan® PEKK

New ultra high performance polymer with applications in the fields of carbon fiber composites and 3D printing

Functionalized Kynar®

New binders for batteries complying with the new regulations for electrical vehicles

Elium®

First range of liquid thermoplastic resins combining the resistance of a composite with the recycling possibilities of a thermoplastic

SUSTAINABLE GROWTH

5 COMMITMENTS

		2014	2013	2020 TARGETS
1	**Safety**			
	Total recordable injury rate (TRIR)	1.9	2.8	**1.7**
	% of sites implementing peer observation	77 %	62 %	**100 %**
	% of AIMS* audited sites	78 %	62 %	**100 %****
2	**Environment**	**Base 1 in 2012*****		**Versus 2012**
	Emissions of greenhouse gases	0.70	0.93	**-30 %**
	Emissions of Volatile Organic Compounds****	0.79	0.86	**-20 %**
	Chemical Oxygen Demand	1.03	1.00	**-20 %**
	Net purchases of energy	0.99	1.02	**-1.5 % / year on average**
3	**Innovation in sustainable development**			
	Number of patent applications filed during the year for solutions in sustainable development	81	79	
	% of sales from products made from renewable raw materials	13 %	n.a	
4	**Stakeholders**			
	% of ARKEMA's sites taking part in the Common Ground® programme	90 %	81 %	
5	**Human ressources**			
	Average number of training hours per employee	34	23	

* *Arkema Integrated Management System encompasses ISO 9001, ISO 14001 and OHSAS 18001 requirements*
** *In the last three years*
*** *Intensive indicators called EFPI (Environmental Footprint Performance Indicators) for which the computation procedure is described in the methodology note in section 2.6 of this reference document*
**** *Excluding first declaration of the Hengshui site in China*

2014 HIGHLIGHTS

SAFETY

Launch of the Arkema Safety Academy

Safety training for all Group's employees

ENVIRONMENT

Strengthening of Arkenergy

Definition of a capital expenditure envelop specifically dedicated to projects improving energy efficiency

Implementation of ISO 50001 as a management system for energy in Europe and Asia

INNOVATION

Kynar® development

New generation of Kynar® for ultrafiltration membranes insuring a stable and perennial water flow

STAKEHOLDERS

Integration to the TFS initiative

ARKEMA joins Together for Sustainability confirming its commitment to sustainability in procurement and strengthening the selection process of its suppliers

TOGETHER FOR SUSTAINABILITY

HUMAN RESOURCES

Employee share ownership

Successful share capital increase reserved for employees with an average participation rate of 41% in the world and 63% in France

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Chaired by **Thierry Le Hénaff**, Chairman and CEO

9 independent directors

3 women

1 director representing shareholder employees

2 specialised committees, currently all comprising independent directors

- **Audit and Accounts Committee**
  6 meetings in 2014 - **100 %** attendance rate
- **Nominating, Compensation and Corporate Governance Committee**
  3 meetings in 2014 - **100 %** attendance rate

1 annual seminar of the Board on Group's strategy replacing, since beginning of 2015, the Strategy Committee (**2** meetings in 2014 - **100 %** attendance rate)

11
directors

90 %
independence rate*

7
meetings in 2014

96 %
attendance rate

* In accordance with the criteria of the AFEP-MEDEF Code revised in June 2013

From left to right: **1.** Thierry Le Hénaff / **2.** Claire Pedini / **3.** Laurent Mignon / **4.** Isabelle Boccon-Gibod / **5.** Bernard Kasriel / **6.** Marc Pandraud / **7.** Victoire de Margerie / **8.** François Énaud / **9.** Thierry Morin / **10.** Patrice Bréant / **11.** Philippe Vassor

EXECUTIVE COMMITTEE

Chaired by **Thierry Le Hénaff,** Chairman and CEO

2 OPERATIONAL EXECUTIVE VICE-PRESIDENTS

Bernard Pinatel
Executive Vice-President in charge of High Performance Materials

Marc Schuller
Executive Vice-President in charge of Industrial Specialties and Coating Solutions

4 FUNCTIONAL EXECUTIVE VICE-PRESIDENTS

Luc Benoit-Cattin
Executive Vice-President Industry

Bernard Boyer
Executive Vice-President Strategy

Michel Delaborde
Executive Vice-President HR and Communication

Thierry Lemonnier
Chief Financial Officer

Composition at the date of this reference document

KEY FIGURES

ELEMENTS OF THE INCOME STATEMENT

In millions of euros unless otherwise mentioned	2014	2013	2012
Sales	5,952	6,098	6,395
EBITDA	784	902	996
EBITDA margin *(%)*	13.2 %	14.8 %	15.6 %
Depreciation and amortization	(337)	(314)	(318)
Recurring operating income	447	588	678
Operating income	364	383	651
Net income - Group share	167	168	220
Net income per share [(1)] *(euros)*	2.53	2.59	6.52 [(2)]
Adjusted net income per share [(1)] *(euros)*	3.62	5.67	6.84 [(2)]
Dividend per share *(euros)*	1.85 [(3)]	1.85	1.80

ELEMENTS OF THE BALANCE SHEET

In millions of euros unless otherwise mentioned	2014	2013	2012
Shareholders' equity	3,573	2,349	2,311
Net debt	154	923	900
Gearing *(in %)*	4 %	39 %	39 %
Capital employed	4,565	4,070	4,039
Working capital on sales *(%)*	16.1	14.9	15.2
Net provisions [(4)]	751	698	774

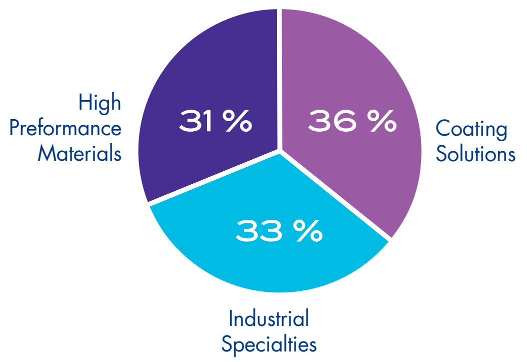
ELEMENTS OF THE CASH FLOW STATEMENT

In millions of euros unless otherwise mentioned	2014	2013	2012
Cash flow from operating activities	507	467	499
Cash flow from investing activities	(670)	(389)	(754)
Cash flow from financing activities	928	(60)	355
Capital expenditure	470	481	438

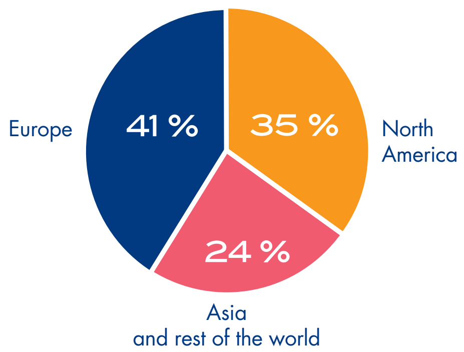
For the 2012 income statement and balance sheet, figures have been restated in line with IFRS 5 standard and exclude the vinyl activities divested in July 2012

(1) For 2013 and 2012, the adjusted net income per share and the net income per share have been adjusted to take account of the share capital increase with preferential subscription rights achieved in December 2014
(2) In 2012, net income of continuing operations
(3) Dividend proposed at the shareholders' annual general meeting on 2 June 2015
(4) Provisions net of non-current assets as defined in paragraph 4.1.7 of this reference document

SALES BY SEGMENT (2014)



SALES BY REGION (2014)



GENERAL COMMENTS

In this reference document:

- the terms "Arkema" or "Company" refer to the company named Arkema, whose shares are traded on the regulated market of Euronext Paris;
- the terms "Group" or "ARKEMA" refer to the group composed of the Company and all the subsidiaries and shareholdings it holds directly or indirectly; and
- the terms "BOSTIK" or "Bostik Group" refer to the Bostik group which was acquired by ARKEMA on 2 February 2015

This reference document contains forward-looking statements about the Group's targets and outlook, in particular in section 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 section 1.7 of this reference document were to materialise. Furthermore, achievement of the targets implies the success of the strategy presented in paragraph 1.1.2 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.

Investors are urged to pay careful attention to the risk factors described in section 1.7 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 information of the markets in which the Group operates. This information is derived in particular from research produced by external organisations. 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 2014 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. For 2012, the accounts have been restated in line with IFRS 5 standard. As a consequence, figures mentioned in the 2012 income statement and balance sheet exclude the items relating to the vinyl businesses divested beginning of July 2012 (for further information, please see the 2012 reference document).

This reference document also contains, in chapter 4, condensed pro forma consolidated financial information for the financial year ending 31 December 2014 prepared in accordance with IFRS standards. This information is intended to assess the impact of the BOSTIK acquisition on the Group's main financial aggregates at 31 December 2014 (it being specified that the financial information relating to BOSTIK used to prepare it was not the subject of an audit or limited review by the Company's statutory auditors). This pro forma financial information is purely for illustrative purposes and, due to its nature, related to hypothetical situation. This information does not constitute an indication of the results of the operational activities or the financial position of the newly consolidated Group which may have been obtained if the operations had been completed on this date.

The chapter 4 of this reference document provides a comparative analysis between the 2014 consolidated financial statements and the 2013 consolidated financial statements.

A glossary defining the technical terms used in this reference document can be found on page 325 of this reference document.

1

BUSINESS OVERVIEW AND RISK FACTORS

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

1.1 A GLOBAL PLAYER IN SPECIALTY CHEMICALS AND ADVANCED MATERIALS

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

This section describes the Group's business activities as of 31 December 2014. The business activities of BOSTIK, whose acquisition was completed on 2 February 2015, are described in paragraph 1.1.2.3 of this reference document.

1.1.1 GENERAL OVERVIEW

1.1.1.1 PRESENTATION OF THE GROUP'S INDUSTRY SECTOR

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

The business sector to which the Group belongs, commonly called the "industry of industries", manufactures a wide range of products intended for other major industries, including: 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 polymerisation.

At the two extremes of this wide spectrum, there are, on the one hand, commodities (characterised 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. Chemical specialties are often defined as a solution to the need for applicative products; they generally include items such as high performance materials and formulations such as adhesives, paints, inks and cosmetics.

With estimated worldwide sales of some 3,156 billion euros in 2013, the chemicals sector is a worldwide industry located in three main geographical regions, namely Europe (about 20% of world production in value), North America (about 17% of world production in value), and Asia Pacific (about 57% of world production in value) [1]. Trade in chemicals between these three main production regions is growing, though still limited at present.

The chemicals industry is a highly fragmented sector in terms of products (several tens of thousands), end markets (almost all industrial sectors are consumers) and the industry players (the worldwide market share of the top ten competitors does not exceed 20% [2]).

1.1.1.2 GENERAL OVERVIEW OF THE GROUP

As a major player in the specialty chemicals segment, the Group operates in the industrial landscape of the chemicals industry with a business portfolio focused on three segments: High Performance Materials, Industrial Specialties and Coating Solutions. With sales of 5.95 billion euros in 2014, the Group is one of the world's leading players in the chemicals industry.

Present in 40 countries with 14,280 employees at 31 December 2014, the Group conducts its businesses on a global scale with production sites in Europe, North America and Asia (89 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 which are positioned in niche markets (small-size markets, limited number of major players, and complex technologies).

In 2014, the Group had ten research and development (R&D) centres, of which six are in France, two in the United States, one in Japan and one, brought into service in 2013, in Changshu, China. Over 1,200 researchers work for the Group. The Group's R&D expenses amounted to around 2.6% of its sales in 2014. The Group focuses on five main research platforms centred on ultra high performance materials and sustainable development: energy solutions, renewable raw materials, lightweight materials, water treatment and solutions for electronics. To facilitate their development, the Group has set up a dedicated structure, known as the "incubator", described in paragraph 1.4.1 of this reference document.

At 31 December 2014, the Group had 11 profit centres or Business Units (BUs), grouped into three segments according to the similarity of their activities: the High Performance Materials

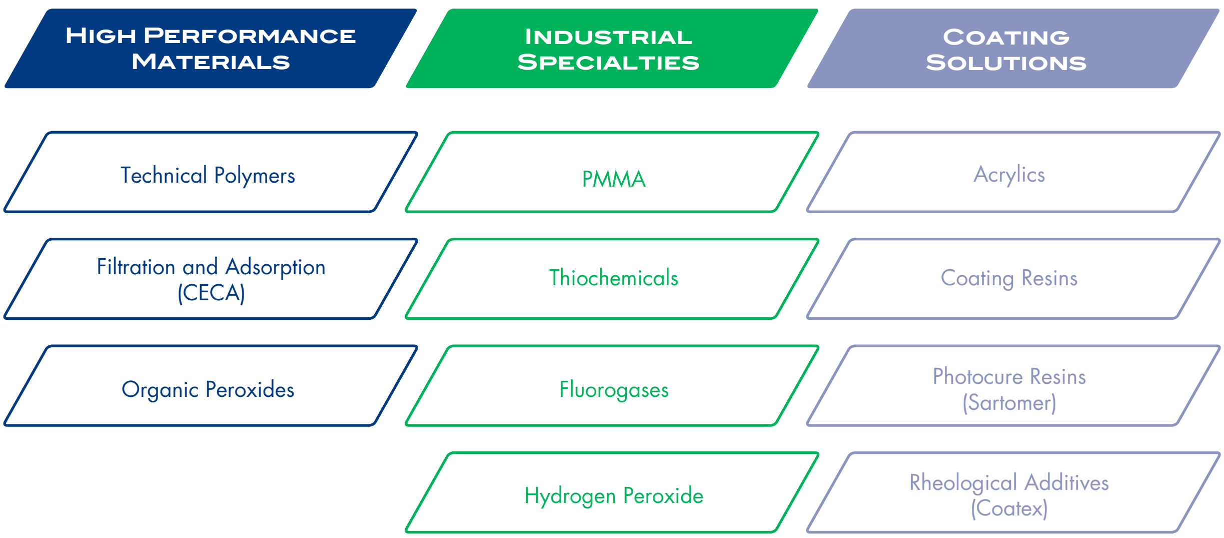
(1) Source: Cefic Facts and Figures 2013, the rest of the world represents approximately 6% of worldwide production.

(2) Source: ARKEMA internal estimates.

segment which combines activities that are predominantly applicative, the Industrial Specialties segment which includes the major intermediates integrated chemical lines, and the Coating Solutions segment which combines 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 relationships. 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 organisation chart below, effective at 31 December 2014, shows the BUs making up each business segment.



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.

Under the authority of the Executive Committee and, particularly, the Executive Vice-Presidents in charge of support functions (see paragraph 3.2.2.2 of this reference document), these functional divisions are responsible, in general, 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 organisation chart below shows the Group's functional divisions at 31 December 2014.

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		

Notwithstanding the general organisational principles of the functional divisions, the Raw Materials and Energy Purchasing department reports to one of the two Executive Vice-Presidents in charge of operations. Similarly, the R&D department reports to the Chairman and Chief Executive Officer.

Sales by business segment

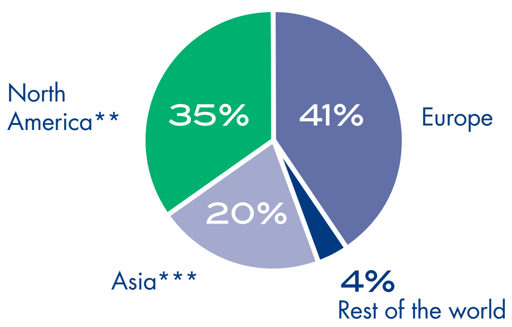
(In billions of euros)		2014		2013		2012
High Performance Materials	1.8	31%	1.8	30%	2.1	33%
Industrial Specialties	2.0	33%	2.0	33%	2.1	33%
Coating Solutions	2.1	36%	2.2	37%	2.2	34%
TOTAL	**6.0**	**100%**	**6.1**	**100%**	**6.4**	**100%**

Summary of the Group's main products in 2014 and their application areas

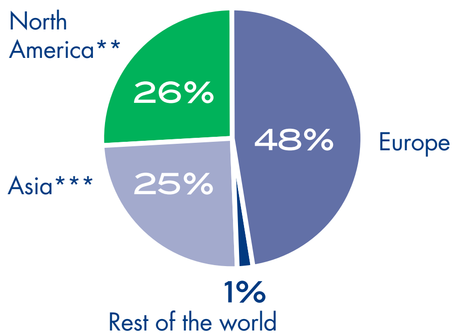
High Performance Materials	
Technical Polymers	Technical Polymers, including two subdivisions: • specialty polyamides used in the automotive industry, the aerospace and aeronautics industry, the oil industry, the electronics industry, consumer goods (sports, cosmetics) and in the manufacture of hotmelts; • 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.
Filtration and Adsorption (CECA)	Separation of gases and liquids, adsorption/filtration, specialty surfactants, functional polyolefins used in adhesives, the electrical and electronics industries, packaging, automotive, photovoltaics, and oil and gas.
Organic Peroxides	Impact modifiers and process aids for PVC, polymerisation initiators for polyethylene, PVC, polystyrene, and crosslinking agents.
Industrial Specialties	
PMMA	Acrylic glass used in construction, the automotive industry, for advertising boards, decoration, the manufacture of sanitaryware, and LED TVs.
Thiochemicals	Chemical intermediates for animal feed, petrochemicals and refining, natural gas odorisers, polymerisation agents, agrochemicals and pharmaceuticals.
Fluorogases	Gases used in refrigeration, air-conditioning, foams, solvents, and as raw materials for fluorinated polymers.
Hydrogen Peroxide	Hydrogen peroxide (pulp and paper bleaching, water treatment, disinfection, electronics and textiles), and sodium chlorate.
Coating Solutions	
Acrylics	Resins, emulsions for adhesives, paints and coatings, superabsorbents, water treatment, and enhanced oil and gas recovery.
Rheological Additives (Coatex)	Specialty acrylic polymers used as rheology modifiers (dispersants, thickeners, etc.) in paper, paints and 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 and electronics.

Information by geographical region

2014 SALES BY REGION* (1)



2014 CAPITAL EMPLOYED BY REGION (2)



In Europe, sales in France account for 11% of the Group's total sales, and sales in Southern Europe (Spain, Greece, Italy, Portugal) account for 8% of the Group's total sales.

In Asia, sales in China account for 7% of the Group's total sales.

The breakdown of Group employees by geographical region is given in section 2.5 of this reference document.

* Based on geographical location of customers.

** United States, Canada, Mexico.

*** Asia and Middle East.

(1) In 2013, the breakdown of Group sales by region was as follows: 41% Europe, 34% North America, 20% Asia and 5% rest of the world. In 2012, the breakdown of Group sales by region was as follows: 40% Europe, 34% North America, 21% Asia and 5% rest of the world.

(2) In 2013, the breakdown of the Group capital employed by region was as follows: 54% Europe, 26% North America, 19% Asia and 1% rest of the world. In 2012, the breakdown of the Group capital employed by region was as follows: 55% Europe, 26% North America, 18% Asia and 1% rest of the world.

1.1.2 STRATEGY AND COMPETITIVE ADVANTAGES

1.1.2.1 COMPETITIVE ADVANTAGES

The Group has solid competitive advantages, including:

- leading commercial and manufacturing positions: the Group ranks among the world's leading players in most of its business lines. 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 customer demand. 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 complex investment projects with great efficiency concerning time, costs and technical achievement. The Group also has important R&D skills which it can rely upon 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 (see section 1.4 of this reference document);
- a very solid balance sheet: at 31 December 2014, the Group's net debt was 154 million euros (*i.e.* 0.2 x EBITDA for the year), compared to shareholders' equity of 3,573 million euros (representing a net debt to equity ratio of 4%);
- 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 recognised.

1.1.2.2 STRATEGY

The Group has entered into a new phase in its development with the ambition to become a global leader in speciality chemicals and advanced materials.

To achieve this objective, the Group implements a growth strategy focused on market segments and on countries that offer strong development potential. Hence, sales growth should in particular be supported by innovation, geographical expansion and bolt-on acquisitions.

In particular, the Group intends to speed up the development of its High Performance Materials through innovation in sustainable development (lightweight materials for transportation, new energies, water treatment) and boost its presence in higher-growth countries.

At its "Investors Day", held in September 2012, the Group announced its intention to pursue targeted acquisitions, mainly in the High Performance Materials segment and downstream acrylics, representing additional sales of around 1 billion euros, and disposal of small non-core businesses, representing sales of around 400 million euros. At the date of this reference document, the Group had announced:

- an acquisition project in Acrylics in China, the first stage of which was completed on 20 October 2014 (project described in detail in paragraph 1.2.3.3 of this reference document);
- the acquisition, completed on 2 February 2015, of BOSTIK, number three worldwide in adhesives [(1)] with sales of 1.53 billion euros and EBITDA of 158 million euros in 2014 [(2)] (details are set out in paragraph 1.1.2.3 of this reference document);
- the disposal of activities representing total sales of 225 million euros (divestment of tin stabilizer business completed on 1 October 2012 representing annual sales of around 180 million euros and divestment of the coating resins activities in South Africa, completed in August 2014, representing sales of around 45 million euros).

With the acquisition of BOSTIK and the planned acquisition in Acrylics in China, the Group will have completed the acquisition programme first established in September 2012.

Upon the announcement of the BOSTIK acquisition project on 19 September 2014, ARKEMA decided to increase its divestment programme of its non-core businesses with a new programme concerning business activities representing total sales of approximately 500 million euros, to be implemented by the end of 2017. This programme comes in addition to the disposals that have not yet been completed as part of the initial programme announced back in September 2012. As a result, the Group should dispose of several businesses representing total sales of approximately 700 million euros over the next three years.

Taking into account the more gradual than expected return to normalized market conditions in fluorogases and acrylic acid, ARKEMA announced, upon publication of its results for the second quarter of 2014, that it had set the date for achievement of its mid-term targets in 2017 instead of 2016 as initially planned, and that the operational excellence programme to save fixed and variable costs would be accelerated, its amount being doubled from the initial 50 million euros to 100 million euros by the end of 2017 (see section 1.6 of this reference document). In addition, to take into account the BOSTIK acquisition and the increase in the divestment programme of non-core businesses, the Group has since revised its EBITDA target to 1,310 million euros for 2017.

Beyond 2017, the Group has confirmed its intention of keeping up the current pace of development, particularly in the High

(1) Source: ARKEMA internal estimates.

(2) Source: data provided by Total and restated.

Performance Materials segment, which should represent 50% of its sales in the future. The Group has also confirmed its long-term targets with the aim of generating sales of 10 billion euros by 2020, assuming normalized market conditions, and an EBITDA margin close to 17%, while maintaining a gearing not exceeding 40%.

Taking into consideration the significant changes which have taken place recently in its business portfolio, the Group will provide details of targeted sales, broken down by segment and by region, for both the mid- and long-term outlook, at its Capital Markets Day which will take place on 29 June 2015.

In addition to the BOSTIK acquisition and the acquisition in Acrylics in China, the Group announced in 2014 and early 2015, the following operations:

- completion of financing for the BOSTIK acquisition with a hybrid bond issue carried out on 23 October 2014, a share capital increase with preferential subscription rights for 350 million euros carried out on 15 December 2014 and a senior bond issue for 700 million euros carried out on 20 January 2015. All these operations are detailed in paragraph 4.1.7 of this reference document;
- the start-up of the thiochemicals platform in Kerteh, Malaysia (see paragraph 1.2.2.3 of this reference document);
- the signature of a propylene purchase agreement in the United States (see paragraph 1.2.3.3 of this reference document);
- the start-up of a new 45,000 tonnes methyl acrylate plant at Clear Lake in the United States (see paragraph 1.2.3.3 of this reference document);
- the creation of a joint venture between CECA and the Saudi company Watan Industrial Investment, to operate an oilfied production chemicals blending plant and storage facility in Saudi Arabia (see paragraph 1.2.1.3 of this reference document); and
- the acquisition of Oxido in organic peroxides (see paragraph 1.2.1.3 of this reference document).

The Group's strategic guidelines, by business segment, are set out in section 1.2 of this reference document.

1.1.2.3 BOSTIK

Strategy

The BOSTIK acquisition is a major step in the transformation of ARKEMA into a global leader of speciality chemicals and advanced materials, which started in 2006 after the Company's stock market listing and was confirmed in 2012 at the Investors Day held in Paris.

It is based on the unique combination of a speciality chemicals player and an adhesive formulator and is perfectly in line with the Group's strategy. With this acquisition in the low cyclical and low capital-intensive adhesives sector, ARKEMA reinforces the quality of its business profile and its resistance to changes in the economic environment.

ARKEMA and BOSTIK have implemented similar strategies focusing on innovation, growing their presence in emerging countries and operational excellence.

The complementarities between the two groups, the quality of BOSTIK's management and teams and their common roots within the Total group will facilitate the successful integration of BOSTIK within ARKEMA.

Acceleration of the strategy implemented at BOSTIK and the synergies arising from the acquisition will contribute to improve BOSTIK's EBITDA margin with the aim of gradually catching up with the average performance achieved by its major competitors (Henkel, HB Fuller and Sika) and achieving an EBITDA margin of between 14 and 15% in 2020. The acquisition price was determined on the basis of an enterprise value of BOSTIK of 1.74 billion euros, *i.e* 11 times the estimated 2014 EBITDA.

Markets

Global demand for adhesives and sealants is estimated at approximately 33 billion euros [(1)]. This is divided between:

- the industry sector, which represents 69% of global demand and includes very diverse end-markets such as assembly, tapes and labels, packaging, transport, non-woven for hygiene and personal care markets and electronics;
- the construction sector, which represents 25% of global demand and includes products for the preparation of walls and floors, adhesives for tiled floors, walls and ceilings, and sealing solutions; and
- consumer products that represent 6% of global demand and include adhesive solutions for a large variety of applications such as repairs, attachment, assembly, decoration and renovation.

The annual global growth of the adhesive market, which is above annual GDP [(2)], should be supported by the replacement of traditional mechanical fastening systems and by the development of solutions contributing to the development of lightweight materials, the improvement of the energy efficiency of buildings and the development of new energies. This sector should benefit from significant growth in the adhesive market for non-woven fabric used in baby diapers, feminine hygiene products and adult incontinence products, as well as the strong momentum in emerging economies whose consumption *per capita* of adhesives is presently much lower than that of Europe or the United States.

This market, in which technology and experience are key, is characterised by strong barriers to entry such as close relationships and trust between customers, and well-known brands.

Finally, the adhesives market is still very fragmented with a number of local players who offer the main market players numerous opportunities for consolidation through small bolt-on and accretive acquisitions.

(1) Source: IHS Adhesives and Sealants 2012.

(2) Source: BOSTIK internal estimates.

Besides BOSTIK, the other main players in this market are Henkel, Sika and HB Fuller which, in 2013, together represented around one third of the global adhesive market [1].

The adhesive sector is low capital intensive. BOSTIK's capital expenditure currently represents around 3% of its sales, lower than the capital expenditure typically found among specialty chemicals companies, which is estimated at an average of around 6% of sales.

Positioning [2]

Number three worldwide in adhesives [3], BOSTIK was created in Boston in 1889. It achieved sales of 1.53 billion euros in 2014. EBITDA for 2014 was 158 million euros [4] and the EBITDA margin was 10.3%. The headcount at 31 December 2014 was 4,880 employees. BOSTIK has leading positions in several end markets such as:

- non-woven fabric used in hygiene and personal care products: in this global market, featuring a limited number of competitors, BOSTIK considers being number 2 worldwide and believes it is well positioned in specialty products thanks to its technological leadership. The main competitors in this market are Henkel and HB Fuller;
- industry: in this more regional market, BOSTIK estimates being number three or four worldwide. BOSTIK has three leading and high-growth technologies. The main competitors in this market are Henkel, HB Fuller and Sika but the competition also includes local players, particularly in emerging countries;
- construction and consumer: these markets are local markets in which BOSTIK holds strong positions. Globally, BOSTIK estimates that it is number three in the world in this segment. In order to develop in these still fragmented markets, BOSTIK can count on its brand portfolio and its positions in growing regions (Brazil, China, South-East Asia). The main competitors in this market are Henkel, Sika and Mapei.

BOSTIK has a global presence and high exposure in emerging countries. At the end of 2014, BOSTIK had 48 production centres and 3 regional research and development centres, and was present in 40 countries.

BOSTIK has three main leading technologies which support its leadership positions and generate 60% of its sales; they are aimed at specialty applications. These technologies are: "Elastic Bonding" (particularly hardwood and transport), "Hot-Melt PSA" (particularly packaging and baby diapers) and "Polymer-Modified Binders" (particularly coatings and waterproofing). BOSTIK's R&D expenses have significantly increased since 2010 and currently represent around 2.7% of its sales.

BOSTIK's brands in the construction and consumer products segments include Sader®, Quelyd®, Evo-Stik®, Mem®, and Fortaleza®. BOSTIK is also working to strengthen its global brand with the launch of its new logo BOSTIK® Smart Adhesives. These well-recognized brands contribute to high customer loyalty.

Outlook

BOSTIK has significant potential to improve its profitability. The Group aims to increase BOSTIK's EBITDA by 30% in 2017 versus 2014. In the long-term, BOSTIK aims to gradually catch up with the average performance achieved by its main competitors (Henkel, HB Fuller and Sika) and achieve an EBITDA margin between 14 and 15% in 2020.

This improvement is primarily based on the acceleration of the strategy recently implemented at BOSTIK, which includes:

- continued development in emerging countries where BOSTIK has, over the past 24 months, started up or initiated the construction of several new sites particularly in China, Vietnam, India and Egypt;
- bolt-on acquisitions such as those recently completed in the United States and Brazil;
- continued rationalization of the Group's brands portfolio with the launch of the new logo BOSTIK® Smart Adhesives and a significant reduction in the total number of brands; and
- the benefits from increased efforts in research and development which should enable to gradually increase the share of sales generated from products that are less than three years old.

The Group will also benefit from well-identified cost synergies, which will mainly come from specific support functions, from raw materials, goods and services and logistics purchasing, and from reinforcing the operational excellence programme implemented since two years at BOSTIK.

ARKEMA estimates that the acquisition of BOSTIK should be relutive in terms of cash flow from the first full year and in terms of the Group's net earnings per share from the second year.

(1) Source: BOSTIK internal estimates.
(2) Source: BOSTIK internal estimates.
(3) Source: ARKEMA internal estimates.
(4) Source: data provided by Total and restated.

1.2 OVERVIEW OF THE GROUP'S BUSINESS SEGMENTS

The Group is organised around three business segments: the High Performance Materials segment (comprising Technical Polymers (specialty polyamides and fluoropolymers), 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 and Rheological Additives).

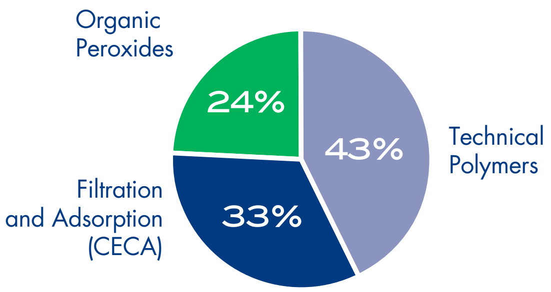
The Bostik Group became a new Business Unit within the High Performance Materials segment on 2 February 2015.

1.2.1 HIGH PERFORMANCE MATERIALS SEGMENT

1.2.1.1 KEY FIGURES

(In millions of euros)	**2014**	**2013**	**2012**
Sales	1,826	1,842	2,101
EBITDA	284	316	361
Recurring operating income	175	212	252
Capital expenditure	115	101	122

1.2.1.2 BREAKDOWN OF THE SEGMENT'S SALES BY BU (2014) [(1)]



1.2.1.3 GENERAL DESCRIPTION OF THE SEGMENT'S BUSINESS

The High Performance Materials segment included three BUs at 31 December 2014: Technical Polymers, Filtration et Adsorption (CECA) and Organic Peroxides.

These BUs share a common objective: to provide various niche markets with innovative and high added-value technical solutions meeting customers needs.

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 1 February 2012), 11 and 12, PVDF, molecular sieves, additives for PVC (acrylic impact modifiers and process aids), and organic peroxides. The Group has internationally recognised brands for the major part of its products.

With its industrial presence on three continents, the Group operates globally in 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 are the quality of its relationships with its customers and its ability to provide innovative solutions from R&D, to develop new high added-value products and to take advantage of the potential of growing local markets, in particular, Asian markets.

The Group maintains its objective to speed up the development of its High Performance Materials segment. This segment should represent in the long term around half of the Group's sales, and should support resilient growth for ARKEMA and a regular cash flow generation thanks to world-class assets. The growth of this segment is supported by organic growth projects (development of organic peroxides in China and Saudi Arabia, ramp-up of production capacities at Hipro) and by targeted acquisitions (BOSTIK acquisition finalised on 2 February 2015). Development projects will draw on innovation focused on sustainable

(1) In 2013, the breakdown of the segment's sales by BU was as follows: 44% for the Technical Polymers BU, 33% for the Filtration and Adsorption BU (CECA) and 23% for the Organic Peroxides BU

development solutions and ongoing expansion in fast-growing countries. Over the next few years, ultra high performance polymers (specialty polyamides, PVDF and PEKK) will represent a priority development.

Technical Polymers BU (13% of Group sales in 2014)

The Technical Polymer BU includes two main product lines (specialty polyamides and PVDF) sold under well-known brands such as Rilsan®, Rilsamid®, Orgasol®, Pebax® and Kynar®.

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 made 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. Polyamides 10 and 11 are benefiting from growing demand for biosourced polymers.

The ARKEMA product line also includes Orgasol® ultrafine powders used in cosmetics and paints, Pebax® (polyether block amide) used in sports materials, and copolyamides (textiles).

In the coming years, growth rate in specialty polyamides end-markets could average 5% annually [1].

Highlights for specialty polyamides

ARKEMA strengthened its position in specialty polyamides with the acquisition, on 1 February 2012, of the Chinese companies Suzhou Hipro Polymers Co. Ltd., a producer of specialty biosourced polyamides 10, and Hebei Casda Biomaterials Co. Ltd., the world leader in sebacic acid made from castor oil and used in the production of polyamides 10. ARKEMA has launched a number of investments in anticipation of the expected development in coming years. These include tripling the production capacity of the Hipro Polymers biosourced polyamides site and the construction of a sebacic esters unit at Casda Biomaterials which started at the end of 2013.

In order to ensure long-term competitive and secure access to castor oil, a strategic raw material for the manufacturing of its biosourced polyamides, ARKEMA announced in 2013 that it took a 24.9% stake in Ihsedu Agrochem, a subsidiary of Jayant Agro, specialised in the production of castor oil.

ARKEMA received the Pierre Potier award for its Rilsan® HT in September 2013. This new thermoplastic from the polyphthalamide (PPA) family can withstand high temperatures and aggressive fluids, while being flexible and extrudable. These three characteristics which have been combined for the first time, represent a ground-breaking innovation for carmakers. It enables Rilsan® HT to be used instead of metal in tubular applications in the engine compartment. Additionally, this performance polymer 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.

Demand is driven in particular by growth in Asia in the architectural coatings sector, the development of deep offshore oil extraction and 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 the PVDF polymer range [2] with Solvay as its main competitor. In the coming years, the growth rate in end-markets could reach an average of 7% annually [3].

Highlights for fluorinated polymers

The Group has announced or completed a number of targeted development projects which perfectly match its strategy. This strategy consists, in particular, in bringing innovative products to market, expanding its product range and carrying out targeted production capacity increases. This led the Group to increase its VF2/PVDF production capacity at Changshu (China) in 2012 to meet the significant increase in demand for PVDF resins in emerging technologies, notably in new energy applications and and water filtration. The Changshu unit was NSF 62 certified (National Sanitation Foundation) for drinking water applications in December 2013.

In May 2014, ARKEMA announced the joint development with Polymem (a French SME specialised in manufacturing hollow-fibre membrane filtration modules) of a new hydrophilic ultrafiltration membrane technology enabling the sustainable production of very high quality water. This ultrafiltration membrane technology (manufactured by Polymem using the brand new nanostructured PVDF Kynar® polymer developed by ARKEMA) improves membrane-based water treatment performance while decreasing energy use. The goal of the partnership is, on one hand, to accelerate the commercial development of this sustainable hydrophilic ultrafiltration membrane technology and, on the other, to make it quickly accessible to other entities involved in water treatment.

Filtration and Adsorption BU (CECA) (10% of Group sales in 2014)

Products and markets

The activities of the Filtration and Adsorption BU, organised as a subsidiary (CECA), cover three main areas: surfactants and interface agents, adsorption and filtration, and functional polyolefins.

(1) Source: ARKEMA internal estimates.

(2) Source: *IHS Chemical Economic Handbook, Fluoropolymers*, December 2012.

(3) Source: ARKEMA internal estimates.

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 business consists of a group 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 in certain petrochemical units, for healthcare (medical oxygen), agrofoods, chemicals, construction, pharmaceuticals and the environment.

The third area of business comprises functional polyolefins used primarily in adhesives, the electrical and electronics industries, packaging, automotive and photovoltaics.

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

Highlights

In January 2012, CECA successfully integrated the specialty alkoxylates business acquired from Seppic at the end of 2011. This includes in particular the Antwerp industrial site (Belgium), which complements CECA's Feuchy and Châteauroux sites (France). This acquisition has enabled CECA to expand its specialty surfactant range and to sustain the growth of Sartomer for its monomers for photocure resins and of Coatex for its rheology additives. CECA has increased the capacity of its Antwerp site by nearly 15% since July 2013. The increase in capacity will enable it to keep pace with growth in the coatings, road building, industrial detergency and oil and gas markets.

ARKEMA announced the creation of a joint venture between CECA and the Saudi company Watan Industrial Investment in May 2014. The company will operate an oilfield additives blending plant and storage facility in Saudi Arabia. The investment, which will enable CECA to grow in the Gulf region, fits well with the Group's strategy to develop its High Performance Materials segment and increase its presence in higher-growth countries. The new site will gradually ramp up in 2015.

Organic Peroxides BU (8% of Group sales in 2014)

Products and markets

The Organic Peroxides BU comprises several product lines (organic peroxides, PVC additives, and glass coating additives).

Organic peroxides are initiators used in a number of different fields: commodity polymers (reaction initiators for low-density polyethylene, PVC and polystyrene), acrylic polymers, unsaturated polyesters and rubber crosslinking. The Group ranks number two in the world in this sector [2]. 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 glass bottle. The Group ranks among the world's leading players in its main applications. Additives are produced in Europe and North America.

Highlights

ARKEMA finalised the divestment of its tin stabiliser business on 1 October 2012. 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 concerned 234 employees and 4 production sites around the world, with sales of around 180 million euros.

In a global market with annual growth of approximately 6% [3], ARKEMA, the bis-peroxide world leader, increased its production capacity by 15% at both its Spinetta (Italy) and Franklin (United States) sites. Bis-peroxide is used in the crosslinking of rubber in various sectors such as electric wire and cable, automotive and footwear. These investments will enable the company to meet strong demand from the synthetic rubber industry for cross-linking agents, notably in Asia, and to support the growth of newly-developed Luperox® FreeO. These new capacities are the first stage of a comprehensive programme to increase the Groups' global bis-peroxide capacity by 30% in the medium term. On 2 March 2015, ARKEMA finalised the acquisition of the Italian company Oxido, a European player in the formulation of organic peroxides used mainly for the crosslinking of synthetic rubbers, with sales of around 20 million euros. This acquisition, which offers significant synergies, will help to strengthen the downstream integration of organic peroxides in Europe, especially bis-peroxide.

ARKEMA is pursuing its project to produce organic peroxides at the Al Jubail site in Saudi Arabia, in partnership with the Saudi company Watan Industrial Investment. Organic peroxides are widely used as polymerisation initiators in the commodity thermoplastics industry. This world-scale plant could supply all petrochemical players in the Middle East and respond to their strong growth anticipated by 2020 by offering them a secure and flexible local supply. The ARKEMA – Watan Industrial Investment joint venture will be majority held by ARKEMA, with the latter overseeing the operational and commercial management of the site.

ARKEMA announced in January 2014 the doubling of its production capacity at the Changshu site in China. This investment will enable ARKEMA to support the strong growth of its customers in Asia, in particular in the plastics markets for the construction, packaging and automotive industries. This new line is due to start up early 2016.

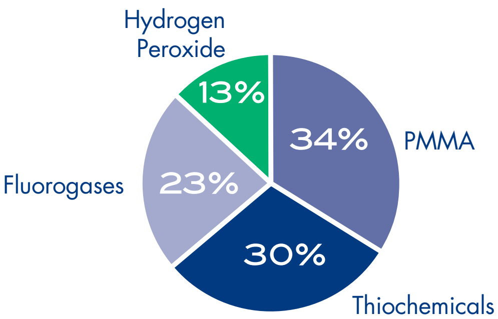
(1) Source: ARKEMA internal estimates.
(2) Source: ARKEMA internal estimates.
(3) Source: ARKEMA internal estimates.

1.2.2 INDUSTRIAL SPECIALTIES SEGMENT

1.2.2.1 KEY FIGURES

(In millions of euros)	2014	2013	2012
Sales	1,972	1,993	2,096
EBITDA	300	340	399
Recurring operating income	172	225	285
Capital expenditure	256	255	159

1.2.2.2 BREAKDOWN OF THE SEGMENT'S SALES BY BU (2014) [1]



1.2.2.3 GENERAL DESCRIPTION OF THE SEGMENT'S BUSINESS

The Industrial Specialties segment consists of 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. The Group already has production units for Thiochemicals in Europe and North America and, in early 2015, started up its first production platform in Malaysia.

The Industrial Specialties segment aims to pursue the development of its activities and to strengthen its positions worldwide. To do so, the Group will rely on new facilities in Asia, carry out targeted debottleneckings in Europe and North America and implement cooperation projects with its major partners.

PMMA BU (11% of Group sales in 2014)

Products

The PMMA BU 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 and cast sheet and extruded sheet for forming.

Markets

The overall size of the PMMA market is estimated at 1.6 million tonnes [2].

The BU sells its products into a wide range of markets, of which the most important are construction, automotive, sanitaryware, commercial display, electronics, and household goods. In the automotive market, over and above the traditional PMMA applications such as rear lights, new applications are being developed, including, for example, panoramic roofs with Altuglas® ShieldUp which helps reduce vehicle weight. The signs and display market is sustained by increasing advertising expenditure and by an improvement in the standard of living in emerging countries. In the coming years, worldwide growth of PMMA end-markets could be close to 1.5% annually [3].

The Group is one of the leading producers of PMMA in the world [4]. Its main competitors are Evonik, Mitsubishi Rayon, Sumitomo Chemical and Chi Mei Corporation.

Highlights

In 2012, ARKEMA was awarded the Pierre Potier prize for Altuglas® ShieldUp, its new lightweight and ultra-tough acrylic glass used as glass substitute in cars. This ultra high performance acrylic glass is used to manufacture, for example, the panoramic roof and side windows of Renault's small electric car Twizy. This

(1) In 2013, the breakdown of the segment's sales by BU was as follows: 32% for the PMMA BU, 28% for the Thiochemicals BU, 27% for the Fluorogases BU and 13% for the Hydrogen Peroxide BU.

(2) Source: IHS Chemical Economic Handbook Acrylic Resins and Plastics, August 2013.

(3) Source: ARKEMA internal estimates.

(4) Source: IHS Chemical Economic Handbook Acrylic Resins and Plastics, August 2013.

innovative polymer is also an integral part of the Peugeot Onyx car design. The roof of this sporty, futuristic hybrid car is made from Altuglas® ShieldUp.

In 2013, ARKEMA launched its first line of thermoplastic resin for composite parts under the Elium® brand name. It is made with the same equipment and processes used to make thermoset composites. The technology received an award at JEC in 2013. The resulting parts exhibit mechanical properties similar to those of thermoset parts, but their thermoplastic nature brings the added advantages of thermoformability and recyclability, and new assembly possibilities. The resins can be used to make structural parts for a range of different applications such as automotive, transport, wind turbines, sports equipment and construction. They can also be used to make body parts for trucks, body work panels for buses, hoods for agricultural equipment, etc.

Thiochemicals BU (10% of Group sales in 2014)

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 BU has a global presence with production sites in the United States and Europe and a new platform in Malaysia which started early 2015.

Markets

The overall size of the Thiochemicals market is estimated at 0.8 million tonnes [1].

The main markets are animal feed, refining and petrochemicals, natural gas odorisers, 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 petrochemical and refining projects in Asia and the Middle East, by the growing use of natural gas, and by the tightening-up of sulphur content standards for 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, worldwide growth of Thiochemicals end-markets should be close to 4.5% annually [2].

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

Highlights

On 30 January 2015, ARKEMA announced the start-up of its Thiochemicals platform in Kerteh, Malaysia, in early 2015. 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. The project brings together two complementary expertise. CJ CheilJedang has developed an innovative and highly competitive industrial bio-fermentation process to produce L-methionine from bio-based raw materials which is more easily assimilated by animals than the DL-methionine currently on the market. For its part, ARKEMA confirms its expertise in the production process for methyl mercaptan, a sulphur-based intermediate which is essential for methionine production. The project represents an overall investment of about 200 million euros and enables the Group to strengthen its global position with production units in Europe, the United States and now Asia. This project's contribution to ARKEMA's sales in 2016 should be approximately 120 million US dollars.

ARKEMA developed Paladin®, a new solution for pre-plant soil fumigation which is particularly effective against nematode parasites, weeds, and soil-borne plant pathogens. It has no impact on the ozone layer, low global warming potential (GWP) and it decomposes very quickly 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 has been granted marketing authorisation from the relevant authorities for Paladin® in the United States (EPA), Israel, Morocco, Turkey, Mexico and Lebanon. ARKEMA submitted an application for Paladin® approval in Europe to the French authorities in December 2012. The latter are acting as the *rapporteur* Member State for the European approval procedure. The French Ministry of Agriculture, Agri-food and Forestry confirmed in February 2013 that the application was admissible. It is currently being assessed and should be finalised in 2016 with registration of the active substance under regulation EC 1107/2009.

ARKEMA, Total and SOBEGI (a subsidiary of Total and GDF Suez) started up the "Lacq Cluster Chimie 2030" facilities at the end of 2013. The project helps extend over the next thirty years

(1) Source: ARKEMA internal estimates.

(2) Source: ARKEMA internal estimates.

(3) Source: ARKEMA internal estimates.

gas extraction in Lacq, at a lower flow rate, in order to supply sulfur raw material to ARKEMA's thiochemicals activities under competitive economic conditions.

Fluorogases BU (8% of Group sales in 2014)

Products and markets

The Fluorogases BU manufactures and markets a range of HCFCs (hydrochlorofluorocarbons) and HFCs (hydrofluorocarbons) products under the brand name Forane®. Fluorogases are a worldwide business for the Group which has production sites in France, 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;
- the fluorinated polymers, like polytetrafluoroethylene (PTFE) and polyvinylidene fluoride (PVDF), the latter being produced by the Group as part of the Technical Polymers BU.

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% [1].

The overall size of the fluorogases market is estimated at 1.7 million tonnes [2].

The Group ranks second in the world in fluorogases [3]. Its main competitors are DuPont (whose Performance Chemicals division, which includes fluorogases, will be spun-off in the second half of 2015 under the name The Chemours Company), Honeywell, Solvay, Mexichem Fluor and several Chinese companies.

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 HCFCs use in maintenance applications varies from one region to another: a total ban in Europe, authorised use in developing countries with quotas in some cases, and regulated sale by marketing rights in North America with a quota system which significantly tightens the supply/demand balance. Within this quotas framework, which is expected to continue for several years, the BU achieves a significant part of its results in this region by selling HCFC 22. Following an upward revision of quotas in 2014 which impacted results, the EPA announced quotas for R22 in the United States for the 2015 to 2019 period. For new equipment and foam expansion, HCFCs are being replaced by HFCs.

The Fluorogases BU has developed HFC blends (32, 125, 134a, 143a, etc.) and new foam substitutes to comply with this regulation. Together with HFC-32, HFC-125 is an essential component of the last generation of refrigerant blends, which include the R-410A blend which replaces HCFC-22 in the equipments for air-conditioning in buildings. 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). Similarly, HFOs, developed by the Fluorogases BU, are fourth generation blowing agents with nil Ozone Depletion Potential (ODP) and low Global Warming Potential (GWP) which feature outstanding properties, in particular in terms of insulation and dimensional stability.

Highlights

Since the third quarter 2013, fluorogases have been affected by increasing competitive pressure from certain Chinese producers and by an unfavourable product mix which has impacted prices and margins. Between mid-2013 and mid-2014, EBITDA decreased by 100 million euros compared to the prior 12-month period. Market conditions appear to have stabilised since the second quarter of 2014.

The Group sets, in August 2014, a target to compensate this decrease by the end of 2017 and thus return to the historical profitability levels for this business. This target is based equally on the contribution of internal measures to optimize fixed and variable costs, and on an assumption of a gradual improvement in market conditions supported by changes in regulations.

Internal measures should primarily include actions intended to improve the competitiveness of fluorogas facilities in Europe and the gradual development of upstream integration in fluorspar. As part of this plan, ARKEMA announced in September 2014, a project to shutdown its fluorogas production at its Zaramillo site in Spain. Discussions with the social partners in Spain are currently being finalised.

The assumption of a gradual improvement in market conditions depends on several elements, including in Europe and the United States: (i) the definition of R22 quotas in the United States for the 2015 to 2019 period announced on 16 October 2014 and published in the Federal Register at the end of October, and (ii) the effective implementation, since 1 January 2015, of the F-gas regulation in Europe which introduced a quota system for HFC gases in Europe. However, confirmation of the application of anti-dumping duties for 134a in the United States, which was expected before the end of 2014, was invalidated by the US International Trade Commission.

The Fluorogases BU has also pursued the developments it initiated to meet the growing demand for fluorinated polymers and to increase the share of specialty products in its portfolio (for example, in the agrochemical sector). The Business Unit is also continuing the development of new-generation HFO gases with low GWP (Global Warming Potential) like the new 1234yf refrigerant for automotive air-conditioning.

(1) Source: ARKEMA internal estimates.

(2) Source: IHS Chemical Economic Handbook Fluorocarbons, February 2014 and ARKEMA internal estimates.

(3) Source: IHS Chemical Economic Handbook Fluorocarbons, February 2014 and ARKEMA internal estimates.

The MAC (Mobile Air Conditioning) European directive bans the use of refrigerants with a global warming potential higher than 150 for new vehicle platforms manufactured as from 1 January 2013 and in all new vehicles sold in Europe as from 1 January 2017. In 2011, the European Commission opened formal investigation proceedings for anti-competitive practices against DuPont Co. and Honeywell International Inc. with respect to the marketing of a new fluorinated refrigerant gas (1234yf) for automotive air-conditioning. Following this investigation, the European Commission issued a statement of objections against DuPont Co. and Honeywell International Inc. on 21 October 2014 concerning the cooperation agreements they entered into which limited the availability of the 1234yf supply on the market, on one hand, and the technical development of this product, on the other hand. As a major player in fluorogases, ARKEMA is paying great attention to the outcome of these proceedings and is confident in a positive outcome which would open the market. It announced in September 2013 a project to build 1234yf refrigerant gas production capacities. The first step consists in building a production unit in Changshu in China to meet the initial 1234yf demand. This plant is due to come on stream in 2016. A second investment would then be made in Europe to meet growing demand.

In October 2013, ARKEMA announced that it will market Forane® 1233zd, a new low-GWP blowing agent used in the manufacturing of polyurethane foams. Forane® 1233zd is a liquid, high-performance blowing agent which is not dangerous for the ozone layer and is non-flammable. Its has a global warming potential of 7. It is found in polyurethane foam used in the manufacture of domestic refrigerators and freezers, commercial refrigeration, spray foam, polyurethane insulating boards for buildings, and other construction applications.

On 29 May 2014, the American company Golden Gate Capital finalised its 100% takeover bid of Canada Fluorspar, Inc., in which ARKEMA had a 19% stake. The transaction resulted in a 6 million euro capital loss for ARKEMA. In order to diversify the source of its fluorspar feedstock, ARKEMA and Canada Fluorspar Inc. (CFI) are continuing to study the joint development of a fluorspar mine in Canada.

Hydrogen Peroxide BU (4% of Group sales in 2014)

Products

The Hydrogen Peroxide BU includes hydrogen peroxide, sodium chlorate and sodium perchlorate.

Hydrogen peroxide is a worldwide business for the Group, with 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 intrinsic qualities and, in particular, its environmental neutrality, provide the product with excellent growth prospects (long-term prospects for worldwide growth estimated at 3% to 4% annually) [(1)]. Energy is a major component of the production costs of this business.

The Group ranks third in the world in hydrogen peroxide production [(2)]. Its main competitors are Solvay, Evonik, EKA (AkzoNobel) and Peroxychem. The overall size of the hydrogen peroxide market is estimated at 3.7 million tonnes [(3)].

Highlights

As part of the PPRT *(Plan de Prévention des Risques Technologiques)*, ARKEMA converted its mercury electrolysis to a membrane electrolysis, and shut down the dichloroethane (DCE) plant at Jarrie (France). The project required a net investment of approximately 60 million euros by ARKEMA. Start-up of the new facilities took place end 2013.

1.2.3 COATING SOLUTIONS SEGMENT

1.2.3.1 KEY FIGURES

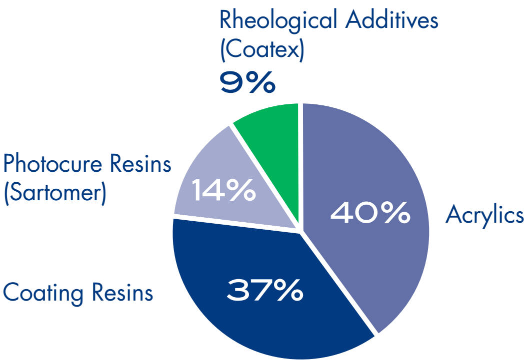
(In millions of euros)	2014	2013	2012
Sales	2,131	2,224	2,175
EBITDA	245	292	279
Recurring operating income	147	199	192
Capital expenditure	95	117	137

(1) Source: ARKEMA internal estimates.

(2) Source: IHS Chemical Economic Handbook, Hydrogen Peroxide, September 2014 and ARKEMA internal estimates.

(3) Source: ARKEMA internal estimates.

1.2.3.2 BREAKDOWN OF THE SEGMENT'S SALES BY BU (2014) [1]



1.2.3.3 GENERAL DESCRIPTION OF THE SEGMENT'S BUSINESS

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

Since its listing on the stock market, ARKEMA has strengthened its Acrylic activities by securing competitive acrylic monomer upstream supplies in Europe, North America and Asia (acquisition in Acrylics in China in 2014), by developing downstream integration of its acrylic monomers and by building an integrated segment in the coatings sector. This strategy has drawn on various acquisitions. The Group acquired Coatex, a company specialised in rheology additives, in 2007. It acquired certain acrylics assets from The Dow Chemical Company in North America (the Clear Lake (Texas) monomers site and emulsions activities) in 2010, and, in July 2011, the coating and photocure resins of Total Group. In October 2014, it announced the finalisation of the first step in the acquisition in Acrylics in China (see description in the Acrylics BU section).

The Coating Solutions segment is a coherent structure of activities combining downstream activities in the coatings market (decorative paints and industrial coatings) and upstream activities with 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 third leading producer of acrylic monomers [2] (based on production capacity of 160,000 tonnes of acrylic acid per year at Taixing in China), the Group has also 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 increasing its downstream integration of acrylic monomers, with an integration target of about 50%, unchanged for 2020, including long-term partnerships. Taking into account the acquisition of acrylic monomer production capacity at the Taixing site, the integration rate should be above 35% in 2015;
- increasing segment profitability by improving operational efficiency and optimising the product and market portfolio; and,
- speeding up developments through long-term partnerships established with industry leaders, geographic expansion into fast-growing regions, and innovation centered on the development of more environmental-friendly solutions.

Acrylics BU (15% of Group sales in 2014)

Products

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

The main raw material used by the Acrylics BU is propylene. 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 1.5 of this reference document.

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

Markets

The overall size of the acrylic acid market is estimated at 4.9 million tonnes [3].

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 diapers in emerging countries (China, India, etc.) and by an ageing population in 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, the rate of growth of acrylics end-markets could reach an average of 4% to 5% annually [4]. Growth in China should reach an average of 7% to 8% annually [5].

The Group is the world's third leading producer of acrylics [6] (based on production capacity of 160,000 tonnes of acrylic acid per year at Taixing in China). Its main competitors are BASF, The Dow Chemical Company and Nippon Shokubai.

(1) In 2013, the breakdown of the segment's sales by BU was as follows: 41% for the Acrylics BU, 37% for the Coating Resins BU, 14% for the Photocure Resins BU (Sartomer) and 8% for the Rheological Additives BU (Coatex).
(2) Source: IHS Chemical Economic Handbook Acrylic Acid and Esters, June 2014 and ARKEMA internal estimates.
(3) Source: IHS Chemical Economic Handbook Acrylic Acid and Esters, June 2014.
(4) Source: ARKEMA internal estimates.
(5) Source: ARKEMA internal estimates.
(6) Source: IHS Chemical Economic Handbook Acrylic Acid and Esters, June 2014 and ARKEMA internal estimates.

1

Highlights

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

- in January 2014, ARKEMA announced a project to create Taixing Sunke Chemicals (Sunke), a joint venture with Jurong Chemical to combine and operate acrylic acid and butyl acrylate production units located at the Taixing site in China. In application of the agreements signed at that time, ARKEMA:
  - had access to 160,000 tonnes of annual capacity, for an investment of 240 million US dollars, on completion of the first stage of the transaction,
  - had an option to access a total capacity of 320,000 tonnes per year for an additional 235 million US dollars (exercise of the option being expected during the 1st quarter of 2015), and
  - had, until early 2020, a further option to acquire the remaining third of acrylic acid production capacities and hold the entire capital of Sunke for 165 million US dollars.

  The first step of the project was finalised on 20 October 2014.

  On 17 February 2015, ARKEMA announced that it had signed a new agreement with Jurong Chemical extending through January 2016 the period for ARKEMA to exercise its option to increase its stake in Sunke and access to a total of 320,000 tonnes of acrylic acid production capacity. During that period, the joint venture will be operated by the two shareholders and production will be adjusted based on market conditions. The financial terms of the original January 2014 agreement were adjusted to reflect the option extension. All other terms remain unchanged.

  The site's competitiveness was increased at the end of 2014 with the start-up of a third acrylic acid production line;
- in August 2014, ARKEMA announced the signature of an agreement for the purchase of propylene in the United States with Enterprise Products Partners L.P., one of the American leaders in the energy field. The contract is part of ARKEMA's strategy for its strategic raw materials supply and will account for a significant share of its propylene supply. It will also strengthen the overall competitiveness of the Coating Solutions segment;
- ARKEMA finalised an extensive 110 million US dollars development, modernisation and reliability investment plan at its US sites at Clear Lake and Bayport (Texas). In July 2014, ARKEMA announced the start-up of its new 45,000 tonnes methyl acrylate unit at its Clear Lake site (Texas - United States). This acrylic acid derivative is used to make polymers for water treatment, elastomers and technical polymers. The investment is the third and last phase of the plan to reinforce the Group's position in the American acrylics market. The plan also resulted in the conversion on the Bayport site of a butyl acrylate unit to the production of 2-ethyl hexyl acrylate. This operation was completed in second quarter of 2012. It also increased the reliability and competitiveness of the Clear Lake site by increasing acrylic acid capacity to about 270,000 tonnes a year;
- on 22 October 2013 Sumitomo Seika and ARKEMA inaugurated the new Sumitomo Seika superabsorbent plant on ARKEMA's Carling site. The investment brings Sumitomo Seika's total superabsorbent production capacity at Carling to 47,000 tonnes per year and consolidates ARKEMA's position as an acrylic monomers producer on this platform;
- following the presentation in September 2013 of a project for the closure of operations at the Chauny industrial site (France) to the central works council, ARKEMA shutdown its production activities on the site at the beginning of 2014, after collecting opinions as required by law. The Chauny facility used to produce industrial chemical intermediates, primarily for the manufacture of plasticized PVC, polyester resins, and alkyd resins for paint.

Coating Resins BU (13% of Group sales in 2014)

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 geographical coverage. ARKEMA's wide-ranging innovative product range comprises the following:

- liquid resins, with five plants in the United States, six in Europe, and three 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.

In the coming years, the rate of growth of the end-markets of this business could reach an average of 3% annually [1].

The Group ranks among the world's leading companies in the coating materials market. The main competitors of the Coating Resins BU are BASF, The Dow Chemical Company, Allnex, Synthomer and DSM.

Thanks to its various R&D centres, ARKEMA is able to assist its global customers in their quest for innovative and environmentally friendly formulations. This is the case, for example, with alkyd emulsions developed to address environmental constraints on the use of solvents.

(1) Source: ARKEMA internal estimates.

Highlights

In Brazil, the Coating Resins BU boosted its presence with the acrylic additives and emulsions production site acquired from Resicryl on 1 October 2012.

In China, ARKEMA brought on stream at the end of 2013 an acrylic emulsions plant mostly intended for the decorative paints and adhesives markets. This new plant is based on the Changshu platform (China), and represented capex in the order of 30 million US dollars.

In August 2014, ARKEMA finalised the divestment of its two South African subsidiaries, ARKEMA Resins Proprietary Limited and Harveys Composites Proprietary Limited, to Ferro Industrial Products Proprietary Limited, specialised in the production and distribution of coating products and materials for the composites markets. This divestment represents overall sales of approximately 45 million euros and involved 125 people.

In terms of innovation, ARKEMA developed Celocor®, a new additive which partially replaces titanium dioxide (TiO_2) in paint to provide potential cost reductions. The BU also developed SNAP® technology which enables the development of low- or zero-VOC emulsions with toughness and gloss properties for the manufacture of baseboards, windows and other fittings which could previously only be achieved with solvent-borne resins. In addition, new aqueous, pressure-sensitive adhesives, commonly known as PSAs, were developed to meet specific adhesive processability and behaviour requirements for the production of tapes, labels and other specialty self-adhesive products such as temporary protective films (Encor 4211®). ARKEMA also developed an innovative dispersant called Encor® 2433 which enables the formulation, in aqueous phase, of coatings directly applicable to metal, without requiring the prior application of a primer. This low VOC binder affords cost reductions and saves application time, and can be used in both interior and exterior paints directly applied to metal and in topcoats for metal.

ARKEMA continued to improve the profitability of its Coating Resins business with the shutdown of its Stallingborough (United Kingdom) site. The closure entailed the loss of 58 jobs. The production units were shutdown in July 2014. The Coating Resins BU has continued deliveries to its customers from other European sites to which the production of solvent-borne coating resins previously made at Stallingborough was transferred.

ARKEMA also announced in March 2015 a project to shut down its coating resins operations at the Villers-Saint-Paul site (France), which would result in the loss of 26 jobs. The project is subject to the legal information and consultation process of ARKEMA's works councils.

Photocure Resins BU (Sartomer) (5% of Group sales in 2014)

Products

Thanks to unique technologies, Sartomer supplies its customers with high added value high-tech products and applications. Photocure resins feature excellent technical performances 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 environmentally 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. In the coming years, world growth in photocure resin end-markets could stand at around 6% annually [1].

The main competitors of the Photocure Resins BU are Allnex, Eternal and Miwon.

Rheological Additives BU (Coatex) (3% of Group sales in 2014)

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.

Highlights

Coatex has stepped up its development, with:

- the acquisition of a production site for acrylic additives and emulsions from Brazilian company Resicryl finalised on 1 October 2012;
- the opening, at the end of 2012, of a new Asia-Pacific technical centre in Changshu, China, to provide technical support to Asia-Pacific customers operating in the decorative paint, paper, construction and mineral treatment markets;
- the opening in 2014 of a new technical centre for the development and application of Coatex Latam located on the Araçariguama industrial site near Sao Paulo in Brazil. The technical centre will provide support for the growth of the Rheological Additives and Coating Resins BUs in South America.

(1) Source: ARKEMA internal estimates.

1.3 CAPITAL EXPENDITURE

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

The Group's capital expenditure on intangible and tangible assets amounted to 438 million euros in 2012, 481 million euros in 2013 and 470 million euros in 2014. On average, over the past three years, the Group has therefore invested around 463 million euros 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 50% of the total, and (ii) development projects, in the form of either major projects or productivity improvements in existing facilities, accounting for approximately 50%.

Over the period, 24% of capital expenditure was spent on the High Performance Materials segment, 48% on the Industrial Specialties segment, 25% on the Coating Solutions segment, and 3% on Corporate projects. 50% of these investments were made in Europe, 22% in North America, 27% in Asia and 1% in the rest of the world.

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

Year	BU	Description
2012	Acrylics	Start-up of a 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)
2013	Acrylics	Modernisation and increase of acrylic acid production capacity at Clear Lake (United States)
	Coating Resins	Start-up of an acrylic latex plant at Changshu (China)
	Thiochemicals	Overhaul of industrial infrastructures at Lacq (France) in partnership with SOBEGI and Total EP France following the shutdown of gas field exploitation
	Hydrogen Peroxide	Conversion of mercury electrolysis to membrane electrolysis at Jarrie (France)
	Technical Polymers	Threefold increase in PA10 capacity at Hipro Polymers (China)
2014	Acrylics	Start-up of a methyl acrylate plant at Clear Lake (United States)
	Thiochemicals	Construction of a thiochemicals production platform at Kerteh (Malaysia) started early 2015 combined with a project to produce bio-methionine in partnership with CJ CheilJedang
	Information Systems	First rollout of information systems related to Supply Chain optimisation

Additionally, on 20 October 2014, the Group completed its acquisition of a stake in the joint venture with Jurong Chemical which combines three acrylic acid production lines located on the Taixing site in China. (For further details see paragraph 1.2.3.3 of this reference document).

1.3.2 DESCRIPTION OF MAIN CURRENT INVESTMENT PROJECTS

At the date of this reference document, the Group's main capital expenditure underway is as follows:

Fluorogases	Construction of a 1234yf refrigerant fluorinated gas plant at Changshu (China)
Organic Peroxides	Doubling of organic peroxide production capacity at Changshu (China)
Information Systems	Rollout of information systems related to Supply Chain optimisation

On 2 February 2015, the Group completed the acquisition of BOSTIK.

On 2 March 2015, the Group completed its acquisition of the company Oxido in the organic peroxides business.

Capital expenditure is firstly funded by the cash resources generated by the Group during the year. Beyond this, the Group may use the credit resources detailed in paragraph 4.1.8 of this reference document.

1.3.3 FUTURE CAPITAL EXPENDITURE

In the future, the Group, including BOSTIK, targets an average level of annual capital expenditure representing around 5.5 % of its sales.

The Group (including BOSTIK) forecasts capital expenditure of around 450 million euros for 2015.

Given its current cash situation and its financing resources described in paragraph 4.1.8 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 paragraphs 1.3.2 and 1.3.3 of this reference document.

1.3.4 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 30 of the notes to the consolidated financial statements featured in paragraph 4.3.3 of this reference document.

The net book value of the Group's tangible fixed assets at 31 December 2014 was 2,272 million euros. It includes transportation equipment and pipelines owned by the Group (see note 11 of the notes to the consolidated financial statements in paragraph 4.3.3 of this reference document).

1.4 R&D AND INNOVATION STRATEGY

1.4.1 R&D OBJECTIVES

Research and Development (R&D) is one of the key factors on which the Group relies for the successful implementation of its growth strategy. Four main objectives are assigned to R&D:

- to contribute to the Group's operational excellence by bringing innovations to the production facilities so that the Group may produce safely, competitively and in a way that reduces its environmental footprint as far as possible;
- to develop the Group's products by continuously improving their performance in existing markets, and by systematically exploring new markets;
- to anticipate technological and market changes and to develop products which society will need in the years to come, ahead of competitors;
- to produce ground-breaking innovations that will ensure the Group's technological positioning in the medium-term.

The anticipation of change, needs and preferences, as emphasized in the third and fourth points above, is essential and underpins all the Group's R&D activity. The identification of mega-trends in society has driven the R&D department's work to focus on five research platforms: energy solutions, renewable raw materials, lightweight materials, water treatment and solutions for electronics. The first four platforms are clearly based on the major challenges facing society, as described in section 2.3 of this reference document, namely, energy, climate change and access to water.

The introduction of ground-breaking innovations requires an ambitious policy for the development of new products. Hence, the R&D department is also responsible for the development of innovative products "in incubation". To that end, it relies on a specific structure called the "incubator", which is managed by R&D. When products have reached an appropriate level of maturity, their commercial development is transferred to the BUs.

1.4.2 R&D RESOURCES

1.4.2.1 QUANTITATIVE ELEMENTS

In 2014, R&D efforts accounted for around 2.6% of the Group's sales. The Group's R&D department employed over 1,200 researchers in 2014, mainly at 10 research centres located in France, the United States, China and Japan.

R&D efforts and expenses are split as follows between the Group's three segments and its Corporate research programme:

- the High Performance Materials segment accounts for 39% of the Group's R&D efforts. It's R&D efforts are focused on the materials of tomorrow. Materials based on renewable raw materials or those with a low environmental impact and lightweight materials for transport are all developments that help combine performance and sustainable development. 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 reputation of brand names such as Rilsan®, Hiprolon®, Pebax® and Luperox® reflects the technical excellence of this segment;
- the Industrial Specialties segment represents 24% of the Group's R&D efforts; its R&D objectives are to ensure that processes in the segment remain competitive and to find new applications as well as new markets for its products. One of the major objectives is the ongoing improvement of the main processes (fluorochemicals, thiochemicals, hydrogen peroxide) to make them safer, more reliable and productive, and therefore more competitive, while minimising their environmental impact. To that end, R&D studies the benefits of new raw materials, 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 1234yf (a new low-GWP (Global Warming Potential) refrigerant fluid), or the Altuglas® ShieldUp nanostructured PMMA sheet;
- the Coating Solutions segment represents 21% of the Group's R&D effort; its R&D develops innovative solutions for the coatings market while combining technical performance and 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;
- the Corporate research programme represents 16% of the Group's R&D efforts; set up by the R&D department and approved by the Executive Committee, its mission is to prepare the innovations of tomorrow.

1.4.2.2 ORGANISATION

The R&D department reports directly to the Chairman and Chief Executive Officer and coordinates all of the Group's research programmes worldwide. It comprises:

- a Corporate top management, in charge of global R&D coordination, the development of research platforms and partnerships. It ensures the scientific and technological relevance of projects funded by the BUs and the consistency of these projects with the Group's global strategy. It sets up and steers Corporate R&D programmes, identifies development opportunities and new research lines and manages the open innovation tools detailed here below;
- global R&D managers, for each BU, responsible for the operational control of specific programmes of those BUs. These R&D managers may have representatives in the main geographical regions (Europe, Asia, United States). R&D managers and the Corporate top management meet regularly to coordinate and steer the Group's R&D function;
- the Intellectual Property department, which takes care of patenting for the whole Group and coordinates the management of that fundamental component of the Group's technological assets;
- the "incubator" structure.

The R&D department supervises and coordinates all ten of the Group's research centres worldwide. It ensures that research efforts are distributed appropriately among these centres, in terms of personnel, investments and technical matters.

1.4.2.3 COLLABORATIVE RESEARCH

To supplement these resources, which are internal to the Group, the R&D department implements an ambitious policy of open-innovation and partnerships.

Partnerships

Partnerships are a fundamental prerequisite for research excellence.

They may involve upstream partnerships with scientific bodies. These relations include research contracts, doctoral or postdoctoral funding for students, but also original and innovative structures. Thus, in France, ARKEMA participates in industrial research chairs, such as the industrial research chair on organic electronics at the University of Bordeaux, and has developed special relationships as part of major flagship research programmes such as, for example, its relationship with the ESPCI laboratory in Paris, France.

Partnerships may also be developed with industrial partners, as part of a joint research effort with customers, suppliers or even competitors, with the aim of working together to produce new products or new technologies. ARKEMA establishes many research partnerships with its customers in order to better understand market needs and to quickly develop technical solutions to respond to those needs.

Numerous development tools have been put in place nationally and internationally to encourage the introduction of collaborative research programmes. ARKEMA makes the use of these tools one of the key aspects of its research policy. The numerous collaborative programmes undertaken with the European Commission (2020 Horizon Programme) and with various French bodies, 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 *Fonds unifié interministériel* (Unified Interministerial Fund), allow the Group's R&D to benefit from joint funding with the public sector and active collaboration with multiple partners. In France, the Group has been very active in various aspects of the French government's *Investissements d'avenir* initiatives, either through collaborative research projects or through working collaboratively with other bodies such as the IRT (*Institut de recherche technologique*).

Open-Innovation

In addition to these partnerships in the form of research contracts, the Group implements a dynamic open innovation policy.

That strategy is illustrated by two examples:

1. The R&D department has established a number of shared laboratories, with the aim of teaming up ARKEMA personnel with personnel from another structure, using the facilities of the latter. Examples include:

- The *Commissariat à l'énergie atomique* (Atomic Energy Commission - CEA), with the creation of three shared laboratories in the following structures:
  - l'*Institut national de l'énergie solaire* (National Solar Energy Institute - INES) to improve the performance of polymers in photovoltaic applications,
  - *Laboratoire d'électronique des technologies de l'information* (Information Technology Electronics Laboratory - LETI) for organic electronics and micro-electronics,
  - *Laboratoire d'innovation pour les technologies des énergies nouvelles* (Innovation Laboratory for New Energy Technologies - LITEN) for new energies and new materials;
- *Pôle de Plasturgie de l'Est* (PPE) in Lorraine for the development of thermoplastic composites;

2. The R&D department has a technology acquisition policy which involves targeting start-ups or high value-added SMEs and helping them with their development processes. These acquisitions enable ARKEMA to position itself in the market for ultra-innovative products and/or the high tech markets. Piezotech (manufacturer of new electroactive fluorinated polymers) and AEC Polymers (specialist in industrial structural adhesives) are some of the latest acquisitions that are presently integrated in the incubator. Thanks to the material resources at hand and the know-how of the Group's experts, these activities are evolving in an environment that is conducive to their applicative development.

1.4.3 MANAGEMENT OF PATENTS AND TRADEMARKS

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.

1.4.3.1 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 the quality of the latter. At 31 December 2014, the Group owned 5,555 patents. At the same date, it had 3,924 patent applications pending (all patent applications made according to a centralised 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 subsequently selected). In 2014, the Group filed 186 applications for priority patents.

It should be noted that, in 2014, for the fourth year in a row, ARKEMA ranked among the 100 most innovative companies in the world as mentioned in the "Top 100 Global Innovators for 2014" 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. ARKEMA also contests and files for proceedings to disqualify unwarranted third-party patents. The success rate of such legal actions against third party patents is very high, in the order of 70%.

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 compensation for inventors among its employees if patents for their inventions are commercially exploited.

1.4.3.2 TRADEMARKS

Protection of brand names varies according to each country. In the majority of countries, trademark rights stem from their registration, whereas in others, their usage, without applying for trademark registrations, can constitute a right. 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 can be renewed 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. For example, its flagship brand names include: Pebax®, Rilsan®, Hiprolon®, Forane®, Altuglas® 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. Kepstan®, Nanostrength®, and Apolhya®, by registering them as trademarks.

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.

1.4.4 SIGNIFICANT RESULTS

1.4.4.1 THE INCUBATOR

The purpose of the incubator is to develop breakthrough products. Since its creation, this structure has developed electrostrictive polymers at its Piezotech subsidiary (in 2010), a new polymer for very high temperatures (PEKK in 2011) and nanostructured PMMA for automotive glazing under the Altuglas® ShieldUp brand (in 2012). In 2013, the incubator began sampling its latest copolymers for electronics, and also launched an "amorphous polyamides" activity.

2014 was marked by the achievement of a new step in the development of block copolymers under the brands Nanostrength® and Apolhya® with sales of nanostructured polymers reaching 100 tonnes for the first time.

1.4.4.2 RESEARCH PLATFORMS

The five research platforms (solutions for energy, renewable raw materials, lightweight materials, water treatment and solutions for electronics) help to focus R&D at ARKEMA on the future needs of society. In 2014, 30% of the patents filed by ARKEMA concerned new products developed in connection with these research platforms.

Many recent highlights are attached to these platforms:

Renewable materials

- In 2012, the first foundation stone was laid at the ARKEMA-CJ CheilJedang bio-methionine facility in Kerteh, Malaysia. The methyl mercaptan produced by ARKEMA is used as a raw material by CJ to produce methionine from a renewable source using a fermentation process that is unique in the world. The contribution made by ARKEMA to this new synthesis technology for L-methionine received the "engineer of the year" prize from the magazine *Usine Nouvelle*, in the "best industrial project" category (2014).
- In 2012, the acquisition of the Chinese companies Suzhou Hipro Polymers Co. Ltd. (Hipro Polymers) and Hebei Casda Biomaterials Co. Ltd. (Casda Biomaterials) made it possible to develop new grades of biosourced polyamide 10 and to build new positions in the fields of consumer goods, transports and sports.
- In 2013, Rilsan® Clear Rnew G830, the first biosourced transparent polyamide, initially developed for optical applications, was highly successful in a number of electronics and audiovisual applications.
- In 2013, a family of PMMA-PLA (polylactic acid from renewable sources) alloys was developed and put into production. A co-marketing agreement intended to promote a high performance biosourced alloy has been signed with NatureWorks, a world leader in bio-sourced polymers.
- The new, biosourced member of the Rilsan® family, Clear G850, was presented at the Hong Kong Optical Fair in November 2013. Transparent and very light, it opens up new possibilities for eyeglass frames; a specific grade has also been designed for lenses.
- The Pebax® range of thermoplastic elastomers has also been enriched with the addition of Pebax® Rnew 80R53, a new 90% biosourced grade. It is 50% more rigid than the current Pebax® grades, which opens up new possibilities in the design of lightweight ski boots that are highly reactive to the skier's movements.

Lightweight vehicles

- ARKEMA is benefiting from the strong move towards laser prototyping by creating new grades of materials. In 2011, new polyamide powders were launched: Rilsan® Invent Black and Orgasol® Invent Smooth. In 2012, Rilsan® Invent Natural was added to Orgasol® Invent Smooth and provides excellent resolution in the detail of components, combined with very good machine processability. These qualities make this powder aptly suited to rapid prototyping and rapid manufacturing.
- In 2011, the Altuglas® ShieldUp range was developed: this is a very high performance acrylic glass to replace ordinary glass for automobile glazing, which helps to considerably reduce the weight of the vehicle.
- Still in 2011, a polymer with a very high melting point (> 330°C) was developed: this was PEKK, which should make a significant contribution towards reducing the weight of aeronautical systems.
- In 2012, a new ultra flexible Rilsan® HT (High Temperature) polyphthalamide (PPA) range was launched. Its thermal stability was improved compared to the previous range, while its service life was extended and its service temperature increased by up to 10°C.
- 2013 also saw the development of new applications for these Rilsan® High Temperature grades to replace metal tubing in engine compartments and in NOx reduction devices. Rilsan® HT was in fact awarded the 2013 Pierre Potier prize, which recognises major innovations in chemistry promoting sustainable development.
- In 2013, ARKEMA developed Elium® resin, the first thermoplastic suitable for the manufacture of composites with the same processes and equipment as traditional thermoset composites. Thanks to these thermoplastic resins, ARKEMA was presented with the JEC Award at the industry's main trade show.

New energies

- In 2011, ARKEMA developed Apolhya® Solar, a nanostructured thermoplastic polymer for the encapsulation of new generations of solar panel modules. Apolhya® Solar combines thermomechanical properties, adhesiveness and creep resistance with perfect transparency.

- In 2013, CECA launched an additive that helps reduce temperature when surfacing roads with asphalt mix. Cecabase® RT Bio 10 is biodegradable and non-toxic to the environment. It affords 30% energy savings in the asphalt mixing process.
- In 2013, CECA developed lithium salts to replace the LiPF6 (lithium hexafluorophosphate) currently used in most lithium-ion batteries. As LiPF6 is potentially hazardous at high temperatures or if it comes into contact with water, it is necessary to replace it with safer products.
- In 2014, nanostructured copolymers were first applied in the backsheets of photovoltaic cells.
- In 2014, ARKEMA launched a new KYNAR® SLM200 film for the solar energy market. This thinner film provides effective protection for panel backsheets due to its innovative formulation while offering customers a competitive price in this industry sector.
- HFO Forane 1233zd was tested by a number of potential customers as a replacement for the blowing agents that currently use HFCs. This agent will help to reduce greenhouse gas emissions, while delivering excellent thermal insulation properties. During the Center for the Polyurethane Industry conference, held in September in the United States, the presentation given by ARKEMA on this product received the Best Paper Presentation Award.
- A new formulation of low corrosion methanesulfonic acid has been in production since September 2014: this product is used in particular as an esterification catalyser for biodiesel. This formulation allows the producers of this new fuel to use less expensive types of steel, while yet significantly reducing corrosion in their systems.

Water treatment

- In 2012, a new Kynar® grade called MG-15 was launched for the water filtration membrane market. This is a significant market from an economic and societal viewpoint.
- In 2014, ARKEMA and Polymem, a French SME specialising in the manufacture of hollow fibre membrane-based filtration modules, jointly developed a new hydrophilic ultrafiltration membrane technology able to produce excellent water quality over long periods.

Electronic solutions

- In 2014, ARKEMA announced the synthesis of block copolymers for the etching of printed circuits on silicon under the limit of 22 and then 16 nm, inaccessible to current lithography technologies,
- In 2014, a "Direct Self Assembly" range of lithography resins based on this proprietary copolymer technology, making it possible to obtain structures in the order of 22 nm, was finalised. It is currently being tested by a number of semiconductor manufacturers.
- In laboratory conditions, a second generation of polymers making it possible to obtain structures of a critical size of down to 5 nm was developed and is now in the test phase in the laboratory shared with CEA-LETI.
- A new XZM50 type polyphthalamide was successfully launched in the market for portable devices. It makes new designs possible due to exceptional rigidity and fatigue resistance.

1.4.4.3 RESEARCH OUTSIDE THE FIVE PLATFORMS

R&D activities are also conducted outside these platforms. The following paragraphs describe recent highlights, grouped by application market.

Sports and leisure equipment

- In 2013, a new grade of organic peroxide, Luperox® FreeO, was launched for the manufacture of sports shoe soles and other articles made of EVA expanded foam. This new grade helps to eliminate the "new smell" released by the decomposition product of the previously-used crosslinking agent. A number of world-renowned sports shoe brands have already successfully opted for this new grade.
- In 2014, the transparent version of Pebax®, Pebax® Clear, was selected for use in the new Nike football shoe. Magista, a completely new design, was used by the greatest players in the 2014 World Cup. Ankle-high, ultra-thin and lightweight, this shoe stands out through its design, its technology and the new feelings it brings.

Cosmetics

- In 2014, the new Orgasol® White for the cosmetics market further enhanced the Orgasol® range. The powder, with its active anti-blemish ingredient, lightens the skin and thus meets the growing demand for these products in Asia and Europe.

Coatings

- In 2012, two major new products are worth mentioning: Celocor® and Bumper Technology™ (Coatex) which offers a solution to the difficulties experienced by some paint manufacturers in procuring titanium dioxide. 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 paint gloss and its resistance to dulling. The Bumper Technology™ uses new dispersants that separate TiO_2 particles in waterborne paint, helping to optimise its ability to refract light.
- In 2013, two new rheology additives, Crayvallac® SLT and Crayvallac® SLP, were launched for sealant applications. These offer superior stability and better control of rheology than the silica fume traditionally used.

- In 2013, Sartomer offered new acrylic photopolymerisable resins. The newly developed "3D printing-UV curing" process consists of printing and instantly drying, through UV radiation, successive layers of an acrylic resin formulation, for the production of three-dimensional parts. In addition to offering great freedom of design, this technology produces top quality finish.
- In 2014, Sartomer developed formulation additives for the very demanding market of food packaging inks. This product offer allows an outstanding combination of properties such as pigment dispersion and adhesion to the most varied of surfaces, while remaining compatible with modern requirements in terms of hygiene and the environment.

Gas, oil and bitumen

- In 2014, a new organic peroxide grade, Luperox® EZ Breaker, was specially developed for the growing market of fracking liquids, leading to very encouraging initial sales. This new grade combines safety and unequalled performance.
- Gas production around the world is growing and this creates specific problems for the corrosion of metal parts. In 2014, CECA, during tests in gas fields, successfully applied a new corrosion inhibitor, Norust® TLC115, that protects both metal parts in contact with water and those in contact with gas. This corrosion inhibitor is protected by two patents.
- Cecabase® RT 2N1 is a new additive (2014) that improves the mechanical performance of road surfaces, particularly in wet conditions. It also improves the workability of surfacing products which makes it easier to incorporate recyclate and/or to reduce the temperature during production.

Packaging

- In 2012, the launch of Lotryl® Bestpeel 2012, a new adhesive in the functional polyolefins family with superior transparency and thermal stability properties, complemented ARKEMA's offering of technical solutions in the field of packaging.

Medical applications

- In 2013, a new polymer was added to the Pebax® range for medical applications; Pebax® MV 1074 SA 01 MED is a hydrophilic polymer perfectly suited for minimally invasive devices such as surgical tubing that are exposed to bodily fluids. This new copolymer is USP VI (United States Pharmacopeia VI) certified, and offers uniquely high moisture absorption properties for device components such as catheters.

Miscellaneous materials

- In 2012, a new PMMA cast sheet with excellent light diffusion properties was developed for the illuminated displays market.
- In 2013, a specific grade of PMMA was developed for the laser etching market. The most precise drawings can be etched into the dark, shiny surface of Altuglas® Tattoo.
- In 2014, three new grades of acrylic processing aids were launched commercially. These are high molecular weight copolymers that strengthen the mechanical properties of melted PVC during extrusion. The main application is for expanded PVC (sheets for outdoor display panels, profiles and pipes), where this type of product helps to reduce density without collapsing cell structure.
- A new grade of impact modifier with an elastomeric polybutadiene core and acrylic shell, used to reinforce the impact resistance of polycarbonate alloys, was also launched in 2014.

Agriculture

- Paladin®, a DMDS (dimethyl disulfide) derivative, a sulphur-based product naturally present in the life cycle of some plants, used in soil preparation for vegetable and fruit crops, was launched in 2011 as a replacement for methyl bromide due to be gradually phased out under the terms of the Montreal Protocol. This application has had significant success in countries bordering the Mediterranean such as Turkey, Morocco, Israel and Egypt.
- The surface treatment Fluidiram®, which helps to limit the emission of dust by grains of fertiliser, enjoyed considerable sales growth in 2014. This treatment significantly reduces losses of fertiliser during storage/transportation/spreading in the field, thus contributing to the efficient use of non-renewable nutrients such as phosphate.

Innovation in the field of ARKEMA production processes

- When the extraction of gas came to an end in Lacq in 2013, and Total's sulphur plants were closed, which previously made it possible to dispose of all sulphurous waste, it became necessary to completely review operations at ARKEMA's Thiochemicals plants by radically reducing the wastes from each unit. These new technologies are now fully operational and, in 2014, all sources of production achieved the expected performance level, only a few months after the new installations came on stream.
- Methyl acrylate is a monomer used for the production of acrylic fibres and in the fields of coatings and adhesives. A monomer production line, based on a new process developed by the R&D-Processes team, started up in 2014 at the Clear Lake site (US).
- A pilot operation on a semi-industrial scale to explore a new process for the purification of acrylic acid started in 2014 at the Carling production site. This pilot operation is directly connected to the acrylic acid unit from which it extracts the reaction gases and then processes them using the new process. Major benefits in terms of energy and raw material savings are expected at both Carling and Clear Lake.

1.5 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 at its production sites, or because they represent significant financial income.

1.5.1 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, the Group's supply of cyclododecatriene (CDT) used for the manufacture of PA 12, and the Group's supply of propylene for acrylics. For confidentiality reasons, terms and conditions of these contracts cannot be disclosed.

CONTRACT FOR THE SUPPLY OF PROPYLENE IN THE UNITED STATES WITH ENTERPRISE PRODUCTS PARTNERS L.P. (ENTERPRISE)

Arkema Inc. concluded a contract for the supply of propylene in the United States with Enterprise, one of the leaders in the US energy industry. Taking advantage of the development of shale gas in the United States, this contract secures a long-term supply (more than ten years) of propylene produced by propane dehydrogenation (PDH). The first deliveries are expected in 2016, upon completion by Enterprise of the construction phase of its Mont Belvieu production unit in Texas (United States).

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

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 steam crackers 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. Discussions are currently underway with TPF to set out the new terms for the supply of propylene to Arkema France in the light of the announcement by TPF of the shutdown of its steamcracker in Carling.

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 contracts between Total Petrochemicals France and Arkema France by an amendment dated 23 September 2005 specifying 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 and continues to source its energy supply from the latter for a significant part of its needs. A new agreement, concluded in July 2014 between EDF and Exeltium allows for, in a first step, a decrease in the price of the electricity paid upon deliveries, which may then, as a second step, increase the price, as compensation depending on changes in the market price of electricity. This mechanism intends to add more flexibility to the contract and was defined so as not to compromise its global economic balance.

1.5.2 INDUSTRIAL AGREEMENTS

Industrial agreements include platform contracts, toll processing, and capacity reservation. The most significant 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 future industrial activities on the Induslacq platform in Lacq, beyond 2013. This memorandum of understanding specifies three components: firstly, the ongoing extraction of gas to supply ARKEMA's thiochemicals plants with hydrogen sulphide (H_2S) as well as SOGEBI'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.

Discussions are currently taking place with TPF to set out the new terms for the supply of ethylene to Arkema France in the light of the announcement by TPF of the shutdown of its steamcracker in Carling.

CONTRACT FOR THE PRODUCTION OF HYDROFLUORIC ACID AND FORANE® F22 FOR DAIKIN AT THE CHANGSHU (CHINA) SITE

In 2002, the Group started production of Forane® F22 at its site 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 a 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

In October 2000, the Group 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.

1.5.3 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 OF DISPERSANTS BY COATEX 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. At that time, a long-term contract was concluded between Coatex and the Omya Group (former shareholder of Coatex). This contract for the supply of dispersants was revised as part of a new contract dated 18 April 2013. The supplies executed under this contract represent a significant part of Coatex's overall sales. Before it ends, a new contract will need to be negotiated for future years.

CONTRACT FOR THE SUPPLY OF METHYL MERCAPTAN BY ARKEMA THIOCHEMICALS SDN BHD 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) supplies, since the beginning of 2015, methyl mercaptan (MeSH) from its Kerteh plant in Malaysia to CJ Bio Malaysia Sdn Bhd (86% CJ and 14% ARKEMA), for the production by the CJ of methionine at its production facility located on the same industrial platform.

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

Arkema Inc. entered into a long-term contract with Novus International, Inc. on 1 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.

1.5.4 GUARANTEES AND INDEMNITIES FROM THE TOTAL GROUP AS PART OF THE 2006 SPIN-OFF

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 30 of the notes to the consolidated financial statements at 31 December 2014 in paragraph 4.3.3 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.

1.6 OPERATIONAL EXCELLENCE STRATEGY

1.6.1 THE GROUP'S COMMITMENTS

Reinforcing its operational excellence in order to position itself as one of the top industrial leader represents a priority for ARKEMA and one of the main vectors of the strategy implemented by the Group as part of its ambitions for 2017 and 2020.

Accordingly, ARKEMA has set out the following commitments in particular:

- **rank among the reference chemical manufacturers in terms of safety**

  In order to further improve its safety records, the Group has set out 2020 targets detailed in section 2.1 of this reference document. Implementing the necessary actions to achieve these targets will also help reinforce the reliability of the Group's sites.

  In particular, the Group aims to further reduce the total recordable injury rate (TRIR), *i.e.* injuries with and without lost time, to 1.7 in 2020, compared to 3.4 in 2012 and 1.9 in 2014. In 2005, just before its stock market listing, this rate stood at 11.3. Over the same period, the Group also intends to take even greater account of the human factor, in particular by extending its peer observation programme to all its sites (against 47% of sites benefiting from this programme in 2012, the baseline year for the definition of the safety targets). This method entails identifying best practice and any deviations therefrom, and so helps significantly reduce unsafe situations and, *in fine*, the number of occupational accidents. Finally, the Group aims to extend by 2020 the audits conducted using its AIMS integrated reference framework, which combines all safety, environment and quality audits conducted by the Group in a single audit, across 100% of its sites (against 42% in 2012, the baseline year for the definition of safety targets). These audits are conducted jointly by auditors from the Group and from a third party certifying body, and help meet the requirements of standards such as ISO 9001, ISO 14001 and OHSAS 18001. The Group, which obtained ISO 50001 certification in November 2014, plans to incorporate the ISO 50001 requirements in the next version of its AIMS integrated reference framework;

- **position its main production sites in the top quartile in terms of competitiveness**

  Since its stock market listing, ARKEMA has steadily improved the competitiveness and reliability of its main production sites, thereby constantly improving its industrial plants and reducing its cost structure. Various restructurings and reorganisations have been initiated in recent years in order to make very significant reductions to the fixed costs of its various activities. Since 2013, the Group has been pursuing its productivity drive in particular to offset part of the inflation on its fixed costs. Hence, in 2014, ARKEMA shut down its industrial activities at its Chauny site (France) and at its Stallingborough site (United Kingdom) and, on 9 September 2014, announced a project to close its fluorogas site in Zaramillo (Spain) [(1)].

  The Group also focuses on reducing its variable costs. This programme is based in particular on optimising its processes, as sustained by the Group's relentless innovation efforts, and on boosting the reliability of its processes and equipment. These efforts in particular will help optimise raw material consumption and energy efficiency on the Group's production sites.

  Accordingly, the Group undertakes various targeted development or productivity investments. By way of example, ARKEMA's actions taken as part of its Arkenergy programme to increase its energy efficiency throughout all of its businesses, are described in paragraph 2.2.1.3 of this reference document.

  When designing its new production plants or platforms, the Group draws on the recognised know-how of its technical and R&D teams in order to implement the latest technological processes developed by the Group, and to start up ever more competitive plants in terms of cost and operation. Accordingly, the start-up of the thiochemicals platform in Kerteh (Malaysia) at the beginning of 2015, the Group's main industrial project for 2014, enables the Group to benefit from an Asian platform using the latest technological developments and from a particularly competitive site in terms of cost.

  The Group is also carrying out various investments to enhance the competitiveness of its main production sites. Hence, the Group has carried out a 110 million US dollar capital expenditure plan at its Clear Lake and Bayport sites (United States) within the Acrylics BU. By building on ARKEMA's industrial expertise and process know-how in the field of acrylics, this capital expenditure programme has helped in particular modernise the Clear Lake industrial facilities, improve the competitiveness and reliability of its acrylic acid plants, and optimise its raw material usage, as well as the yields, and hence the utilisation rate of its production capacities. By finalising this programme, ARKEMA has successfully reached a first milestone for its main acrylic production platform in the United States. This modernisation and reliability drive should continue in the next few years. Equally, ARKEMA has modernised and optimised some of its major production platforms, including the Jarrie site (France) in Hydrogen Peroxide with the conversion of mercury electrolysis to membrane electrolysis, and the Lacq site (France) in Thiochemicals where raw material supply was modified

(1) Discussions with social partners in Spain are currently being finalised.

following the discontinuation by Total of its gas production in Lacq. These changes have enabled various optimisation work and investments on the site in order to strengthen its competitiveness and secure its feedstock over the next 30 years;

- **improve the quality of service delivered to customers through an optimised Supply Chain**

  With its "Ambition" programme, ARKEMA has been upgrading and reorganising its information systems in order to optimise its Supply Chain and therefore the quality of the service delivered to its customers and their satisfaction. This project will also help reinforce the control of working capital for the Group's various BUs, and so should help further optimise the level of inventories and reduce the number of working capital turnover days;

  The initial phase of this rollout was completed successfully in 2013 with the implementation of this new information system within the Acrylics BU and, in 2014, within the Coating Resins BU and the Photocure Resins (Sartomer) BU. The programme will continue to be rolled out across all Group's BUs over the next three years;

- **optimise the procurement of goods and services**

  Similar to the actions undertaken for the procurement of raw materials and energy, through its Global Procurement structuring project, the Group is consolidating the globalisation and professionalism of its goods and services purchasing, in order to leverage maximum synergies. These efforts should enable it to reduce the total budget allocated to the purchasing of goods and services and to strictly manage its working capital whilst also managing any risks that may be incurred in terms of quality, lead times or safety.

1.6.2 THE GROUP'S OPERATIONAL EXCELLENCE INITIATIVE

To achieve its ambition concerning operational excellence, ARKEMA's executive management has launched an initiative involving all the BUs and subsidiaries of the Group. This programme could represent 100 million euro annual savings by 2017. Hence, operational excellence will offset part of the inflation on fixed costs and will, alongside innovation and geographical expansion, contribute to the achievement of the 2017 EBITDA organic growth target.

This initiative, rolled out and monitored at individual BU level, involves all operational line players (industrial managers and site managers), and requires the commitment of all Group employees. It is then implemented through various structured procedures designed to strengthen the commitment of Group employees and develop a continuous progress culture.

This continuous improvement impetus requires in particular:

- assessing the potential for progress of each Business Unit. Following a study of the main areas for improvement at every production site within the BUs, targets are set at individual BU level as regards safety, reliability, productivity and raw material and energy consumption, and are translated into quantified objectives for saving fixed and variable costs;
- improving the follow-up of certain key indicators and of the achievement of the targets set to the BUs using a number of reporting regarding in particular the injury frequency rate with or without lost time, the optimisation of raw material, energy and logistics costs, the optimisation of industrial working capital, etc.;
- identifying best practice within the Group, the chemical sector, or other industrial sectors;
- capitalising on feedback by implementing best practice reference frameworks. The reference frameworks are gradually shared by all of the Group's production sites; and
- bolstering personnel training in particular as regards safety through training programmes such as Arkema Safety Academy detailed in paragraph 2.5.2.4 of this reference document.

Implementing these various human and technical resources should therefore enable the Group to achieve the operational excellence objectives it has set itself for 2017.

1.7 RISK FACTORS

1.7.1 COMPREHENSIVE RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES

1.7.1.1 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 subsequently reviewed and expanded in 2010, which it has adapted to its activity and organisation.

Internal control is a Group-wide structure. It is 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 Group employees 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 ("Comex") 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; and
- 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 comprising 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, human resources, legal affairs and information systems, and ensure that the Group's organisation is consistent and optimised (for further details, please refer to paragraph 1.1.1.2 of this reference document); and
- the subsidiaries, in which the Group exercises its business activities (for further details, please refer to paragraph 5.1.2 of this reference document).

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.

1.7.1.2 PERSONS INVOLVED IN INTERNAL CONTROL AND RISK MANAGEMENT

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 (Comex)

The 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 the Comex; and
- carries out an annual (and as deemed necessary) review of the major risks to which the Group is exposed, based on the work of the Risk Review Committee and its presentation of risk mapping. The Comex calls on the Internal Audit and Internal Control department to help with its operation, as well as the appreciation of the Comex members.

Each member of the 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. This Risk Review Committee comprises 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 and 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:

- summaries of audits and evaluations conducted by the Internal Audit and Internal Control department, the Safety Environment Quality department, and the Insurance department;
- reports on 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 Accounting and 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 actions.

Following this review, the Risk Review Committee can decide on the updating of corrective action or request additional information. It can also request 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 1.7.2 of this reference document.

The Risk Review Committee met twice in 2014.

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 implement.

An internal committee consisting of the Chief Financial Officer, the Executive Vice-President Strategy, the Internal Audit and Internal Control Vice-President 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 the Comex, and then examined by the Audit and Accounts Committee.

During 2014, the Internal Audit department carried out 29 audits, of which 17 audits of industrial sites of the subsidiaries Arkema France, Arkema Inc., Arkema GmbH, Arkema BV and Arkema Srl., and 12 audits of subsidiaries in North America, Central America, India, Europe 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 the 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 14 procedures of the AMF reference framework implementation guide published in 2007 and updated in 2010. It is adapted to the specific features and size of the subsidiaries.

The ongoing rollout of this process, initiated in 2006, has helped to cover companies representing virtually all production subsidiaries in 2014, as well as include newly acquired or created subsidiaries.

Business segments, Business Units, functional departments and subsidiaries

The Group's businesses are organised into business segments as described in section 1.2 of this reference document. 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 in particular 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, in accordance with current laws and the rules and principles defined by the Group.

1.7.1.3 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 (in particular 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;
- the identification, analysis and management of risks; and
- regular review of the correct functioning of the internal control and risk management systems.

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 and Business Ethics" put in place by the Group, is structured in line with the *Autorité des marchés financiers* reference framework published in 2007 and updated in 2010, around five components:

- control environment;
- risk management (detailed in paragraph 1.7.1.4 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 Business Ethics", 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 and Business Ethics", the "Health, Safety, Environment and Quality Charter", and the "Usage Charter for the IT and Electronic Communication Resources".

A Compliance Programme 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 in particular. 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 Programme 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
  - the 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 Information Systems and Telecommunications division.

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 ten 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 the Group 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.

1.7.1.4 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 the responsibility of the BUs, the functional departments and the subsidiaries. Each of these entities has a duty to reduce the risks inherent to 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 the Executive Vice-President in charge of the BU. The Executive Committee reviews the results of the segments and their respective BUs every month;
- the Accounting and Controlling department organises a quarterly review of risks and legal disputes that may have to be taken into account in 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 Accounting and Controlling department, the Legal department, and the Internal Audit and Internal Control department; and
- 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 1.7.2 of this reference document, where they have been classified into the following sections:
  - risks related to the economic and business environment,
  - supply chain risks,
  - industrial safety and environmental risks,
  - regulatory and legal risks,
  - financial risks,
  - IT risks,
  - strategy and corporate governance risks,
  - insurance coverage default risks.

1.7.1.5 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 the management framework for the Group. These reference documents are updated annually by the Accounting 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 processes described below.

Medium-term plan

The Strategy department draws up a medium-term plan (over five years) once a year. This plan is reviewed by the Executive Committee. It enables them to appreciate the financial consequences of the major strategic lines 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 Accounting 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 Accounting 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 Accounting 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 and 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 closing of each accounting period, the Accounting and Controlling department identifies the specific closing issues at preparatory meetings with the support functions and with the BUs. Additionally, similar meetings are organised at least once a year with the Group's main legal entities.

On a quarterly basis the Accounting 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 Accounting 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 Accounting 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 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 (*Gestion de maintenance assistée par ordinateur*) plant maintenance system has been implemented in France and the United States. 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.

1.7.1.6 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 2014 financial year, the total amount of premiums paid by the Group and relating to the Group's insurance policies presented here below, 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.

The Group selects its insurers from the best and most financially sound companies when subscribing its policies. However, 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 unfavourable 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 euros for the Group. 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 there from. 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. The maximum total retention in the event of a major claim is between 22 and 26 million euros.

The limit of cover for direct damage and business interruption can amount to 630 million euros, 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 euros 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 50 million US dollars. 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 euros. Cases of pollution which were already known in 2005 and which relate to past operations are not covered.

1.7.2 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 assess and manage risks, and in particular the availability of a risk mapping, are featured, from a general standpoint, in paragraph 1.7.1 above in this reference document. They are described more specifically in relation to each of the risks mentioned 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.

1.7.2.1 RISKS RELATED TO THE ECONOMIC AND BUSINESS ENVIRONMENT

The Group has specifically identified three types of risks related to the economic and business environment: risks related to variations in supply and demand, country-specific risks and risks related to 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 end-markets it serves, 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 organised and over-the-counter markets. These instruments are strictly related to existing contracts (see notes 23.5 and 24 of the notes to the consolidated financial statements at 31 December 2014 presented in paragraph 4.3.3 of this reference document).

The Group also seeks to pass increases in the cost of its raw materials on to its sales prices. To address the risk of volatility of demand, ARKEMA has a portfolio of diversified products and application markets and a balanced geographical 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 consolidate its positioning in higher added value niche markets that enables it to mitigate the risks related to worsening economic conditions in one of its end-markets.

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 on a worldwide basis 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 the various countries 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 geographical 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 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 its High Performance Materials segment, differentiation, innovation and the quality of the products and related services play an important role.

The economic emergence of certain countries, particularly China, resulted in increasing local competition and therefore growing competition on certain product lines which could intensify in the future or extend to new product lines and, consequently, have a lasting effect on the price levels of the products concerned (for example, fluorogases).

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 reinforce 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, particularly in the High Performance Materials segment, which has enabled it to launch a large number of new innovative products on the market (see section 1.4 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.

1.7.2.2 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 means 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 refusal by its carriers to collect shipments;
- difficulties in meeting certain kinds of demand from its customers;
- increase in certain of its shipping costs or shipping equipment rental costs; and
- need to reduce certain shipments, unless geographical swaps are set up 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;
- rigorously select suppliers based on the SQAS (Safety Quality Assessment System) database established by a consortium of European chemicals manufacturers under the aegis of CEFIC which extends as far as the Middle-East and Asia;
- assess the quality and safety performance of carriers used;
- ensure regular maintenance of the transport equipment which it owns, hires or leases (freight cars, iso-containers, tankers and pipelines);
- resort to systemic risk assessment studies when a modal shift is required;
- inform and influence regulators either directly or via trade unions and trade associations when regulations become more restrictive; and
- resort to various procedures for assessing operational risks, such as vetting bulk charters by sea and oversight of the transport safety management system by the Transport Safety department which is part of the Group Environment Safety 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;
- rigorously select suppliers based on the SQAS Warehouse and CDIT (Chemical Distribution Institute – Terminal) database; and
- conduct storage audits prior to signing contracts and every three years for hazardous materials warehouse facilities, under the responsibility of the relevant BUs.

Risk related to dependence on suppliers

The Group has developed a policy for spreading the supplier risk in terms of product lines and geographical exposure for its supplies of raw materials, energy/gas, and services and equipment. However, for certain raw materials or equipment 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, certain of the Group's operational units in France (in the acrylic acid, oxo-alcohols and functional polyolefins segments) were built downstream of steamcrackers. The level of physical integration of these units with production capacities supplying the raw materials is particularly high. The scheduled shutdown by Total Petrochemicals France of its steamcracker in Carling (France) in the second half of 2015, results in a new logistics plan for the propylene supply required for the acrylics business with no impact on current agreement. ARKEMA also works with the Total Group on the supply beyond the end of the current agreement.

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 1.5 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 geographical (or political) risk;
- the development of partnerships/long-term contracts for supply situations under severe structural 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; and
- 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 1.5 of this reference document).

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

Risk related to 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 25% of its sales with its top 25 customers. No customer represented more than 2.5% of Group sales in 2014.

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.

1.7.2.3 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 identified 23 sites, 12 located in the United States and 4 in China, which may be exposed to risks of physical deterioration or even production interruption owing to major climatic events, including storms or hurricanes in particular (18 sites) or to seismic activity, involving earthquakes (5 sites).

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 and ergonomics), or 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; and
- 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 paragraph 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 paragraph 1.7.1.6 of this reference document).

Risk related to health

In manufacturing its products, the Group uses and has in the 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, drought, tornadoes, cyclones or exceptional flooding); and
- the 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 paragraph 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 (i) 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, (ii) by issuing instructions to contain isolated cases, (iii) by cutting down the number of meetings and travel, and (iv) by implementing teleworking solutions; and
- 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 and particularly, in Europe, some that are classified as "Seveso" facilities (32 sites), as defined by European directive 33 (EC) N°. 96/82 of 9 December 1996 known as the "Seveso II directive", and facilities outside Europe that fall under a similar classification, 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 1.7.1.6 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 expenditure 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 of the notes to the consolidated financial statements at 31 December 2014 presented in paragraph 4.3.3 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 2.2 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 30 of the notes to the consolidated financial statements at 31 December 2014 presented in paragraph 4.3.3 of this reference document).

Risk related to the management of sensitive data and in particular 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 programmes, 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 2.5 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 centres.

The Group has decided to strengthen its security policy and to reinforce the documentation to be applied in its sites on a global scale, by relying in France, on services provided by the State and on feedback from other regions. This strategy resulted in the update and improvement of application guides and procedures to take into account, in particular, information risk, the protection of sensitive data, the protection of sites and the protection of employees working in risk-sensitive countries. The documentation includes security audit guides and vulnerability analysis guides, and the classification of documents containing sensitive data.

Greater emphasis has also been placed on providing training and raising awareness among personnel in this area.

Risk related to land that the Group does not own

While the Group owns most of the plots of land on which its facilities are built, some industrial facilities around the world are located on land 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.

1.7.2.4 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 paragraph 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 Registration, Evaluation and Authorisation of Chemicals (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.

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 paragraph 1.4.3 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, provided a number of guarantees to third parties when divesting businesses. It cannot be ruled out that, when some of these guarantees are invoked, the amounts of the claims may exceed the provisions potentially made by the Group in this regard, which could have an adverse effect on its results and financial situation.

The Group has also carried out many 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 which these acquisitions were made, fail to materialise, the development prospects of these activities may not be achieved and this could consequently impact the valuation of goodwill.

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. Furthermore, acquisitions are carried out by teams of qualified experts under the responsibility of the Strategy department.

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.

A description of the major current or potential claims, in particular the arbitration proceedings initiated by the Klesch group, is given in note 21 of the notes to the consolidated financial statements at 31 December 2014 presented in paragraph 4.3.3 of this reference document.

To the best of the Company's and the Group's knowledge, there is no other 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 20 of the notes to the consolidated financial statements at 31 December 2014 presented in paragraph 4.3.3 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 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 department 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 note B "accounting principles and methods" to the consolidated financial statements at 31 December 2014 in paragraph 4.3.3 of this reference document.

Additionally, the Group has put in place a Compliance Program, as referred to under paragraph 1.7.1.3 of this reference document, which sets out the behaviours and practices to be adopted to ensure compliance with the applicable antitrust rules in particular.

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 1.5 of this reference document and note 30.2 of the notes to the consolidated financial statements at 31 December 2014 presented in paragraph 4.3.3 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, which could produce material adverse effects on its business, financial situation, results or 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 the Company 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 or future prospects.

1.7.2.5 FINANCIAL RISKS

The Group is exposed to financial risks of varying nature: liquidity risk, foreign exchange 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. Additionally, the Group's gearing increased significantly with the acquisition of BOSTIK. Finally, 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 4.1.8.1 and in notes 22 and 23 of the notes to the consolidated financial statements at 31 December 2014 presented in paragraph 4.3.3 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:

- have the Group's long-term credit rated by two rating agencies, and maintain the ratings at least at their current level;
- have a ratio of net financial debt to shareholders' equity below 40% by the end of 2017;
- maintain cash reserves in excess of 500 million euros;
- maintain average maturity of over three years; and
- diversify its sources of financing: at the end of 2014, the Group carried out an issue of perpetual super-subordinated hybrid bonds for 700 million euros and a share capital increase with preferential subscription rights for around 350 million euros. These operations aimed at strengthening the Group's financial structure, in particular its equity, and allow it to maintain a solid balance sheet while preserving its financial flexibility.

At 31 December 2014, the Group presented a strong financial profile:

- its net debt to equity ratio was 4.3%;
- the Group had liquidity reserves of around 2,600 million euros; and
- it also had an EMTN programme, representing a maximum amount of 2 billion euros, designed to facilitate its access to bond markets.

As a result of the completion of the BOSTIK acquisition, the above-mentioned figures will be modified and the gearing ratio will mechanically increase.

As of the date of this reference document:

- not taking into account the issue of perpetual hybrid bonds classified as equity, completed on 29 October 2014, but including the bond issue for 700 million euros completed on 20 January 2015, the average maturity of the Group's financial resources is close to six years; and
- the Group's long-term credit ratings are BBB (negative outlook) according to Standard & Poor's and Baa2 (negative outlook) according to Moody's.

Consequently, at the date of this reference document, the Group is able to meet its payment commitments as part of its operations, and does not anticipate any problem 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 subsidiaries with currencies 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 paragraph 4.1.5 of this reference document; and
- the competition 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. Furthermore, the weakness of certain currencies in countries with major imports from the Group may affect its results.

Risk management

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

- The transactional risk is systematically hedged when recorded in the accounts: the Group companies hedge their foreign currency assets and liabilities against their respective functional currencies, with their debts issued in their functional currencies except when a foreign-currency loan is backed by a commercial risk in the same currency. Revenues and costs in foreign currencies are hedged 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 hedged only exceptionally. Furthermore, some commercial transactions can be partially hedged. Hedging of these cash flow forecasts is carried out by the Financing/Treasury division through simple derivative instruments.

  Further details may be found in notes 23 and 24 of the notes to the consolidated financial statements at 31 December 2014 presented in paragraph 4.3.3 of this reference document.
- The translation risk is not hedged. The Group indeed considers that this risk is inherent to its worldwide operations.
- Finally, competition risk has already decreased and should continue to do so thanks to the Group's development and geographical expansion strategy aimed at achieving a more balanced presence among the various geographical regions.

Interest rate risk

The Group is exposed to variations in interest rates.

At 31 December 2014, the Group's debt was 1,303 million euros, which included essentially a 500 million euro bond issue with a 4% fixed rate, a 480 million euro bond issue with a 3.85% fixed rate, a 150 million euro bond issue with a 3.125% fixed rate and use of the securitisation programme up to 2 million euros; the commercial paper program had not been used at 31 December 2014. The terms of this financing are described in paragraph 4.1.8.1 of this reference document.

Based on the Group's net financial debt following the BOSTIK acquisition and taking into account the distribution of net debt between fixed rate and variable rate borrowings, a 1% increase in interest rates would not have a significant impact on the cost of 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.
- In recent years, the Group has given priority to fixed-rate borrowing 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 details may be found in note 23 of the notes to the consolidated financial statements at 31 December 2014 presented in paragraph 4.3.3 of this reference document.

Credit risk

Accounts receivable and other debtors

The Group fosters relations with a large number of counterparties, most of which are its customers. At 31 December 2014, accounts receivable net of depreciation amounted to 839 million euros. These accounts receivable are detailed by due date in note 23 of the notes to the consolidated financial statements at 31 December 2014 in paragraph 4.3.3 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 25% of its sales with its top 25 customers.
- There is no geographical concentration of credit risk as the Group achieves significant sales in a large number of countries.
- The Group hedges its customer risk with a global credit insurance programme which, given the quality of its customer portfolio and 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 details may be found in note 23 of the notes to the consolidated financial statements of 31 December 2014 in paragraph 4.3.3 of this reference document. The policy concerning provisions for bad debt on fully or partially uninsured accounts receivable is also detailed in note 23.

Investments

Banking credit risk is related to financial investments, derivatives and credit facilities granted by banks. The Group is indebted overall, but may be required to invest cash in particular to maintain a certain level of available cash, or to fulfil local regulations, or to manage cash lags. At 31 December 2014, the amount of cash invested with banking establishments or money market funds amounted to 1,149 million euros; the higher than usual amount of investments is due to the pre-financing operations for the BOSTIK acquisition which closed on 2 February 2015. 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 then have an adverse impact on the Group's results.

Risk management

The Group's objective is to minimise this risk by centralising the management of its financial resources and requirements.

- The Group recycles the financial surplus of its subsidiaries through intra-group 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 details may be found in note 23 of the notes to the consolidated financial statements at 31 December 2014 presented in paragraph 4.3.3 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 2.5 of this reference document). The Group's pension and similar obligations could:

- exceed its related provisions if the actuarial assumptions used failed to materialise or if regulations changed; or
- result in asset shortfalls in certain countries where the Group operates, particularly the United States, in the event of an adverse trend 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; and
- 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 details may be found in note 19 of the notes to the consolidated financial statements at 31 December 2014 presented in paragraph 4.3.3 of this reference document.

Tax and customs 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.

Similarly, certain customs procedures may be reviewed by the customs administration on account of different practices in place in different countries or changes to regulations, which could have an unfavourable impact on the Group's financial situation and results.

Risk management

The Group's objective is to be compliant with tax and customs regulations in all countries it operates in, whilst minimising 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 addition, the Group has a dedicated customs team which centralises key issues and is supported by an internal network of customs specialists and adapted information systems.

Further detail on the financial impact of tax disputes may be found in note 22 of the notes to the consolidated financial statements at 31 December 2014 presented in paragraph 4.3.3 of this reference document.

1.7.2.6 RISK RELATED TO INFORMATION SYSTEM

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. These threats also concern the control systems for the production plants of industrial businesses. The main risks related to the information systems are as follows:

- technical risk, which could 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; given the rollout of its SAP integration program and its current coexistence with the preceding systems, incident risk is temporarily increased;
- risk of intrusion or malicious use of the information systems, particularly to misappropriate information, divert sums of money or disrupt the operation of manufacturing sites.

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.

Pursuant to this policy, the Information Systems and Telecommunications division implements, among other things, certain technical measures (network protection, high-availability architectures with data replication, redundant data centres, 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, formal classification of information, user awareness, annual review of

IT risks, etc.). Stringent version management procedures that include non-regression testing are also in place to minimise any incidents brought about by the rollout of new software or hardware versions.

The ongoing implementation of the SAP systems integration programme contributes to reducing the risk of obsolescence of existing applications and of disruption of processes related to the Supply Chain.

The ongoing review of ARKEMA's Information Systems Security Policy with regard to the manufacturing systems and the increased collaboration with Government security bodies help the Group to cope with the threats confronting not only ARKEMA's management systems but also the functioning of its industrial plants.

Finally, the Group has 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.

1.7.2.7 STRATEGY AND CORPORATE GOVERNANCE RISKS

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

Each year, the Group dedicates substantial funds to R&D 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 of 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 major innovation drive also enables ARKEMA to adapt to regulatory trends.

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 limited number of individuals, namely: the BU process officers and the technical centre engineers.

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 consolidated financial statements at 31 December 2014 presented in paragraph 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 1.5 of this reference document for those that the Group considers significant.

1.7.2.8 INSURANCE COVERAGE DEFAULT RISKS

The Group's insurance policy is part of the overall risk management framework, and, as such, is therefore described in detail in paragraph 1.7.1.6 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 1.7.1.6 of this reference document.

2

CORPORATE SOCIAL RESPONSIBILITY

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

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, as well as for the Group.

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

ARKEMA'S CSR ambition and commitments

ARKEMA's CSR commitments concern five major areas:

- **Being 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.

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

  Reducing the Group's environmental footprint is an objective shared by all Group employees. This objective depends on three types of actions: limiting the emissions of the various business segments, reducing consumption of natural 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.

- **Placing sustainable development solutions at the heart of its approach to innovation and in its product range**

  The Group puts its R&D products and marketing teams at the service of sustainable development and the challenges that the planet faces. Accordingly, the Group creates innovative solutions in support of new energies, lightweight materials, 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 1.4 of this reference document.

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

  The Group endeavours to dialogue with all its stakeholders on its activities and products. Accordingly, the Group has 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, to 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.

- **Promoting the individual and collective development of all its employees**

  The Group's employees, unique in their know-how, profession, nationality, role and personality, together make up a community. The Group's employment policies around the world are focused on two major concerns: the individual and collective development of its employees and social development through actions that focus on improving conditions for all in the workplace.

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. The rules relating to the collection and consolidation process for the CSR data featured in this chapter are set out in particular in section 2.6 of this reference document.

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.

CSR players and governance

To deliver on its CSR ambition, the Group set up on 2 April 2012 a Sustainable Development division comprising the Product Safety and Environment and Sustainable Development functions. This division reports directly to the Group Industry Executive Vice-President, a member of ARKEMA's Executive Committee ("Comex").

Moreover, a CSR steering committee was set up in October 2012, chaired by the Industry Executive Vice-President, and which includes the Human Resources and Communication Executive Vice-President as well as various functional directors, all actively involved in the Group's CSR policy. This committee is charged with overseeing actions conducted as part of the Group's CSR policy as well as setting out proposed CSR action plans which are put forward to Comex. The steering committee meets twice a year.

ARKEMA's CSR goals, proposed actions and those already implemented, the main indicators and the 2020 targets in terms of safety and environment were defined and validated in the course of four Comex meetings held since December 2011.

The Sustainable Development Vice-President also presented the Group's CSR organisation and ambition to the Audit and Accounts Committee at the end of 2012. This presentation in particular was an opportunity for reviewing the procedures in place to ensure the Group's compliance with the regulatory requirements of extra-financial reporting, in particular the mandatory social and environmental information which the Company is required to provide, as well as CSR data on extra-financial reporting not required by French regulations, and for presenting the Independent Third Party Body charged with verification of the data as appointed by Arkema's Chairman and Chief Executive Officer.

All 2014 indicators featured in chapter 2 of this reference document were subject to confirmation by the Independent Third Party Body, as indicated in its advisory notice provided by this body featured in section 2.8 of this reference document.

Every year, the head of Sustainable Development, and where necessary, the representative of the Third Party Body, presents to the Audit and Accounts Committee the content of its extra-financial data audit, as well as the body's findings to be included in the advisory notice provided to the Company's annual general meeting at the same time as the Board of Directors' report. This presentation is given just before the Board of Directors' meeting called to draw up its report to the general meeting, which includes all social and environmental information as well as the Third Party Body's advisory notice.

2020 targets

In 2013, ARKEMA decided to bolster its sustainable development commitments, and so set out four new environmental objectives for 2020. These objectives, which concern reductions in emissions to air, greenhouse gas emissions, emissions to water and net energy purchases, reflect ARKEMA's resolve to minimise its environmental footprint and boost its operational excellence.

These four environmental objectives complement the three 2020 safety objectives set by the Group in 2012, the main one being a reduction in TRIR (total recordable injury rate). In view of the continuous progress being made by the Group, and confirming its ambition in the area of operational excellence, the TRIR target for 2020 has been reduced from 2.0 to 1.7.

Standards and fundamental charters

As a participant in its international initiative, ARKEMA supports the ten principles of the United Nations Global Compact on Human Rights and International Labour Standards, on the protection of the environment and on fighting corruption.

ARKEMA values correspond to the fundamental principles contained, in addition to the Global Compact, in the 1948 Universal Declaration of Human Rights, the International Labour Organisation and the guiding principles of the OECD for multinational companies.

ARKEMA also complies with the principles of the Responsible Care® Global Charter adopted by the International Council of Chemical Associations (ICCA) globally, and for which it signed the declaration of support on 16 November 2006.

These principles are included in the Group's standards, such as its Code of Ethics and Business Conduct, its Health, Safety, Quality and Environment Charter and its Energy Policy.

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 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 resource, 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, security, and the environment.

Accordingly, the Group has adopted the Responsible Care® Global Charter as defined by the International Council of Chemical Associations (ICCA) globally and supported by the Association of International Chemical Manufacturer (AICM) in China, the European Chemical Industry Council (CEFIC) in Europe and adopted by the majority of national associations, including the *Union des industries chimiques* (UIC) in France. The Responsible Care® initiative is a voluntary initiative undertaken by the global chemical industry that extends beyond regulatory compliance. The initiative was first launched in the 90s in the field of health, safety, and industrial environment; it was subsequently extended to product stewardship.

In 2006, the ICCA launched the Responsible Care® Global Charter, to enhance the provisions of Responsible Care®, by strengthening sustainable development, product stewardship, measurable performance, and audit of procedures by third-party.

ARKEMA signed the original declaration of support for the Responsible Care® Global Charter on 16 November 2006 and the new Responsible Care® Global Charter on 10 December 2014.

In order to achieve its sustainable development commitments, ARKEMA decided to set three 2020 safety objectives primarily reflecting its resolve to improve its safety performance and strengthen its operational excellence. These objectives are as follows:

- **to reduce its total recordable injury rate (TRIR) to 1.7 by 2020;**

  In view of the continuous progress being made by the Group and confirming its ambition in the area of operational excellence, the long term TRIR objective has been reduced from 2.0 to 1.7;
- **to extend its peer observation programme to 100% of its sites by 2020; and**
- **to audit 100% of its sites in accordance with its AIMS integrated master framework by 2020.**

2.1.1.1 GROUP ORGANIZATION 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 subsidiaries as well as 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

The Group's approach to safety revolves around three areas: Prevention of safety, environment and pollution risks, and guidelines regarding management as well as safety and environmental culture.

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 in the workplace, and (vii) the impact on the environment, while respecting applicable regulations.

The identification of these risks, their ranking through a qualitative and quantitative approach based on simulation models and a network of experts, and 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. Therefore, the Group's capital expenditures allocated to safety and the environment and to maintaining the plants up to standard totalled €211 million in 2014 (against €195 million in 2013).

In Europe, at the date of this reference document, 32 of the Group's production sites were being monitored with extra vigilance, and were subject to European directive (EC) 96/82 of 9 December 1996, which deals with the control of hazards related to major accidents 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 No. 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 the end of 2014, 16 sites operated by the Group in France were subject to PPTRs. The Group will be required to contribute to the funding of any measures related to these PPTRs. Furthermore, the 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 2018 the introduction of additional risk control measures at the 16 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 the Superfund Reauthorisation 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.

The crisis management procedures in place in Group facilities are broadly based on the Group Crisis Management directive covering the management of potentially critical situations in the area of Health, Safety and the Environment. These procedures provide responses to crises and potential crises. They include a year-round on-call system that makes it possible to react to a potentially critical incident and its causes and to constitute a crisis management team. Furthermore, the Group runs "crisis management and communication" training courses as well as exercises to simulate crises and the constitution of crisis management teams.

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 2014, 78% of the Group's sites had an AIMS audit, versus 37% of sites in 2012 and 62% in 2013.

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

Now, 60% of Group sites are OHSAS 18001-certified (compared to 34% in 2012 and 54% in 2013), on a global basis. The figures are 62% in Europe, 63% in America and 50% in Asia.

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

- operational safety audits: construction site audits within the past three years, 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, among other things, fire safety, post-incident audits and the review of risk analyses;
- supplier and logistics audits: transport companies and off-site 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, the Chemical Distribution Institute (CDI) for maritime transport, and the European Barge Inspection Scheme (EBIS) for river transport. Some packaging is also verified; and

- safety support action: this action is conducted with a number of sites and entails sharing their analysis of their accident records and HSE activities with the sites' management teams. The initiative also includes work on drawing up and following up action plans.

The Feedback programme entails the sharing of experience regarding relevant incidents in order to prevent their recurrence. This sharing of experience takes place on a global scale, through various networks (geographical, 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 for employees and tools for safety and industrial environment

The behaviour-based approach represents a key component in risk prevention. The development of a safety culture raising everyone's awareness of their responsibility and the importance of their behaviour lies at the heart of the Group's initiative. To develop a safety culture shared by all employees, the Group makes use of various tools: The "Safety in Action" programme, the "Essentials" and field activities (cross-matching observations, flash audits, planned general inspections, safety tours, field safety audits etc.) and "human and organisational safety factors" and "Safety Culture and Leadership" training courses.

The Group also strengthens its safety culture by running training courses as part of the "Arkema Safety Academy", which include modules for HSE managers or relating to crisis management, behaviour and the human factor.

HSE general training

As part of the induction of new recruits, general induction on site, and workstation training plans, as well as training initiatives for existing employees, HSE training is a priority. HSE managers attend specialist training, country by country, within or outside the Group. They also regularly take part in HSE conventions.

In 2014, the number of training hours recorded in entities in which the Group has a minimum 50% stake and which employ over 30 people, which accounts for 93.9% of ARKEMA's total workforce, amounted to 150,158 hours, *i.e.* 17 hours of training per year per safety trained employee. The number of employees having attended at least one safety training session over the year (excluding e-learning) is 8,776, representing 65% of ARKEMA employees in entities in which the Group has a minimum 50% stake and which employ over 30 people.

In addition, 4,263 people have taken an e-learning course on safety, representing 32% of ARKEMA employees in entities in which the Group has a minimum 50% stake and which employ over 30 people.

These e-learning courses deal with safety related topics such as "Gestures and postures", "Moving on foot", "Explosive Atmospheres (ATEX)", "Legionella", "Equipments under pressure", "Regulations for labelling hazardous products" and "Transporting hazardous substances". They will be followed by other e-learning courses on "Personal Protective Equipment" (PPE), "Security", "Root cause analysis" and "Work permits".

2014 was also the year that the Arkema Safety Academy programme will be launched and will be gradually rolled out. This programme is intended for all Group employees. Its objective is to help share safety issues and challenges, policy and tools at Group level. For further details, see paragraph 2.5.2.4 in this reference document.

The Safety in Action programme

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 information on safety instructions applicable on the site systematically, to all visitors; and
- the organisation of "Safety High Points" which help generate regular debates on topics related to safety and conclude with the construction of action plans specific to each work context, as well as the definition of areas for improvement at a team level.

The Essentials

The 14 "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 2014, 77% of the sites put in place this programme intended to improve safety through peer observation, against 47% in 2012 and 62% in 2013.

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

To move on from a safety discipline culture to a safety commitment culture, ARKEMA has taken up the development of an initiative in place in the United States that was first devised in Canada. Called "SafeStart®", this initiative consists of observing oneself and other people to identify critical states (rushing, frustration, fatigue and complacency) that can lead to critical errors (eyes not on task, line of fire, mind not on task, loss of balance, traction or grip) transforming minor risks into major risks. Critical error reduction techniques are used to continuously improve accident prevention.

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 must include a discussion between the auditor and the audited in order to encourage commitment to changing safety behaviour. They help review specific problems, including a review of compliance with the "Essentials", an evaluation of a problem specific to a production plant and an examination of the implementation of a Group priority action. 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 a 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 help 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 of this reference document, enable the Group to improve its safety record.

The following table presents the frequency of occupational accidents within the Group in number of accidents per million man-hours, established according to the methodology featured in section 2.6 of this reference document, for all Group employees and the personnel of sub-contractors present on ARKEMA sites for the years 2012, 2013 and 2014.

	2014	2013	2012
Lost-time accidents*	1.1	1.6	1.9
Total recordable accidents	1.9	2.8	3.4

* *"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 1.7 TRIR rate (total recordable injury rate) by 2020. In view of the continuous progress being made by the Group, and confirming its ambition in the area of operational excellence, the long-term TRIR objective has been reduced from 2.0 to 1.7.

As of 2014, the number of accidents had been reduced to less than two per million man-hours.

For the record, the Group's frequency rates in 2005 were 5.3 for lost-time accidents, and 11.3 for accidents with and without lost time.

The severity of accidents is established by the rate of total recordable accidents with lost time.

Concerning only ARKEMA employees, 46 of them were victims of accidents recorded for the purposes of calculating the TRIR in 2014, 25 of which with lost time, out of a total global headcount of 14,280. This number should continue to decrease over the coming 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.

Since its creation, every year the Group has published the absolute/extensive values of its emissions and consumption of resources.

In order to oversee its environmental performance more precisely and provide a consolidated Group data report better suited to describe the evolution of this performance, ARKEMA has adopted a methodology enabling its plants to report on intensive indicators. This methodology limits the impact of any changes to its business base, its plants' productions, as well as any change to the method used to assess or compute environmental footprint variables. The computation procedure for these intensive indicators, Environmental Footprint Performance Indicators (EFPI), is described in the methodology note featured in section 2.6 of this reference document.

In 2013, ARKEMA decided in order to achieve its sustainable development commitments to set four new objectives for 2020 primarily translating its resolve to reduce its environmental footprint and strengthen its operational excellence.

These 2020 targets, with 2012 as the baseline, focus on:

- **concerning the climate: a reduction of its greenhouse gas emissions (GHG) of 30%;**
- **concerning emissions to air: a reduction of its volatile organic compound (VOC) emissions of 20%; and**
- **concerning emissions to water: a reduction of its Chemical Oxygen Demand (COD) emissions of 20%.**

Furthermore, as regards resource consumption, ARKEMA has set a target to reduce its net energy purchases by 1.5% on average per year in volume terms.

These targets refer to the intensive indicators mentioned above, so that they reflect the Group's efforts to reduce its environmental footprint regardless of any changes to its business base or its production volumes.

Published for the first time in the 2013 report, these targets were set by the Comex in 2013, with 2012 as the baseline. The progress of these indicators, expressed as intensive figures, for the 2006 to 2012 period, is also featured in paragraphs 2.2.1.2 and 2.2.1.3 of this reference document.

Over and above the evolution of these four specific intensive indicators, ARKEMA will continue to publish the progress of extensive values for all the parameters monitoring its environmental footprint.

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, and 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 indexes) and wastes.

In addition to the audits conducted by the Internal Audit department, Group sites undergo two other types of audit: certification by external bodies and audits conducted by experts from the Group Safety, Environment department (DSEG).

The number of ISO 14001 – or RCMS (in the United States) – certified sites was 70% in 2014 (versus 55% in 2012 and 59% in 2013) across the global business base. These figures are 68% in Europe, 84% in America and 50% in Asia.

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.

Management involvement

Reporting on the actions undertaken to reduce the environmental footprint of the industrial entities' activities are the subject of multiple presentations and discussions within the Group at the corporate level:

- an annual review during individual meetings between the Vice-Presidents of each BU, the Industrial Vice-Presidents, and the Group Safety, Environment and the Sustainable Development Vice-Presidents, on the full environmental footprint of the BU, including the energy footprint;
- ARKEMA produces annual environmental and energy reports presenting the results of the reporting year and comparing them with the data for the previous financial year, along with the historical environmental footprints (excluding energy) for the past six years. The reports are sent to the members of the Executive Committee and all of the departments concerned;
- a presentation by the Group Safety, Environment Vice-President to all members of the Comex of a summary of the Group's environmental results; and
- a presentation of a summary of the Group's results on the four key ARKEMA environmental footprint indicators for which objectives for 2020 have been defined. This presentation is made to all members of the Comex by the Sustainable Development Vice-President.

Environmental culture: training and information for employees and regulatory monitoring

In the field of the environment, ARKEMA employees are trained in and acquainted with the main characteristics of their site, the tangible outcome of their everyday actions or activities as well as the operational control of emissions of every nature, the quality of operations during plant shutdown or start-up in terms of emissions, and the sorting of wastes.

For ISO 14001 certified sites (70% of total sites), a specific environmental training programme is currently under development based on environmental risk analysis carried out for each workshop and monitoring of the main aspects of feedback about environmental incidents provided by the Impact Safety reporting system about their activities. This training programme is repeated on a regular basis to maintain awareness of the control of critical parameters.

As part of the "Essentials" programme described in paragraph 2.1.1.2 of this reference document, an "Essential" concerning the recycling of waste was rolled out in 2014 across ARKEMA.

The Group also ensures, through regular conference calls and circulating monitoring reports, that the European Community regulations, such as EU ETS Phase III (European Union Greenhouse Gas Emissions Trading Scheme) and the Industrial Emissions Directive (IED), as well as the rules for environmental reporting are properly understood by the network of HSE managers through awareness raising days. The Group has also implemented audit programmes. Environmental audits have thus been conducted at the Group's American sites to verify regulatory compliance.

As part of the reception of new recruits, general reception on site, the workstation training plans, as well as training initiatives for existing employees, HSE training is a priority. The HSE managers attend a specialised training programme country by country, either run in-house or by outside parties, and they also regularly take part in HSE conventions.

In 2014, the number of environment-related training hours recorded in entities in which the Group has a minimum 50% stake and which employ over 30 people, which accounts for 93.9% of ARKEMA's total headcount, amounted to 15,837 hours, *i.e.* 7.6 hours of training per year per environmentally trained employee. The number of employees having attended at least one environment-related training session over the year (excluding e-learning) is 2,070, representing 15.4% of ARKEMA employees in entities in which the Group has a minimum 50% stake and which employ over 30 people.

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 industrial sites, the reduction of environmental impacts consists in particular in optimising the use of raw materials, energy and natural resources like water. Discharges into the natural environment and other waste production are thus also reduced. Against this background, the Group has developed an environmental analysis methodology to analyse any significant environmental issues and impacts related to the activities of any given site and to undertake corrective programmes should they prove necessary.

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 n° 2000/60 ("WFD") 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 WFD objectives.

Furthermore, in accordance with European directive n° 2010/75/UE on industrial emissions transposed into national law in the various countries, the industrial sites to which the directive applies are subject to authorisations to operate including emission limit values in agreement with the said values mentioned in the "BREF Conclusions" documents published following BREF (Best REFerence) revisions. BREF documents are reference documents drafted, revised and published under the aegis of the European IPPC Bureau, itself a branch of the Institute for Prospective Technology Studies. They identify and describe the effectiveness of the best available techniques (BATs) in various sectors of activity.

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 n° 2003/87/EC, amended by European directive n° 2009/29/EC 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 723,450 EUAs (EU Allowance Units) from 2012 onward to take into account the inclusion of the resins business 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. Annual quota allocations amount to some 718,560 EUAs. 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 vents); and
- through regular campaigns to locate leaks and eliminate any emissions identified.

For emissions of VOCs to air, a number of Group plants may be cited as an example for the initiatives they led in 2013 and 2014 to minimise these emissions.

Thus, in 2014, the ARKEMA site in Marseilles (France) began installing additional collection points and connecting vents to a thermal oxidiser; this has already reduced VOC emissions by 11 tonnes, a figure put into perspective when compared to a long term objective of 15 tonnes announced in the 2013 reference document.

At the ARKEMA site in Changshu (China), the installation of breather valves and knock-out pots in December 2012 has helped to limit emissions of VOCs due to storage vents by approximately 38 tonnes per annum.

Arkema Inc. in the United States has invested in a programme at its Franklin site to improve the mechanical integrity of its plants, process controls and maintenance practices, which helped to reduce its VOC emissions by 15% in 2014.

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

- by using fuels with low or very low sulfur content, or natural gas instead of fuel oil in its boilers; and
- by putting in place new technology with low nitrogen oxide burners.

For emissions of substances that contribute to the acidification of air, a number of Group plants may be cited as an example for the initiatives they led in 2013 and 2014 to minimise these emissions.

Thus, the various investments made into boilers at some sites, either by switching from the burning of fuel oil to the burning of natural gas (La Chambre, France), or by installing equipment for processing exhaust products (Carling, France), helped significantly reduce emissions of substances contributing to acidification in 2013 and 2014.

In the United States, the Houston, Texas site has invested in a sophisticated ultrasound system to detect leaks, which has enabled it to identify emissions of Sulfur Dioxide (SO_2) from several valves –emissions that could not previously be detected. This investment has helped to reduce emissions of SO_2 by around half in 2014. From now on, a measurement campaign is carried out every quarter by members of the on-site personnel who have been specially trained to use the ultrasound system. This monitoring will help to avoid any mishaps and, over the years, to maintain SO_2 emissions at the reduced levels achieved in 2014.

In China, the Hengshui site changed the type of coal burned in its boilers, which made it possible to reduce its Sulfur Dioxide emissions by 360 tonnes, equivalent to more than half of the emissions declared in 2013.

Emissions to air extensive indicators

For 2012, 2013 and 2014, the levels of environmental indicators corresponding to quantified emissions to air generated by the Group's activities are shown in the table below. These have been drawn up in accordance with the methodology described in section 2.6 of this reference document.

Emissions to air	2014	2013	2012
All substances contributing to acidification *(t eq SO_2)*	4,750	5,330	5,760
Carbon monoxide *(CO) (t)*	3,030	8,850	9,220
Volatile Organic Compounds *(VOC) (t)*	4,600	4,460	4,150
Dust *(t)*	430	400	460

As regards volatile organic compounds (VOCs), a review of the methods used to evaluate emissions to air had led to an upward review of emissions from a European site for 2012, which should have led to the reporting of 4,420 tonnes.

Casda Biomaterials Co. Ltd. acquired in 2012 conducted its first reporting of volatile organic compounds (VOCs) emissions. VOC emissions from this site significantly increased in 2014 due to improved measurement techniques and reached 742 tonnes. These figures offset improvements made in other entities through the actions given above as examples.

In 2014, emissions of substances contributing to the acidification of air were reduced by 580 tonnes compared to 2013 thanks in particular to the impact of the actions given above as examples.

As for emissions of dust, the capital expenditure put into a new transport system and a closed silo resulted in a reduction of five tonnes in the emissions of dust from the Changshu site (China). Additional expenditure planned for the end of 2015 should make it possible to save a total of 30 tonnes in 2016 (equivalent to more than 80% of emissions from the site), as announced in the 2013 reference document.

The significant reduction of CO emissions is related to the cessation of activities at the Chauny site in France (in the order of 5,100 tonnes).

Emissions to air intensive indicator

For 2012, 2013 and 2014, the EFPI values corresponding to intensive VOC emissions to air generated by the Group's activities, calculated as per the methodology note featured in section 2.6 of this reference document, are given in the table below. Emissions from the largest VOC emitters among the Group's sites used for these computations account for over 80% of the Group's emissions.

Emissions to air	2020 target	2014	2013	2012
EFPI Volatile Organic Compounds *(VOCs)*	0.80	0.79	0.86	1

The intensity of ARKEMA's emissions does not take into account the first declaration made by the Hengshui (China) site in 2014, as described in section 2.6 of this reference document, due to the uncertainty over the data in the first annual declaration made in 2013. This intensity, after the signifiant improvement in 2013, further improved across all other ARKEMA sites in 2014, thanks in particular to the actions described above.

ARKEMA's objective is to reduce by 20% its VOC emissions by 2020 compared to 2012.

By 2012, the Group had already cut down its intensive VOC emissions (EFPI) by 28% compared to 2006 based on a comparable methodology for assessing VOC emissions. The 2006 extensive figures have been corrected to allow for greater reliability for the EFPI computation exercise. Without modifications to the extensive figures reported and audited in 2007 for 2006, the reduction mentioned above would be around 10% smaller.

Emissions to water

Reducing its emissions to water is one of the Group's major environmental 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 building its plants on inter-company platforms equipped with 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.

Accordingly, a significant investment for the installation of an effluent treatment plant was made in 2014 at the Pierre-Bénite site (France). This plant started operations at the end of 2014 and is currently undergoing optimisation.

ARKEMA also uses original water treatment techniques such as phytoremediation or phytodepuration, a natural purification system that re-establishes the ecological balance of aquatic environments and wetlands. Such a treatment system has been put in at the Boretto site (Italy) with final treatment after floculation, microfiltration and passing over activated carbon of the water used to rinse the reactors and production lines. This system makes use of treatment by the roots of macrophytes like reeds (*Phragmites communis*) followed by an arrangement consisting of a short stream and a pond. This natural treatment increases elimination of COD and the surfactants present in the waste water.

Emissions to water extensive indicators

For 2012, 2013 and 2014, the levels of environmental indicators corresponding to quantified emissions to water generated by the Group's activities, drawn up in accordance with the methodology note in section 2.6 of this reference document, are shown in the table below.

Emissions to water	2014	2013	2012
Chemical Oxygen Demand (COD) *(O_2 t)*	3,870	3,800	3,430
Suspended solids *(t)*	3,030	2,950	2,840

Improvements made to the operation of effluent treatment plants at the Spinetta site (Italy) and the Rio Claro site (Brazil) have helped reduce COD discharges overall by some 300 tonnes between 2011 and 2013. However, these efforts had been completely masked by the arrival of a new contributor (the Hengshui site (China) of Hebei Casda Biomaterials Co. Ltd. acquired in 2012), as well as the quantification of this emission from 2012 to 2013 by American sites, which did not exhaustively declare this emission in previous years.

Between 2013 and 2014, several initiatives helped to reduce COD emissions from certain sites. Accordingly, at the Carling site (France), improvements made at the end of 2013 on a sensitive stage of the production process on an acrylate line, combined with the improved technological reliability of the equipments, helped to significantly decrease the proportion of the COD discharges from the total site made by this line in 2014. At Rho, in Italy, the implementation of the off-site treatment of the waste water from the site resulted in a significant reduction in COD emissions from the plant into the environment.

Despite these efforts, total Group COD discharges increased in 2014. This was due to changes in the conditions for the production of organic peroxides in Europe related to the implementation of a growth strategy. These changes, which helped to optimise the consumption of raw materials and energy at the site, conversely led to a two thirds increase in COD emissions by this activity in 2014. In view of this impact, ARKEMA is studying ways to optimise its processes through the recycling of its liquid waste with the objective of bringing over time COD emissions from this activity back to the levels seen in 2013.

Emissions to water intensive indicator

For 2012, 2013 and 2014, the EFPI values corresponding to COD intensive emissions to water generated by the Group's activities, drawn up in accordance with the methodology note in section 2.6 of this reference document, are shown in the table below. Emissions from the biggest COD emitters among the Group's sites used for these computations account for over 80% of the Group's emissions.

Emissions to water	2020 target	2014	2013	2012
EFPI Chemical Oxygen Demand *(COD)*	0.80	1.03	1.00	1

ARKEMA aims to reduce by 20% its COD emissions by 2020 compared to 2012.

By 2012, the Group had already reduced by 23% its COD intensive emissions (EFPI) compared to 2006.

The worsening of the ARKEMA EFPI COD figures in 2014 was due to increased emissions from organic peroxide production, which more than offset efforts made elsewhere.

Waste production

Waste production is inherent to ARKEMA's industrial activities. However, the Group makes every effort to control waste production at every stage of its activities.

This commitment is reflected in a number of areas:

- reducing waste at the source, by designing products and processes that generate as little waste as possible;
- increasing the value of waste by turning it into by-products; and
- using waste as an energy source, where possible.

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

- seeking new ways of recycling and reusing waste: using certain types of waste as replacement fuels in the 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 2012, 2013 and 2014, the amounts of hazardous and non-hazardous waste generated by the Group's activities, calculated as per the methodology note in section 2.6 of this reference document.

Waste *(in kt per year)*	2014	2013	2012
Hazardous waste excluding material recovery	149	160	160
including landfill disposal	2.1	2.7	2.4
Non-hazardous waste	219	210	157

In 2013, a special focus on the traceability of exceptional waste produced by demolition or excavation related to capital projects resulted in it being included in the report, thereby explaining a worsening of the indicator for non-hazardous waste.

In 2014, the shutdown of activities at the Chauny site made a significant contribution to the reduction in the tonnage of hazardous waste and masked increases related to the start-up of units such as the methyl acrylate unit at Clear Lake (United States).

ARKEMA's objective is not only to reduce its overall waste production, but also to recycle it into materials or recover their energy potential through their combustion.

Accordingly, in 2014, 16% of hazardous waste produced by ARKEMA in the world was recycled on or off the site where they were produced (recycled into materials), and 46% were utilised for energy recovery by combustion.

For 2012, 2013 and 2014, the quantities of hazardous waste recycled into materials and those utilised for energy recovery by combustion, calculated in accordance with the methodology note in section 2.6 of this reference document, are shown in the table below.

Hazardous waste *(in kt per year)*	2014	2013	2012
Waste recycled into materials	29	26	27
Waste utilised for energy recovery by combustion	79	88	94
Total Waste (including recycled into materials)	178	186	187

In 2014, improvements to materials recycling are to be noted for several sites: Günzburg (Germany), Nansha (China) and Feuchy (France); often related to different production methods to 2013. The reduced tonnage for waste utilised for energy recovery by combustion is the result of the shutdown of activities at the Chauny site.

Additionally, many by-products from manufacturing processes which are not the purpose of the production are sold as products requiring no processing other than normal industrial practice, and are not reported as waste in accordance with current regulations.

Other pollutions

ARKEMA's 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, work is undertaken to reduce these pollutions, such as:

- 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 and
- one example of reducing visual pollution is the La Chambre (France) plant where the replacement of the fuel oil used in a boiler by gas resulted in a noticeable improvement from the second half of 2014.

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 minimising 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 products or equipment;
- the production of steam; and
- the use 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 by developing closed circuits.

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

Accordingly, in October 2013, Arkema Inc. (United States) commissioned a new cooling tower at its Memphis site, which reduced water consumption at the site by 1.5 Mm^3 in 2014 compared to the 2012 benchmark, close to the objective announced in the 2013 reference document for the reduction of its water consumption by nearly 2 Mm^3 on an annualised basis compared to an average annual consumption of 5.8 Mm^3 over the 2012-2013 period.

For 2012, 2013 and 2014, the levels of environmental indicators corresponding to the pumping and use of water by the Group, calculated according to the methodology note in section 2.6 of this reference document, are given in the table below.

Use of water	2014	2013	2012
Total water pumped *(in Mm3)*	120	130	130

The quantities of water pumped by the Group, which had not changed in 2013, decreased considerably in 2014, due mainly to the investment made in Memphis (United States) and to adjusting pumping to the needs of the Pierre-Bénite site (France).

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, 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. ARKEMA 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 stated in paragraph 2.3.4 of this reference document, these products accounted for approximately 13% of Group sales in 2014.

Energy consumption

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.

As part of its Energy Policy that has been widely communicated within the Group, ARKEMA reaffirms the emphasis it places on improved energy use. With this in mind, the Group has set an objective of reducing its energy consumption by an average 1.5% per annum over the 2012 to 2020 period. This objective is substantially greater than the reductions reported over previous years.

To reach this objective, Arkema has strengthened its Arkenergy programme and rolled it out to all of it subsidiaries with the help of a network of Energy Leaders in the BUs and the plants, as well as in the relevant purchasing and technical departments.

This programme, which also helps to make the Group's industrial sites more competitive, meets the following imperatives:

- the continuous drive to optimise the consumption and cost of energy from the design and purchasing of equipment to daily operations in the plants;
- the setting up of an energy management system to systematically embed best operational practices, define targets specific to each site and to periodically review them; and
- compliance with laws, regulations and other applicable requirements in terms of energy efficiency.

Following a period spent raising awareness and setting up a performance indicator, the Arkenergy programme, since it was further strengthened in 2014, now relies on the application of the following decisions:

- the roll-out of energy efficiency evaluations on a global scale focusing on the plants that contribute the most to net energy purchases. In 2014, 20 energy efficiency evaluations were begun or completed by the Group, including 14 in Europe, 5 in North America and 1 in China;
- the implementation of ISO 50001 as the energy management system in Europe and Asia. At the end of 2014, five Group sites had been ISO 50001-certified in Europe and ten had begun the process, including nine in Europe and one in Changshu (China);
- the allocation of a corporate capital expenditure budget specifically for initiatives taken as part of the Arkenergy programme. In 2014, 47 capital projects were funded by this central Group budget, including 31 in Europe, 12 in North America and 4 in Asia.

The total savings expected as a result of these investments are estimated at around 109 GWh on an annualised basis.

These investments made to reduce the Group's energy consumption concern capital projects as diverse as new compressors or more efficient motors, changing the joints on pumps, variable frequency drives, new boilers, pre-heaters, condensate heat recovery systems, the revamping of boilers, eliminating leakage of compressed air, changing steam traps, renewing insulation on the steam and boiler circuits and risers or internal modifications to the risers.

Initiatives taken with the instrumentation and the implementation of control systems to optimise the consumption of various sources of energy will also generate savings by optimising operating methods and handling instructions or through minor expenditure.

The significant investments made in the French sites at Lacq, La Chambre and Jarrie that began in 2014 have already had a favourable impact on energy consumption in 2014.

Total, SOBEGI and ARKEMA, with the support of the French government as well as local authorities, invested over €150 million in Lacq Cluster Chimie 2030, a project to transform the Lacq (France) platform into an industrial centre of excellence. This project enables ARKEMA to continue operating its thiochemicals activities from the hydrogen sulphide (H_2S) provided by the last gas resources in Lacq, and represents an environmental benefit in terms of energy and transport compared to H_2S production from sulfur. Furthermore, investments made by ARKEMA have helped to reduce energy consumed during manufacturing operations on a like-for-like and annualised basis by 40 GWh, in line with the objective announced in the 2013 reference document.

The La Chambre (France) site saw the launch of an energy-saving plan based on process modifications, operating parameter optimisation and enhanced recovery of vapour condensates or hot water, spread over 2013 and 2014, which has already helped to save 9% of energy consumed at the site, and is well on the way to achieving the expected longer term saving of 14% announced in the 2013 reference document.

A net investment of approximately €40 million was made by ARKEMA at its Jarrie (France) site in 2012 and 2013 into the production of chlorine, with financial support from the French government. All mercury electrolysis cells were dismantled, and a new electrolysis facility was built, based on the membrane process. This restructuring of the Jarrie industrial facilities will enable the use of mercury to be discontinued at the site and will thus prevent risks of emissions related to its use ahead of the end 2019 deadline set forth by French law. Furthermore, an investment into new air compressors in the hydrogen peroxide production facilities has helped to further optimise energy consumption at the Jarrie plant. In 2014, this major capital expenditure helped to reduce the energy used for chlorine production, leading to a reduction of around 9 GWh in the overall consumption of the site, despite increases in production at other facilities at the site.

Many other initiatives are also underway at the Group's sites. For example, in the United States, a major modification of the way in which a production facility operates at the Bayport site has reduced energy consumption in the facility by 20 GWh. In France, the recovery of steam from an incinerator, combined with the optimisation of production facilities, has resulted in savings of more than 10 GWh at the Saint Auban site and the installation of a more efficient boiler at the CECA site in Parentis has reduced energy consumption by 5 GWh.

Energy purchases extensive indicator

For 2012, 2013 and 2014, the Group's net purchases of energy, drawn up as per the methodology note in section 2.6 of this reference document, are shown in the table below.

Net purchases per year	2014	2013	2012
Total net purchases of energy *(in TWh)*	8.36	8.50	8.50

Net purchases of energy for 2014, which do not yet benefit from the impact of most of the Arkenergy capital expenditure in 2014, but are positively affected by the investments made in the sites at Lacq, La Chambre and Jarrie, were down by 1.6%, but would have fallen by 3% with production equivalent to 2013.

The breakdown of net purchases of energy by region and by type of energy, is as follows:

Net purchases by region	Europe	Americas	Rest of the world
Total net purchases of energy *(in TWh)*	4.65	2.78	0.93

Net purchases by type	Fuels	Electricity	Steam
Total net purchases of energy *(in TWh)*	4.52	2.44	1.40

90% of TWh produced by fuels are from gas.

17% of the net purchases of TWh by the Group, including all sources of energy, come from low carbon emission electricity.

Energy purchases intensive indicator

For 2012, 2013 and 2014, the values of intensive EFPIs corresponding to net energy purchases generated by the Group's activities, calculated as per the methodology note in section 2.6 of this reference document, are provided in the following table. Purchases by the biggest energy net purchasers among the Group's sites used for these calculations account for over 80% of the Group's net purchases.

Net purchases of energy	2014	2013	2012
EFPI net purchases of energy	0.99	1.02	1

ARKEMA's objective is to reduce by on average 1.5% per year its energy net purchases expressed as intensive values (EFPI) by 2020 compared to 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 reference document 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, as is the case, for example, with the Saint-Auban and Mont sites in France. The pilot undertaken at the Mont site since 2013 has produced conclusive results and will continue in 2015 once authorised by the administration, which is expected in the first half of 2015.

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 facilities, in order to allow the development of certain animal species. These actions are described in paragraph 2.2.1.5 of this reference document 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

Direct emissions of greenhouse gases

Direct emissions to air, known as Scope 1 Greenhouse Gases (GHGs), by 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; and
- fugitive emissions from cooling circuits using GHGs.

Direct emissions of greenhouse gases extensive indicator

For 2012, 2013 and 2014, quantified direct emissions to air of greenhouse gases (GHGs) generated by the Group's activities are shown in the table below. They were drawn up as per the methodology note in section 2.6 of this reference document.

Direct emissions of greenhouse gases (GHGs)	2014	2013	2012
GHGs *(kt CO_2 eq)*	3,430	4,710	5,120
including CO_2	1,380	1,470	1,460
including HFC	2,010	3,200	3,610

The breakdown of these direct emissions of GHGs by region is as follows:

Direct emissions of greenhouse gases (GHGs)	Europe	Americas	Rest of the world
GHGs *(kt CO_2 eq)*	1,050	2,040	340

In 2006, the Group's direct emissions were 9,240 kt CO_2 eq.

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 direct GHG emissions. ARKEMA was already one of the French companies within the association of companies for the reduction of greenhouse gas emissions (AERES), which has made a voluntary commitment to achieving GHG reduction targets.

The following examples illustrate this initiative:

- the replacement of boilers with more efficient equipment (Carling site in France) and the first effects at the end of the year of the work done on steam traps and the insulation of steam circuits undertaken at a number of sites as part of the Arkenergy programme and described in paragraph 2.2.1.3 of this reference document concerning energy consumption;

- the replacement of air-conditioners and cooling units with more efficient models, as well as enhanced preventive maintenance work, have helped reduce emissions from this type of equipment; and
- the implementation of equipment to process emissions generated by the installations such as the thermal processing units in the plants or the later connection of recovery column vents to these thermal oxidisers in the plants at Calvert City (United States), Pierre-Bénite (France) and Changshu (China).

In 2013, the sites that contributed the most to a reduction in GHG emissions were notably Calvert City (United States) where a vent was connected to a thermal oxidizer.

In 2014, the investments made at the Calvert City site at the end of 2013 generated an additional reduction in its GHG emissions of 1.2 Mt CO_2 eq.

Direct emissions of greenhouse gases intensive indicator

For 2012, 2013 and 2014, the EFPI values corresponding to the direct GHG intensive emissions generated by the Group's activities, computed as per the methodology note in section 2.6 of this reference document, are given in the table below. Emissions from the biggest GHG emitters among the Group's sites used for these calculations account for over 80% of the Group's emissions.

Direct emissions of greenhouse gases	2020 target	2014	2013	2012
EFPI greenhouse gases *(GHGs)*	0.70	0.70	0.93	1

ARKEMA's objective of reducing its direct emissions of GHGs by 30% by 2020, as compared to 2012, was achieved in 2014, largely thanks to the investments made in Calvert City (United States).

By 2012, the Group had already reduced its GHG intensive emissions (EFPI) by 52% compared to 2006.

Indirect emissions of greenhouse gases

The indirect emissions to air of greenhouse gases (GHGs) analysed by ARKEMA are:

- emissions of CO_2 known as Scope 2, related to the production by its suppliers of the electricity and the steam purchased by the Group; and
- emissions of CO_2 known as Scope 3, due to the transportation of all the Group's products.

For 2012, 2013 and 2014, the values of Scope 2 and Scope 3 CO_2 emissions generated by the Group's activities, calculated as per the methodology note in section 2.6 of this reference document, are given in the tables below. These emissions were audited for the first time for the 2013 and 2014 financial years.

Indirect emissions of greenhouse gases (GHGs)	2014	2013
Scope 2 CO_2 *(kt)*	1,067	1,053

In 2014, Scope 2 CO_2 emissions were up by 1.3% compared to 2013.

The breakdown of these of Scope 2 CO_2 emissions by region is as follows:

Indirect emissions of GHGs by region	Europe	Americas	Rest of the world
Scope 2 CO_2 *(kt)*	284	545	239

The Group is reducing its Scope 2 CO_2 emissions through actions such as those described under paragraph 2.2.1.3 of this reference document to limit its energy consumption, particularly by:

- reducing its purchases of electricity thanks to investments in new compressors or more efficient motors, variable frequency drives and by eliminating leaks of compressed air;
- reducing its purchases of steam thanks to investments in condensate heat recovery systems, the revamping of boilers, changing steam traps, renewing insulation on the steam and boiler circuits and risers;
- putting in place additional instrumentation and control systems to optimise purchases of steam and electricity while also optimising ways of working and operating methods.

The reduction of Scope 2 CO_2 emissions by the Group will be directly related to ARKEMA's objective to reduce its net purchases of energy by an annual average of 1.5% expressed as intensive values (EFPI) by 2020 as compared to 2012.

In 2014, Scope 3 CO_2 emissions, due to the transportation of all the Group's products, are estimated to be in the order of 0.2 million tonnes at more or less 20%.

The Group reduces its Scope 3 CO_2 emissions by actions such as those described under paragraph 2.4.4. of this reference document, particularly by:

- making maximum use of bulk sea vessels combined with bulk storage for local deliveries rather than shipping in containers; 26% of the volume of ARKEMA's products shipped by sea from Europe are shipped in bulk;
- developing the use of rail and mixed road/rail or rail motorway types of transport, which now represent 44% of all land shipments made by the Group within Europe;
- maximising the load ratios for bulk transportation by road; for example, the average load in Europe is 23 tonnes per truck for bulk shipments, which represents 76% of volumes carried by road; and
- by limiting airfreight to 0.07% of its total shipments, using it only for shipping samples or in exceptional circumstances where there is a risk of a customer on another continent running out of stock.

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 1.7.2.3 of this reference document.

Eighteen Group sites are exposed to the risk of severe storms (tornadoes and cyclones) and flooding, eleven of which are on the American continent. This data is based on both the 2014 update of reports compiled by ARKEMA's property damage insurers as well as information on climate related risks provided by a reinsurance company.

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 NO_x 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 France, the Pierre-Bénite site, in partnership with the NATURAMA environmental education association, initiated a programme to refurbish areas that had been wasteland since 2010. A survey of the fauna and flora present on the site highlighted the importance and remarkable aspect of an existing reed bed. Accordingly, the initial action of the management plan spanning several years was the restoration of this reed bed, with appropriate plantations and the elimination of invasive plants, followed by its extension with the creation of a second basin in 2012. In 2013, flower meadows and ponds were landscaped within the boundaries of the platform where demolished old buildings used to stand. These flower meadows have above all an aesthetic appeal, by offering colourful and fragrant spaces. They also have ecological benefits insofar as these environments abound with biodiversity, being home to many varieties of plants, insects and birds.

The Carling (France) site called upon the services of consultants specialising in the environment (*Atelier des Territoires*) for the remediation and enhancement of the ecological status of a former wastewater treatment lagoon with a surface area of 3.5 hectare, while rehabilitating the landscape. The project began in 2012 with an analysis of species potentially present and therefore to be nurtured to allow ecological diversity to develop. 2012 and 2013 saw the restoration of hedgerows and ponds judiciously positioned for harmonious cohabitation with the surrounding industrial facilities, on the one hand, and the improvement of open meadows as well as landscaped boundaries favourable to fauna and flora biodiversity, on the other. These refurbishments yielded the first noticeable benefits in spring 2013.

The Boretto site (Italy) uses phytoremediation or phytodepuration, as described under paragraph 2.2.1.2 of this reference document, a natural system of purification that re-establishes the ecological balance of aquatic environments and wetlands. To do so, the first part of the ground at the site was transformed into a marsh partially planted with common reeds, and a short stream and a pond were created in the second part. It is in this second part that aquatic species have become established (crayfish, frogs and water snakes). Similarly, this peaceful environment serves as a refuge for bird life, such as pheasants, magpies and sparrows, and has encouraged the development of a colony of ducks and provides a nesting habitat for wild geese.

Meanwhile, as described in paragraph 2.2.1.3 of this reference document, 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. These findings 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. Such 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.

Equally, when the authorisation to mine our quarry in Virargues (France) was renewed and extended on 26 July 2013, CECA concluded two agreements with two relevant regional bodies in order to implement measures to safeguard and boost the local ecosystem.

The first convention, signed for a duration of 25 years with *Union Régionale des Forêts d'Auvergne* (URFA) and its *Mission Haies Auvergne*, is designed to reinforce the functionality for the bird fauna of the local fields and woods on the land belonging to CECA. Work overseen by URFA will help the creation of hedgerows stretching over 2,475 metres, and the annual monitoring of the hedgerows so created.

The second convention, signed for a duration of five years, with the *Syndicat Interdépartemental de Gestion de l'Alagnon et de ses affluents* (SIGAL), aims to put in place a specific programme for the refurbishment, management and oversight of the most severely spoilt sections of the streams within the watershed of the river Alagnon in order to promote the development of protected species of freshwater crustaceans.

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 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 ascertain 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 as at 31 December 2014 is provided in Note 20.3 of the notes to the consolidated financial statements in paragraph 4.3.3 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.

The Group expresses its commitment by complying with REACH, the European regulations covering the processes for the registration, evaluation, authorisation and restrictions on chemical products. These are probably the most ambitious regulations of the past twenty years. They aim to make profound changes to the way in which the chemical substances produced, imported and distributed in the European market are managed, by improving knowledge, analysing environmental and health risks, and by defining ways of managing the risks that may result from their manufacture or use. 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.

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 regulations centrally, by relying on a network of correspondents that take part in drafting parts of the cases concerning the BUs, the industrial sites, the subsidiaries and R&D for operational issues, and the Purchasing, Information Systems, Legal, and Communication departments for functional issues. This organisation has enabled the Group to fulfil the requirements of the REACH regulation.

- **Registration:** 151 substances were registered with ECHA following the initial registration deadline set for 30 November 2010, and 123 substances were registered for the second registration deadline set for 31 May 2013. The Group expects to register a total of 480 substances (excluding BOSTIK acquired early 2015), of which ten or so are potentially subject to authorisation, a figure that was refined following these two registration periods, now closed, completed by a survey of the BUs on the evolution of their portfolios. The Group estimates that compliance with this new regulation will cost it around 45 million euros over the 2012 to 2020 period.
- **Evaluation:** ARKEMA is involved in four cases for which the evaluation has now been completed. They pertain to three substances manufactured by ARKEMA: Carbon Tetrachloride (CTC) manufactured by ARKEMA until 1 July 2012 then used at the Mont site (France), Diphenyl Guanidine (DPG), for which ARKEMA is acting as leader of the registration case, and Methyl Chloride manufactured at the Jarrie site, and another substance used by ARKEMA as a raw material (Bisphenol A – BPA), which is the subject of European risk studies and national bills, particularly concerning its use in materials in contact with food products. No particularly binding conclusions are anticipated for CTC, DPG or Methyl Chloride at the European level, except for a few additional tests and risk analyses. By contrast, BPA and indirectly its derivatives may be subject to restriction measures in certain markets, in particular the food market. At French level, a law was published in the *Journal Officiel* of 24 December 2012 aiming to suspend from 1 January 2013 the manufacture, importation and 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 ban has been extended to all categories of people from 1 January 2015. ARKEMA has little exposure to the market for food containers and, in addition, it works closely with its customers to substitute products derived from BPA. In addition, three other cases underwent evaluation in 2014. They pertain to three substances manufactured by the Group (Isophorone produced at the La Chambre site), Butyl Acrylate produced at Carling and Bisphenol A Propoxylate (BPA-4OP) produced by CECA. The draft decisions suggest that further data is necessary before being able to decide whether or not community wide measures might be necessary;

- **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 whose use(s) may be subject to authorisation (given that substances used as synthesis intermediates are not subject to authorisation). The potential implications are estimated from which action plans could be drawn up, including such measures as: the consideration of alternative substances for the envisaged uses, filing an application for authorisation when falling under Annex XIV, conversion of the plant, planned cessation of the activity. As at 31 December 2014, the candidate list contained 161 substances. Of these substances, those concerning the Group were (i) Hydrazine produced at the Lannemezan site (France), (ii) 2-Imidazolidinethione (ETU) produced by MLPC, (iii) Nonylphenol Ethoxylates produced by CECA, (iv) Dioctyltin bis (2 Ethylhexyl Mercaptoacetate) produced at Vlissingen on behalf of another company, and (iv) Sodium Dichromate, which is used as a processing aid at the Jarrie site (France). Sodium Dichromate is the subject of registration under Annex XIV, and ARKEMA will file an authorisation dossier, as the search for an alternative solution has yet to yield results.
- **Restriction:** Cobalt Chloride should go from a recommendation for registration under Annex XIV with a view to authorisation, to a recommendation for restriction that would, in theory, only target metal coatings, an application that does not affect ARKEMA, which uses it as a processing aid at its Jarrie site. Nevertheless, pending a formal proposal for restriction and as a precautionary measure, ARKEMA is studying a substitution solution.

ARKEMA does not manufacture Persistent Organic Pollutants (POPs).

During the first quarter of 2014, ARKEMA stopped production of Diethylhexyl Phthalate (DEHP) and, during the course of 2014, closed down the site at Chauny, which produced DEHP. This product is the subject of an authorisation process leading to registration under Annex XIV of REACH. ARKEMA does not produce or sell Bisphenol A (BPA). ARKEMA uses BPA as a raw material, which is then transformed into other products. DEHP and BPA are subject to various national regulations that restrict their use due to suspected endocrine disrupting properties.

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 product HSE Managers in the country subsidiaries and/or a network of local specialist consultants.

These experts are in constant contact within their own network. Every year, a seminar is held over several days in Asia devoted to discussions between product HSE Managers in the Asian subsidiaries and their head offices and American counterparts. The product HSE roadmaps are decided on during this seminar by country depending on changes in the local situation and regulations.

In 2015, three new sets of regulations similar to REACH will be put in place in Asia - in Korea, in Taiwan and in Turkey, concerning the obligation to register existing substances on one hand, and on the other hand, in Malaysia and Turkey, the Globally Harmonised System of Classification and Labelling for Chemicals (GHS), set up by the United Nations Economic and Social Council, will be further rolled out.

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 Group's 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 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 of this reference document, 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 the International Council of Chemical Associations (ICCA), as part of international programmes such as High Production Volume (HPV) lead by the latter and the Environmental Protection Agency (EPA) 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. At the end of 2014, ARKEMA published 145 GPS information sheets corresponding to ARKEMA's finished products registered with REACH in 2010 or 2013.

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.

ARKEMA focuses as a priority on LCAs for the ranges of products for which its customers use such LCAs in their respective industries. This mainly concerns the Rilsamid®, Rilsan®, Pebax®, Kynar® and Forane® product ranges.

These analyses help evaluate the impact of the products following such parameters as 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 France 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 ITS APPROACH TO INNOVATION AND IN ITS PRODUCT RANGE

Within the context of its compliance with the United Nations Global Compact and Responsible Care® principles, the Group has committed to developing and promoting technologies which are respectful of the environment and to making a contribution to sustainable development through an offering of innovative technologies and products meeting future challenges (also known as "mega trends").

As presented in paragraph 2.2.1 of this reference document, ARKEMA is developing new processes and innovative production technologies for its chemical products to reduce the environmental risks associated with the activities of its industrial sites and their potential emissions of pollutants.

ARKEMA is also having its service providers develop and test new treatment equipment for its effluents, which are more respectful of the environment. This is done as part of new development carried out by suppliers and within the framework of ARKEMA collaborations with innovative companies.

ARKEMA strives to develop and market products that are useful to the general public and which are safe and respectful of the environment, as described in paragraph 2.2.2 of this reference document.

To complement these actions, as described in section 2.3 of this reference document, ARKEMA places its process and products R&D at the service of sustainable development and the challenges of the planet by offering innovative solutions in favour of new energy sources, the fight against climate change, access to water, the use of renewable raw materials, recycling and the extension of product life cycles.

ARKEMA filed 81 patent applications for innovative solutions in 2014 to meet the challenges described in section 2.3 of this reference document. It filed 79 patent applications in 2013 and nearly sixty a year since 2010.

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

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

2.3.1.1 CURRENT USES IN SOLAR ENERGY AND ENERGY STORAGE

ARKEMA develops applications for its products, notably for solar energy, which helps to conserve fossil fuels, and for energy storage, which is all the more crucial for alternative energy sources with discontinuous flows. The two priority areas are photovoltaics and lithium-ion batteries, which saw the following developments:

- Kynar®, polyvinylidene fluoride (PVDF), potentially grafted or co-polymerised, is an excellent binder for battery electrodes and an excellent "separator" material (polymer film separating the two electrodes);
- Ethylene vinyl acetates (EVA) and organic peroxides, which are used as an encapsulation material for photovoltaic cells; and
- PVDF is used as a backsheet for photovoltaic cells.

2.3.1.2 NEW DEVELOPMENTS IN SOLAR AND WIND POWER AND ENERGY STORAGE

ARKEMA is developing new products for these sectors. They include:

- New-generation lithium salts, still at the exploratory stage, which should make lithium-ion batteries safer thanks to their thermal and chemical stability; and
- Elium® thermoplastic composites, which could be used for wind turbine blades.

ARKEMA maintains partnerships with a number of different stakeholders as part of its research into the potential contribution of existing and future products for new energy applications. For example:

- in 2011, ARKEMA and INES (National Institute for Solar Energy) teamed up to build a shared research laboratory for photovoltaic polymers in France;
- in 2013, ARKEMA signed a research agreement with the English SME Oxys Energy to develop and produce lithium sulphur batteries;

- in 2014, ARKEMA and IREQ (Hydro-Québec Research Institute) announced an R&D collaboration to develop a new and very safe electrolyte from fluoride salts produced by ARKEMA for the electric batteries used in public transport and cars.

ARKEMA also participates in various ADEME (French Environment and Energy Management Agency) projects such as the Isocel photovoltaic and Effiwind wind turbine projects, both future investment projects.

2.3.2 FIGHT AGAINST GLOBAL WARMING

The Group develops and manufactures technical products and solutions which contribute indirectly to reducing the greenhouse gases responsible for global warming. The products reduce the fuel consumption of various means of transport and decrease the energy consumption of heating and cooling systems installed by the construction and public works industries. The Company also provides chemical substances with low global warming potential.

2.3.2.1 LIGHTER MATERIALS FOR TRANSPORT

The Group develops light, resistant materials which, when used in vehicles, reduce their weight and, therefore, their fuel consumption. They also contribute to minimising CO_2 emissions in the transportation sector.

The Group's main innovations in this area include:

- Polymethyl methacrylate (PMMA) nanostructured Altuglas® ShieldUp to replace glass.

  Nanostrength® technology based on acrylic copolymers, which can organise themselves on a nanometric scale, increases the impact resistance of certain transparent polymers. ShieldUp® technology is used in car windows as a replacement for glass and helps make vehicles lighter. The introduction of the Altuglas® ShieldUp roof to replace glass could result in a 0.4 litre decrease in fuel consumption per hundred kilometres and a 7 kg decrease in CO_2 over the same distance. Assuming that 100,000 vehicles driving 20,000 kilometres per year were equipped with this innovation, CO_2 emissions would be reduced by 140,000 tonnes per year;
- 11 Rilsan® HT polyamide used as a substitute for metal.

  ARKEMA won the Pierre Potier award in 2013 for its Rilsan® HT, a high-performance polyamide made from non-food plant matter. The annual prize rewards innovations in chemistry that further sustainable development. With its unique combination of flexibility and stability at very high temperatures, this material can aptly replace metal and rubber in the automotive industry in under-hood fluid piping. Six times lighter than steel and three times lighter than aluminium, it lightens vehicles and contributes to decreasing fuel consumption and CO_2 emissions;
- Kepstan® polyetherketoneketone (PEKK) as a metal substitute for extreme application conditions.

  PEKK is an ultra high-performance polymer. Known as the "extreme polymer", it is exceptionally resistant to high temperatures (up to +260°C), chemical agents, abrasion and fire, and has excellent mechanical properties. These characteristics make it ideal for highly specialised applications, notably in offshore oil and aerospace by replacing metal in fastening components, insulating parts and interior fittings;
- Thermoplastic acrylic and polyamide composites to replace traditional composites.

  ARKEMA launched its first line of liquid thermoplastic resins under the brand name Elium® in early 2014. These resins are made using the same equipment and processes as thermo-set composites. Composite resins made with Elium® reduce at least half of the weight of parts traditionally made in metal at equal strength.

ARKEMA is looking for partners who are also in this field to share expertise and accelerate the innovation process for the benefit of sustainable development.

ARKEMA has teamed up with *Pôle de Plasturgie de l'Est* in France and is coordinating the Compofast project, which brings together fifteen European partners to develop thermoplastic composites suitable for vehicles. By replacing metal parts with lighter plastic ones, the thermoplastic composite will reduce vehicle weight and thereby reduce fuel consumption and CO_2 emissions.

- ARKEMA also worked collaboratively with several partners to develop its Altuglas® ShieldUp, a polymer twice as light as glass. It is currently being used for panoramic roofs in partnership with Renault, and for Peugeot's Onyx concept car.

2.3.2.2 SOLUTIONS TO REDUCE GREENHOUSE GASES

The Group also develops evolutions or new applications for its products contributing to minimising GHG emissions.

ARKEMA is pursuing the development of low global warming potential refrigerant gases such as the 1234yf, a new-generation fluorinated gas to meet the needs of automotive air-conditioning. Generally, as a world leader in refrigerant fluorogases, ARKEMA continues its strategy to constantly adapt to changes in global regulations, and develops competitive solutions to be part, on a world scale, of the drive to reduce greenhouse gas (GHGs) emissions.

In another field, CECA has developed a line of warm mix technique bitumen additives (Cecabase RT®), which provides energy savings of 20% to 30% when applying bitumen to roads.

ARKEMA also developed the Kynar Aquatec® PVDF resin, a water-based formula for white paint used on reflecting roofs, which has a much longer life than traditional paints. This product helps decrease cooling needs in high-sunlight regions.

The use of reflecting roofs with Kynar Aquatec® bases reduces the energy consumption of buildings that use the roofs in high-sunlight regions by 20%, *i.e.*, 20 KWh/m²/year. For 10 buildings with a roof area of 15,000 m², the result would be a total annual reduction of 1,500 tonnes of CO_2 emissions based on an emission coefficient of 0.5 tonne of CO_2 per MWh.

2.3.3 DEVELOP PRODUCTS FOR IMPROVING WATER QUALITY AND ACCESS TO WATER

Water treatment solutions, another Group research area, also have implications for sustainable development.

2.3.3.1 DRINKING WATER FILTRATION PRODUCTS

The main products and solutions developed for this purpose are fluorinated polymer membranes and CECA's filtering agents.

Membranes made with ARKEMA's PVDF Kynar®, which consist of hollow fibres, treat water via micro-filtration. They trap particles from 1 to 10 microns more effectively than traditional sand percolation filtration systems. ARKEMA has been developing this microfiltration for several years. ARKEMA's Kynar® provides better resistance to the chlorinated products used for cleaning membranes.

ARKEMA also works with innovative companies in a collaborative effort to develop ultrafiltration water treatment solutions. ARKEMA entered into a partnership with POLYCHEM during the first half of 2014. The medium-sized French company specialises in manufacturing hollow-fibre membrane filtration modules. The goal of the partnership is to develop new hydrophilic ultrafiltration membrane technology using a new Kynar® nanostructured polymer perfected by ARKEMA. This innovation increases the performance and energy efficiency of membrane water treatment. The partnership will make the technology accessible to water treatment players more quickly.

Another filtration step, which uses activated carbon sold by the Group's CECA subsidiary under the Acticarbone® and Anticromos® brands eliminates micro-contaminants, odours and tastes in the waste water used for drinking water. As noted in paragraph 2.3.5 of this reference document, CECA also offers its customers a service to regenerate saturated activated carbon.

2.3.3.2 OTHER WATER TREATMENT FUNCTIONS

The Group also markets a variety of products for water treatment:

- acrylic acid, used to manufacture polyacrylates used in water treatment plants to ensure the flocculation of suspended solids;
- hydrogen peroxide used as an agent to decrease Chemical Oxygen Demand (COD). 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;
- Bactivel® bleach preserves water quality until its consumption thanks to its bactericide power, which protects drinking water distribution networks;
- Rilsan® fine powders have been chosen by many cities to coat their drinking water pipe networks and waste water treatment plant equipment because of their strength, durability and flow properties.

ARKEMA rounded out its line of PVDF Kynar® resins in 2014 with the launch of a grade suited for multilayer pipes used to transport drinking water without affecting its taste. It also delays the growth of thin layers of bacteria due to its purity and the fact that it doesn't need any additives to be implemented. Kynar® 740 E was approved in 2014 with the KTW certificate from the German water and gas agency.

2.3.4 USE OF RENEWABLE RAW MATERIALS TO PRESERVE FOSSIL RESSOURCES IN THE FACE OF GROWING POPULATION NEEDS

By developing products based on renewable raw materials, the Group is contributing to the conservation of non-renewable fossil fuels thanks to innovations resulting from its own research and from research with partners.

ARKEMA's ongoing commitment is confirmed by the fact that nearly 13% of the Group's sales is generated in full or in part (more than 20%) from renewable raw materials. This commitment was recognised in 2013 with the EUBIA award (European Biomass Industry Association) presented to ARKEMA in Copenhagen for its work in the field of biosourced materials. These products accounted for approximately 11% of the Group's total sales in 2011.

2.3.4.1 CURRENT SOLUTIONS IN THE GROUP'S PRODUCT LINE

ARKEMA has been manufacturing the monomer used to produce its 11 Rilsan ® polyamide from castor oil in Marseilles (France) for over 50 years.

The Group acquired two companies in China in 2012: Hebei Casda Biomaterials Co., Ltd., a producer of sebacic acid derived from castor oil, and Suzhou Hipro Polymers Co. Ltd., which produces polyamide 10.10 and 10.12 using this sebacic acid.

The Group also operates three other bio-plants:

- The Parentis plant in the Landes region (France) produces activated carbons from local pine wood. They are used in filters by the agro-food and pharmaceutical industries, for micro-contaminant filters in wastewater treatment and as a catalyst support;
- The Blooming Prairie plant (United States) manufactures terpenes and limonenes as well as various additives for the cosmetics industry and lubricants via epoxidation of flax seed oil; and
- The Feuchy plant (France) converts plant fatty acids into surfactants for fertilisers and warm mix asphalt for bitumen.

As part of its Coating Resins business, the Group also develops and sells alkyd resins derived from plant oils and diamide-type rheology additives for which a significant portion of raw materials are biosourced fatty acids.

2.3.4.2 NEW DEVELOPMENTS

ARKEMA R&D is constantly working to develop the use of renewable raw materials in current and future Group products.

One of the preferred methods is to work with research partners as part of major collaborative projects that include customers, suppliers and university laboratories. The examples below illustrate this point.

ARKEMA took part in the European Biocore research programme from 2010 to 2014. It focused on analysing the potential development of new production concepts using biomass.

ARKEMA formed a partnership with Elevance Renewable Sciences in 2012 to develop speciality biosourced polymers.

ARKEMA also partnered with the start-up Global Bioenergies in France in 2013. The company is developing isobutene manufacturing from plant carbohydrates.

ARKEMA has been active in a number of biorefinery projects, notably as part of the European Eurobioref project which brought together 29 partners and ended in February 2014, and for which ARKEMA was responsible for coordinating the industrial aspects.

ARKEMA also co-partners the Mines Paristech bioplastic chair in France and is one of the six founding members of the Fimalin association. The goal of the association is to create, structure and promote a technical flax industry in France to develop eco-designed materials using high-performance flax fibres. The ambition is to eventually position technical flax as a strengthening fibre in composites to replace glass and carbon fibres, opening the way for eco-polymers, eco-composites and the creation of a new agro-industrial business.

ARKEMA also develops new products in collaboration with its customers. As part of its Coating Resins business, ARKEMA is studying the use of partially biosourced raw materials as a substitute for fossil fuel-based raw materials for polyester production (Oil Free Polyester).

2.3.5 DEVELOPMENT OF RECYCLING, REUSE AND EXTENDED PRODUCT LIFE SOLUTIONS TO PRESERVE FOSSIL FUEL RESOURCES IN FACE OF GROWING POPULATION NEEDS

The Group contributes to the conservation of non-renewable fossil fuels by using the by-products of its industrial processes, by helping to recycle its products and the products of its customers and by extending the life of its customers' products.

2.3.5.1 USING THE GROUP'S BY-PRODUCTS

ARKEMA sells many of the deadly by-products created by the production of its main products by finding applications related to their inherent properties.

However, in addition to selling by-products, which is a normal part of every chemical company's business, whenever possible, the Group transforms the wastes, which would otherwise become industrial waste, into products that can be used by other industrial sectors.

As mentioned in paragraph 2.2.1.2 of this reference document, 62% of hazardous waste produced by ARKEMA worldwide in 2014 was recycled on-site or off the production site (made into raw materials).

For example, the soda water produced at the Mont (France) plant as part of the purification process of a monomer produced at the plant has been recycled for many years. They are used by the paper industry as part of the manufacturing process for Kraft paper and cardboard. These basic waters are rich in organics and are used by paper manufacturers to minimise sulphur loss in their process regeneration loops.

At the site of Casda in Hengshui in China, the flow of residual sulphuric acid generated by the manufacturing process for sebacic acid is neutralised to obtain a sodium sulphate solution. The flow is then directed to a sodium sulphate concentration and crystallisation unit which recycles 50,000 tonnes of sodium sulphate a year into solid form instead of treating the flow of diluted sulphuric acid as a waste product.

2.3.5.2 GROUP AND CUSTOMER PRODUCT RECYCLING

The Group is developing different solutions that facilitate the recycling of its customers' products. A few examples are found below.

Elium® liquid thermoplastic resins are processed using the same equipment and processes as the thermo-hardened composites mentioned in paragraph 2.3.2.1 of this reference document. Thanks to the properties of these innovative resins introduced by ARKEMA in 2014, the parts made from them are easy to recycle as opposed to parts made from thermo-hardened epoxy.

ARKEMA has developed technologies to protect glass bottles (Kercoat®) and hide scuffs (Opticoat®). The products significantly improve the appearance and life span of bottles by increasing the number of times returned bottles, notably those of beer producers, can be recycled threefold.

CECA, a Group subsidiary, has developed a solution that increases the recycling rate of products from roadwork. Using Cecabase RT® additives in bitumen increases the aggregate recycling rate by 10% to 15% compared to traditional techniques. In addition, the additives lower the heating temperature required for bitumen, as noted in paragraph 2.3.2.2 of this reference document.

After being used for drinking water treatment, CECA's activated carbons are saturated with micro-contaminants, as described in paragraph 2.3.3.1 of this reference document. Instead of sending them to waste, CECA customers can use the recycling service implemented by this ARKEMA subsidiary. The used activated carbons are processed in high-temperature ovens, which completely eliminate the pollutants absorbed by their porosity. Thanks to the expertise developed by CECA, the absorption properties of the activated carbon are reactivated. This is crucial for their reuse in the same processing systems.

2.3.5.3 EXTENDING THE LIFE OF ITS CUSTOMERS' PRODUCTS

Generally speaking, ARKEMA works to increase the performance of its products over time.

For example, ARKEMA has developed a line of organic peroxides for cross-linking rubber. The rubber cross-linked using the organic peroxides is used to manufacture parts, typically for the automotive industry. They meet manufacturer requirements for ageing and extended use.

The Group has also developed new polymer grades which increase the lifespan of its customers' products.

For example, Kynar® provides a coating with a particularly long lifespan. Kynar Aquatec® is used for the reflecting roofs described in paragraph 2.3.2.2 of this reference document. The product ensures that the whiteness of the coating remains virtually intact for a particularly long time without maintenance. Kynar 500® was used to coat the aluminium roof of Wimbledon's court n° 1 in an olive green matching the grass courts. It protects the roof for nearly twenty years without losing any of its original qualities.

These examples clearly show that ARKEMA contributes to optimising the consumption of non-renewable raw materials in a number of different ways far upstream of the chain leading to end-consumers.

The Group's research policy and actions are described in greater detail in section 1.4 of this reference document.

2.4 ENCOURAGE OPEN DIALOGUE WITH ALL ITS 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. Therefore the Group plays a role in the economic and social development of the regions in which it operates.

Group investment in 2014 made a direct and indirect contribution to employment of around 1,900 full-time equivalent (FTE) employees. In addition, the effect of these investments on the economic fabric of the industrial areas concerned is equivalent to 4,500 jobs (FTE).

In this respect, the major investment projects completed in 2014 – notably the thiochemicals platform in Malaysia – had an economic impact on those areas that was significantly greater than the investments the Group undertook elsewhere due to their size.

Additionally, in France, when it has to redeploy some of its activities, the Group strives to compensate for job losses, where applicable, and contributes to revitalising those economic regions that have been impacted. These actions are laid down in the revitalisation agreements legal framework signed with public authorities, and take the form of a variety of measures, including:

- Financial support for company creation or takeovers; and/or
- Prospecting for the set-up of new activities and supporting their development.

This was notably the case when the Chauny site in the Aisne department in France was shut down.

ARKEMA provides technical assistance to young, innovative companies in certain industrial areas. For example, it provided assistance to companies set up in the "Chemstart'up" chemicals business incubator in Lacq (France).

On a broader level, ARKEMA implements a policy of support to innovative small and medium-sized enterprises (SMEs) that are connected to its activities, 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.

ARKEMA is indeed one of the founding members of Axelera, a world-scale competitiveness cluster which brings together and coordinates in the Rhône-Alpes region (France) players from industry, research and education around a chemistry and environment related theme.

ARKEMA is also a founding member of IDEEL (*Institut des énergies décarbonées et écotechnologies de Lyon*). In June 2013 IDEEL signed its first triennial convention for the funding of its programmes to develop innovative solutions at the service of the factory of the future. This institute aims to make chemical manufacturing processes cleaner and more cost-efficient and to transform industrial wastes into products that can be recycled or into new sources of energy.

ARKEMA further extended its partnership commitment at the end of 2014 by signing the foundation charter of the *Campus industriel de la Vallée de la Chimie* launched by Le Grand Lyon. This ambitious "industrial ecology" project is a continuation of Aexlera and IDEEL to develop new activities in the "cleantech" and chemistry fields in line with the national energy transition programme and it also aims to develop synergies and inter-site sharing as part of the 2030 coordinated regional planning and development efforts.

These partnerships have a dual dimension for ARKEMA, namely foster innovation and strengthen its local integration, thereby making the Group a key player upstream of certain strategic industrial sectors of the future (thermoplastic composite materials, renewable raw materials, etc.).

2.4.2 RELATIONS WITH STAKEHOLDERS

2.4.2.1 CONDITIONS OF DIALOGUE

For the past several years, changing regulations have encouraged the creation of a consultation, dialogue and information process about Group activities with a significant impact on the environment.

In the United States, 60% of the Group's sites are involved in regulatory Community Advisory Teams or with Community Advisory Panels in order to share information about site activities with local residents and provide answers to their concerns. These can be monthly, annual or biannual meetings. Among the ARKEMA plants taking part in these initiatives on a regular basis in 2014 were Bayport, Blooming Prairie, Bristol, Calvert City, Chatham, Clear Lake, Geneseo, Louisville, Mobile, Memphis, St. Charles and West Chester. The Beaumont (Texas) "Community Advisory Team" is the oldest committee in the region and the ARKEMA site has been interacting with local authorities and residents for over 24 years.

In France, after actively participating in the meetings of many local information and dialogue committees (CLIC) and, more specifically, in the information and exchange meetings for the implementation of Technological Risk Prevention Plans (PPRT) at the Pierre-Bénite, Jarrie, Saint-Auban, Marseilles and Carling sites, ARKEMA has been monitoring the implementation of the PPRT and taking part in the meetings held by local resident associations and local authorities on a regular basis to monitor work progress. In addition, the industrial site managers take an active part in the permanent secretariats for the prevention of industrial pollutants (SPPPI).

The Common Ground® approach

ARKEMA goes beyond the scope of the regulatory framework, and puts in place conditions for dialogue with all stakeholders. For over ten years now, ARKEMA has taken an innovative approach to relations with the stakeholders of its industrial sites via a programme called "Common Ground®" (*Terrains d'Entente*®). The approach is used in all of the countries in which the Group operates. It focuses on three main areas:

- **Listening to understand expectations**

One of the objectives of Common Ground® is to make listening to local residents, evaluating their expectations and understanding their concerns a top priority. Surveys conducted with local populations carried out in 2002 and in 2008 indicate that the climate is more favourable now with decreasing concern about industrial and chemical risks, in particular. A new wave of opinion surveys is planned by 2016.

- **Discussing and explaining the company's activities**

Industrial site mangers open their plant's doors on a regular basis and maintain contact with elected officials, local residents, local associations and academia. Participants have an opportunity to find out about site's activities, such as which products and processes are used. They are also informed of significant events occurring at the site, about its projects, its performance in matters of industrial safety and its environmental footprint.

- **Preventing risk and progress**

Ongoing improvements in industrial safety and environmental and health protection, including the development of a risk prevention culture, is a priority for all ARKEMA sites. As a result, the Group has perfectly implemented the "real-time communication" approach initiated by the chemical industry in France, and it consistently informs the media of all incidents, including minor ones, at its Seveso-category industrial plants. 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.

Quantitative assessment of Common Ground® actions

In 2014, 985 Common Ground® initiatives were carried out worldwide and 90% of sites actively participated in the events, including:

- 516 in the United States, at 93% of sites;
- 336 in Europe, at 85% of sites. In Europe, France and Italy took an active part in organising the events;
- 105 in Asia, at 94% of sites. In Asia, China was the country most involved in organising events.

Breakdown of initiatives by region	2014	2013	2012
North America	540	362	53
Asia	105	50	66
Europe	336	213	155
Rest of the world	4	19	6
TOTAL	**985**	**644**	**280**

2.4.2.2 EXAMPLES OF COMMON GROUND® INITIATIVES

Breakdown by type of initiative	2014	2013	2012
Initiatives involving local residents	546	296	100
Educational initiatives	309	196	126
Initiatives involving associations	130	152	54
TOTAL	**985**	**644**	**280**

Initiatives involving local residents and the public

To promote local interaction, the Group's employees at the plants and subsidiaries committed to increasing local contact by meeting with residents and the general public to show the benefits of chemicals in everyday life.

In the United States, in addition to taking part in information meetings organised by local resident associations, many sites opened their doors to explain their activities and plant operations.

ARKEMA is a partner of the *Palais de la découverte* in France. This partnership, which was launched in 2011, will run through 2015. An ultra-modern chemistry laboratory was set up to provide a programme of experiments and presentations called "*Étonnante Chimie*" (Amazing Chemistry). Nearly ten thousand visitors come every year for a fun and interactive discovery of the contribution chemistry makes toward sustainable progress.

Group employees boarded the *Nouvelle France industrielle* (New Industrial France) train between 7 April and 27 April 2014, for the fourth occurrence of the *Semaine de l'industrie* (Industry Week). Over the span of 15 days, this train exhibit introduced the innovative industrial sectors for which France's expertise is recognised around the world. ARKEMA represented the chemical industry. ARKEMA participated in seven stops, introducing chemical industry innovations and spoke with many different audiences. More than twelve thousand visitors boarded the train and thus learned more about this industry.

In 2014, as for more than ten years now, many sites in France took part in the 23rd edition of the *Fête de la science* (Science Celebration) organised by the Ministry for Post-Secondary Education and Research. Many employees got involved to help visitors discover the extraordinary diversity of disciplines, led discussions with the general public and shared their knowledge with young people. The Serquigny, La Chambre and Marseilles Saint-Menet sites welcomed several secondary school classes for visits of their plants. Demonstrations and experiment workshops were provided by our engineers at Jarrie, the Science Village in Pont de Claix and La Chambre and at the Eureka Gallery in Chambery, to introduce visitors to the contribution chemistry makes to their daily lives.

ARKEMA was a partner of the *Voyage au cœur de l'innovation industrielle* (Journey to the Heart of Industrial Innovation) exhibition held from 4 to 7 December 2014, in the main hall of the Grand Palais in Paris. The exhibition was dedicated to the most significant discoveries of French industry. ARKEMA presented its "green chemistry" plastics made from biosourced materials.

Actions for education

Throughout the world, ARKEMA is boosting its relations with the world of education. The Group works with educational teams and helps promote the chemical industry to young people.

In Italy, Rho plant employees took part in the "chemistry" programme at Institute Cannizaro, the Rho secondary school. From February to May 2014, they provided 200 students with training modules on different themes such as the production of acrylic monomers and polymers and industrial safety. In addition to their involvement with the schools, several of the students were hosted by the ARKEMA plant for a three-week internship.

In the United States, Arkema Inc. has been running a teaching module called "Science Teacher Program" since 1996. Hundreds of researchers and teachers have already attended. They have been able to share their experience with tens of thousands of students. 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 Asia, the sites in China and Japan provide their support to schools near plants such as, for example, donated computers, school materials or a financial contribution to improve educational infrastructure.

In France, ARKEMA participated in the 18th *Mondial des métiers*, a job discovery and career choice fair. Attendance increased again this year, with more than 119,000 visitors. During the entire fair, Group employees from the Rhône-Alpes region (ARKEMA plants in Jarrie and Pierre-Bénite, Coatex, and the CETIA and CRRA technical research centres) introduced the diversity and modernity of jobs in the field of chemistry. A highlight of the event was the meeting between skipper Lalou Roucayrol and young secondary school students. He showed them how innovations developed by ARKEMA researchers have helped improve the performance of his new class 50 multi-hull boat.

Arkema France also took part in the *Village de la chimie* (Chemistry Village), which welcomed 7,500 visitors in 2014. They spent two days discovering that chemistry, already very much a part of their daily lives, continues to develop in all fields, and that it uses highly advanced scientific and technical resources which require workers from many backgrounds with all levels of expertise.

ARKEMA has been a partner of the Chemical World Tour since 2010. It was launched by the *Union des industries chimiques* and the *Fondation de la maison de la chimie* (Chemistry House Foundation) in cooperation with the French Ministry for National Education and the French Ministry for Secondary Education and Research. The purpose of this Chemical World Tour is to introduce chemistry and the chemical industry to students. Every year, five chemistry students and five journalism students are selected to make up pairs who then set off across the world to investigate the vital role of chemistry in the innovations that drive everyday life forward. The reports prepared by the pairs of students are put forward to the public's vote via the internet and the social networks. The 2014 edition of the innovation world tour focused on chemistry in energy. It led the pairs to investigate, with ARKEMA's support, recent Group developments in China applied to the development of new batteries to meet the challenges of energy transition.

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. The foundation provided full support to 22 students in 2014.

Initiatives for associations

Faithful to the Group's values of solidarity and responsibility toward local residents, ARKEMA sites and their employees work with associations in the regions in which they are located. Many examples around the world attest to the volunteer work done by the men and women of ARKEMA to help those who are most in need and to actively participate in local life.

In the United States, in addition to their traditional fund-raising at the end of the year, the employees of the Louisville, Bristol and Torrance sites mobilised to collect funds to purchase toys. Several thousand poor children from neighbouring communities were the beneficiaries of these gifts.

Employees from the Memphis plant and their families took part in the race organised to benefit the American Heart Association and gathered funds for heart disease research.

Employees in ARKEMA Bayport and Clear Lake took part in the annual river and park cleaning event known as the "Bayou Trash Bash".

In India, the employees of the Mumbai plant took part in the International Coastal Clean-up day and partnered with a local marine scout group for the operation organised in Kolshet Creek.

In China, the Changshu site made a financial contribution for the renovation of the Fushan primary school so that students could receive improved conditions of safety and comfort.

In Italy, the Altuglas plant in Rho and the ARKEMA plant in Spinetta provided financial support for associations helping people with autism and children with disabilities.

In France, the employees of several sites (Carling, Colombes and Pierre-Bénite) renewed their participation in sports events and raised funds for associations fighting cancer and disabilities and for the ELA (European Leukodystrophies Association). ARKEMA also made cash donations to the associations and matched the pledges made by employees.

2.4.3 FAIR PRACTICES, REJECTION OF CORRUPTION

ARKEMA is committed to complying with antitrust regulations and to rejecting all forms of corruption and fraud. Accordingly, ARKEMA condemns and strives to prevent fraud and corruption also in its business dealings with its partners.

Compliance with these rules and the rejection of corruption is based on two principles in particular: (i) The inclusion of these rules in the Group's Code of Conduct and Business Ethics, and (ii) the implementation of control procedures for potential fraud and corruption risks.

Moreover, ARKEMA observes international conventions as well as laws in force in the countries in which the Group operates.

THE ARKEMA CODE OF CONDUCT AND BUSINESS ETHICS

ARKEMA implemented a new Code of Conduct and Business Ethics in November 2013, which replaced the first version of May 2006. It states the rules, based on the Group's ethical values, and includes the ten principles of the United Nations Global Compact, one of which covers combating corruption. The rules are also based on the principles of other fundamental international laws [1], which all employees of the Group must commit to following.

Hence ARKEMA and its employees are guided in their actions by rules and principles of conduct.

This code may be accessed on the Group's internet and intranet websites.

(1) Universal Declaration of Human Rights, principles of the International Labour Organization, guiding principles of the OECD with regard to multinational companies.

Essentially, the Code of Conduct and Business Ethics sets out that:

- Employees may not offer, provide, or accept, directly or indirectly, any unfair advantage, be it pecuniary or otherwise, and whose purpose is to secure business relations or any other business advantage. Those partners particularly concerned are people holding public authority, customer agents or employees, financial or banking organisations, and political parties; and
- Employees must follow the competition laws applicable in all of the countries in which the Group operates at all times.

EMPLOYEE SUPPORT

ARKEMA has created a roadmap to assist employees in ensuring their compliance with all of the requirements of its Code of Conduct and Business Ethics. It covers the following:

- The new version of the Code, published on the Group's intranet sites in November 2013;
- Employee awareness-raising via information regarding ARKEMA's compliance with the principles of the United Nations Global Compact and the Code, added to the Group intranet site in November 2014;
- Preparation, at the end of 2014, for the implementation of an e-learning course on the Code during the 1st quarter of 2015 in parallel with the annual signing by employees of their commitment to comply with the rules and principles of the Code.

PROCESSES TO CONTROL AND REDUCE RISK OF CORRUPTION AND FRAUD

ARKEMA has put in place a compliance and business ethics programme comprising the Code of Conduct and Business Ethics as well as the various rules and procedures applicable within ARKEMA.

The resources employed to ensure the correct operation of this program are:

- Awareness-raising activities about the rules of competition in each BU to increase the accountability of employees, regardless of their level, with respect to competition rules;
- The implementation of specific procedures in the BUs; and
- Information about the rules and behaviours to be followed via a "practical competition guide" provided to employees.

This programme is implemented by the Compliance Committee and the Ethics Mediator, who are responsible for monitoring its application within the Group.

- The Compliance Committee, whose members are appointed by the Chief Executive Officer of Arkema, consists of the Director of Internal Audit and Internal Control, a Human Resources department representative, the director for Sustainable Development, the Director of Group Safety Environment Industry, a representative of the Legal department and a representative of the Finance/Treasury/Tax department.

  The Compliance Committee is responsible for monitoring ARKEMA's compliance in the following areas: Competition law, commercial intermediaries, fraud, commercial practices and business integrity, work environment integrity and respect for the environment.

  The Compliance Committee reports to Comex;
- The Ethics Mediator is appointed by the Chief Executive Officer of Arkema. He is fully familiar with the Group's activities and professions, and his career situation ensures the independence of his judgement.

  The Ethics Mediator is generally and at all time bound by confidentiality towards third parties on the identity of the people raising issues with him, and maintains secrecy on any information that might help identify them; however, this obligation may be tempered, as regards the sole people required to be aware of this information, as strictly required to address and solve the question raised or to handle the case concerned, these people being then also bound by the same obligation.

  In regions where ARKEMA conducts its activities, the regional managers are appointed correspondents of the Ethics Mediator.

For all practical questions regarding an ethical issue in general, and particularly any problem in applying the ARKEMA Code of Conduct and Business Ethics, the Compliance Committee and the Ethics Mediator may be called upon either by the Senior Management or by any employee.

In order to minimise the risk of situations arising that may lead to corruption, ARKEMA also takes steps to select reliable partners, through a process to appraise its commercial intermediaries, conducted in particular by the Compliance Committee.

Finally, as part of the global risk management measures put in place by ARKEMA, the Internal Audit and Internal Control division conducts regular audits in the Group's subsidiaries, when it analyses the various management processes in place in these subsidiaries, to help identify possible risks of fraud, and set out, where appropriate, the necessary corrective actions (refer to paragraph 1.7.1 of this reference document for the global risk management measures).

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.

ARKEMA's approach is based on the ethics principles set out in its Code of Conduct and Business Ethics described in paragraph 2.4.3 of this reference document. Relations with suppliers must be based on trust and develop transparently and in compliance with fairly negotiated contractual terms, including those related to intellectual property and Responsible Care® principles.

ARKEMA is also a signatory to the French national inter-company charter of the buyers professional organisation (CDAF) as well as *Médiation Inter-Entreprises*, which holds out ten 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 1.7.2.2 of this reference document.

TAKING INTO ACCOUNT OF THE SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES OF 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 and Business Ethics described in paragraph 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 and Business Ethics. A Supplier Code of Conduct was implemented by ARKEMA in September 2014 for this purpose. The Supplier Code of Conduct is available online on ARKEMA's website.

ARKEMA implemented an information process for its new suppliers, and gradually for its existing suppliers, covering its requirement that they not only comply with the laws and regulations applicable to them, but also share the principles described in the Supplier Code of Conduct.

As at 31 December 2014, 16,200 ARKEMA suppliers had received the Supplier Code of Conduct; 83% are in the Goods and Services supplier category, 6% are logistics providers and 11% are raw materials providers. This Code will gradually be included in all new consultations.

The principles of the Supplier Code of Conduct are based on the Global Compact, which ARKEMA has made a commitment to support. They cover Human Rights and Labour, namely, freedom of association, child labour, forced labour, discrimination, health, safety, hygiene, harassment and violence. These requirements also include the environment, quality and the safety of products and services provided. Within the context of business integrity and transparency, suppliers must also comply with the principles of law and competition, the prevention of corruption, the prevention of conflicts of interest, confidentiality and the transparency and honesty of the information provided.

Supplier selection is based on meeting a need under the best performance, cost and quality conditions, and in compliance with Responsible Care principles® and the Supplier Code of Conduct.

The Group's Goods and Services Purchasing department has analyses the performance of its main suppliers since its creation, particularly in regards to 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.

ARKEMA selects its logistics services taking into account carrier performances in terms of safety, security and the environment. 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. ARKEMA has been using the same evaluation criteria in China which has been gradually implemented since 2013 as part of the

RSQAS (Road Safety and Quality Assessment System). Likewise, the vessels used worldwide for the bulk transport of ARKEMA products are first assessed (Vetted) by a third party.

For its raw materials purchases, ARKEMA generally uses pre-homologation questionnaires to evaluate its suppliers. These questionnaires are designed to assess their management system and/or their compliance with the principles of the Responsible Care® programme, or their certification based on ISO-type standards.

The Supplier Code of Conduct requires that suppliers comply with ARKEMA's expectations in terms of CSR from the time of implementation.

They commit to cooperating with audits on compliance with this Code.

In order to base its requirements on accepted standards and to avoid its suppliers having to answer specific ARKEMA questionnaires and audits on top of the many requests from their other customers, on 21 November 2014, ARKEMA publicly announced that it had joined the Together for Sustainability (TfS) initiative founded by six European chemical companies.

This global programme is intended to develop social responsibility throughout the entire chemical industry service chain. It is based, in particular, on the principles of the United Nations Global Compact and Responsible Care®;

It enables pooling with other chemical companies to have supplier assessments conducted by Ecovadis and the sharing of evaluation results which Ecovadis puts online on its internet site. Ecovadis analyses the documents and answers provided by suppliers regarding CSR criteria in line with international standards and ensures a 360° watch on information provided by external stakeholders.

It also enables other chemical companies to conduct supplier audits together through independent audit companies and to share the audit results, which Ecovadis posts online on its internet site for the members of the TfS programme.

Over the coming years, ARKEMA will regularly rely on its supplier risk analysis to choose those that will be assessed and audited as part of the TfS programme.

In addition, ARKEMA's Internal Audit and Internal Control department has been conducting audits of Group subsidiaries every year. During the audits, it conducts a range of tests on supplier approval and assessment processes as well as on the practices and risks associated with the raw materials and goods and services purchasing functions.

2.5 PROMOTE THE INDIVIDUAL AND COLLECTIVE DEVELOPMENT OF ALL ITS EMPLOYEES

ARKEMA conducts its operations through various industrial sites located essentially in Europe, America and Asia, as well as sales subsidiaries in some forty countries.

ARKEMA's human resources policy is based on individual development actions and on actions centred on collective working conditions.

Individual development includes recruitment, training and career path. Its end-purpose is to consolidate everyone's competences and know-how. Accordingly, a career management policy should help build career paths that consolidate the skills of the employees and, consequently, of the Company. The training policy complements these actions by providing the necessary theoretical and practical knowledge to take up a post or to change career path. Individual development internally relies on a policy of recognition and fair compensation. Benchmarking studies against other companies are conducted at regular intervals.

Actions based on collective working 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.

2.5.1 EMPLOYMENT

The figures given in the following paragraphs concern the ARKEMA headcount.

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".

Further details on the data collection and computation methods used and on the constraints they might present are given in section 2.6 of this reference document.

In September 2013, an agreement was signed with trade unions CFDT, CFE-CGC and CGT on jobs and skills management planning (GPEC) and on intergenerational management in the Group's companies in France. This agreement lays down in particular new targets in terms of recruitment of young people (under the age of 30) and "seniors" (50 years old and over), as well as the volume of people on work-study programmes within overall staff numbers (see paragraph 2.5.1.2 of this reference document).

2.5.1.1 TOTAL HEADCOUNT AND EMPLOYEE BREAKDOWN BY GENDER, AGE, AND REGION

Changes between 2012 and 2014

The evolution of headcount over the last three years and its geographical breakdown are as follows:

Total headcount by geographical region	31/12/2014	31/12/2013	31/12/2012
France	6,716	6,665	6,722
Rest of Europe	1,839	1,916	1,954
North America	2,609	2,566	2,574
Asia	2,874	2,402	2,332
Rest of the world	242	359	343
ARKEMA TOTAL	**14,280**	**13,908**	**13,925**
Of which permanent [(1)]	*13,832*	*13,434*	*13,349*
incl. fixed term contracts	*448*	*474*	*576*

(1) See methodology note for section 2.6 of this reference document.

Total worldwide headcount increased by 372 people between 2013 and 2014, particularly due to the acquisition of Taixing Sunke Chemicals Co., Ltd. in China.

Breakdown by category and sex

As of 31 December 2014, managers accounted for 25.1% of Group employees, compared to 26.3% in 2013. Women accounted for 23.7% of Group employees for the same year, compared to 23.3% in 2013.

Geographical region	Managerial	Non Managerial	Male	Female
France	1,439	5,277	5,090	1,626
Rest of Europe	476	1,363	1,456	383
North America	1,111	1,498	2,053	556
Asia	484	2,390	2,109	765
Rest of the world	76	166	192	50
ARKEMA TOTAL	**3,586**	**10,694**	**10,900**	**3,380**
Of which permanent [(1)]	*3,531*	*10,301*	*10,645*	*3,187*
incl. fixed term contracts	*55*	*393*	*255*	*193*

(1) See methodology note for section 2.6 of this reference document.

Breakdown by age range, category and sex

	Managerial			Non Managerial			Total		
Age range	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Under 25 years	28	12	40	523	218	741	551	230	781
From 25 to 29	129	81	210	892	333	1,225	1,021	414	1,435
From 30 to 34	250	120	370	909	294	1,203	1,159	414	1,573
From 35 to 39	299	159	458	1,073	292	1,365	1,372	451	1,823
From 40 to 44	391	172	563	1,273	348	1,621	1,664	520	2,184
From 45 to 49	440	155	595	1,180	312	1,492	1,620	467	2,087
From 50 to 54	479	139	618	1,206	292	1,498	1,685	431	2,116
From 55 to 59	393	84	477	933	236	1,169	1,326	320	1,646
60 to 64 years	192	28	220	250	100	350	442	128	570
65 years and above	34	1	35	26	4	30	60	5	65
TOTAL	**2,635**	**951**	**3,586**	**8,265**	**2,429**	**10,694**	**10,900**	**3,380**	**14,280**

2.5.1.2 CHANGES IN THE NUMBER OF EMPLOYEES: RECRUITING AND DEPARTURES FROM 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 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 Careers heading of the Group's website helped receive a large number of job applications in 2011, 2012 and 2013. Interfaced with the AGEFIPH website (French association for management of funds for disabled people in work), it compiles applications in response to vacancies in the Group that fulfil the Group's diversity and equal opportunities commitments.

In 2013, ARKEMA decided to update its "employer brand" by devising a global campaign to attract the best talents. The project was taken up by the human resources function of every country in which the Group operates, and led to a positioning that puts forward ARKEMA's project to the applicants being sought.

As regards recruitment, the agreement on jobs and skills management planning (GPEC) and on intergenerational management signed in September 2013 provides that across the Group's companies in France young people under the age of 30 must represent every year 30% of permanent recruits and that "seniors" (50 years old and over) must represent 10% of the annual quota of permanent recruits.

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 site visits. These initiatives are intended to promote and discuss ARKEMA and its business lines with the students of generalist engineering schools (Mines de Paris, Centrale Paris, Polytechnique), chemistry schools (ESPCI, Chimie Paris, ENSIC, ENSIACET, etc.), post-secondary business schools, notably ESSEC and ESCP-Europe, and with technical schools in the fields of safety and maintenance. This led to Arkema France's decision in 2014 to sponsor the students of the Ecole Polytechnique for three years. The official sponsorship programme launch took place on 23 October, with a speech by the Chairman and Chief Executive Officer of ARKEMA and with former students of the school now working for the Group in attendance. The sponsorship will be implemented for three years through various activities intended to increase the Company's visibility among students. Sponsorship of ENSIACET students was also launched in 2014 in the same spirit. Arkema France has also maintained its commitment to the University of Aix Marseilles by participating in the steering committee for the industrial site inspector licence. It initiated the programme a few years ago jointly with several other companies.

To further strengthen its relations with schools and give them greater visibility, in October 2013 ARKEMA launched the "Campus" programme that pairs second-year students (Campus students) from the above target schools with Group employees (Campus managers) who graduated from those schools. The role of the Campus Student is to inform the Campus Manager of the expectations of students and organise events with the Manager and the ARKEMA recruiting unit such as: Visits to industrial sites, round tables on careers with the Group and presentations on ARKEMA R&D. The ENSIC Campus Manager and Campus

Student organised a visit to the Carling plant for students of the school.

The Arkema-Région Aquitaine boat took part in the "Route du Rhum" sailing race providing an opportunity to strengthen existing bonds with the target schools by enabling Campus Managers and Campus Students and people responsible for company relations in these schools to attend the start of the race in November 2014.

ARKEMA is one of the industrial partners of the "Sino-French Programme in Chemical Sciences & Engineering" of the Fédération Gay Lussac and 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 hosted students from the first ECUST/Gay Lussac graduating class twice, firstly at the Shanghai site in China, and later at the Pierre-Bénite site in France. This partnership continued in 2013 with the preparation of a day-long meeting on the Pierre-Bénite site, on 18 February 2014.

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. This policy was confirmed in an agreement on jobs and skills management planning (GPEC) and on intergenerational management in Group companies in France, signed in September 2013, which includes an undertaking to increase the number of work-study trainees so that it exceeds the legal threshold of 5% of the workforce by 2015.

As at 31 December 2014, the number of students in a work-study programme at Arkema France accounted for 4.6% of its headcount, compared to 4.5% on 31 December 2013.

Change in permanent employee recruiting between 2012 and 2014

The Group recruited 1,022 permanent employees in 2014, compared to 864 in 2013.

These recruits concerned all of the Group's worldwide activities.

Permanent recruits by geographical region	2014	2013	2012
France	376	187	278
Rest of Europe	47	41	42
North America	293	279	254
Asia	277	303	265
Rest of the world	29	54	44
ARKEMA TOTAL	**1,022**	**864**	**883**

The number of hires increased in France in 2014. On the other hand, 2013 was noticeable for its limited hiring.

Geographical breakdown of permanent recruits by category and sex

In 2014, 27.6% of new hires were management, compared to 32.5% in 2013. Women accounted for 25% of total new hires, compared to 20% in 2013 and 30.9% of management hires, versus 24.2% in 2013.

By geographical area in 2014	Managerial	Non Managerial	Male	Female
France	88	288	272	104
Rest of Europe	16	31	35	12
North America	117	176	224	69
Asia	55	222	213	64
Rest of the world	6	23	23	6
ARKEMA TOTAL	**282**	**740**	**767**	**255**

Breakdown of permanent recruits by age, category and gender in 2014

	Managerial			Non Managerial			Total		
Age range	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Under 25 years	11	8	19	119	36	155	130	44	174
From 25 to 29	25	23	48	158	44	202	183	67	250
From 30 to 34	33	23	56	109	30	139	142	53	195
From 35 to 39	30	10	40	59	25	84	89	35	124
From 40 to 44	21	8	29	49	15	64	70	23	93
From 45 to 49	30	6	36	41	9	50	71	15	86
From 50 to 54	24	4	28	25	6	31	49	10	59
From 55 to 59	17	4	21	12	2	14	29	6	35
60 to 64 years	3	1	4	0	1	1	3	2	5
65 years and above	1	0	1	0	0	0	1	0	1
TOTAL	**195**	**87**	**282**	**572**	**168**	**740**	**767**	**255**	**1,022**

In 2014, the share of permanent new recruits under 30 was 41.5% (compared to 39.5% in 2013) and the share of seniors (50 and over) was 9.8% (compared to 8.2% in 2013).

Disposals

In 2014, ARKEMA recorded 1,905 staff departures, compared to 1,352 in 2013.

Leavers by geographical region	**France**	**Rest of Europe**	**North America**	**Asia**	**Rest of the world**	**Total**
All leavers	**624**	**302**	**489**	**333**	**157**	**1,905**
of which resignations	49	39	109	173	9	379
of which redundancies	64	93	74	10	11	252
Of which, left due to a divestment*				86	127	213

* *Divestments of tin stabilisers in China and of coating resins in South Africa.*

2.5.1.3 COMPENSATION AND CHANGES

Overall compensation is a key element of the Group's human resources policy. It aims to valorise and reward fairly the contribution of 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 are rated in accordance with the Hay method. This initiative is being gradually rolled out to all non-executive 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 responsibility in each employee and involve all employees in the achievement of goals;
- ensure competitiveness in the market place;
- provide fair compensation and ensure consistency internally; and
- manage costs.

In the majority of the Group's companies, 18% of employees receive some form of individual variable compensation the amount of which depends on personal performance and the contribution to the collective performance of a BU, a country or the Group.

Collective variable compensation associates 65% of all employees with the Group's growth and to its economical 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 elements in the form of employee shareholding, employee savings schemes, and, for some of them, performance shares.

Nearly all of the Group's employees (99%) benefit from guarantees in respect 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. The profit-sharing consists of two items: A bonus on results based on economic results and a performance bonus defined by each facility and taking into account the achievement of goals specific to each one of them.

In application of these principles, Arkema France renegotiated the profit-sharing agreement via a collective agreement signed on 17 April 2014 with CFDT and CFE-CGC union organisations. It is in place for three years and covers the 2014, 2015 and 2016 financial years. The total amount of profit-sharing available is maximum 5.7% of the wage bill.

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. Given that the parties were not able to reach an agreement, a profit-sharing bonus of 75 euros was implemented unilaterally for all employees of the Group in France.

Employee shareholding

Since its spin-off 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 preferential terms.

Further details may be found in paragraph 5.2.7 of this reference document.

Employee savings schemes

A Group Savings Plan (*Plan d'Épargne Groupe* – PEG) and a Collective Pension Savings Plan (*Plan d'Épargne pour la Retraite Collective* – PERCO) allow employees of Group companies in France to make voluntary contributions and invest their profit-sharing and incentive income.

Negotiations got under way at the beginning of 2014 to review the procedures for matching the sums paid into these systems. They led to the signature of amendments on 17 April 2014 by the CFDT and CFC-CGC union organisations, which state that the sums paid will be matched by the employer up to a maximum annual amount of 1,000 euros (instead of 800 euros before) for the PEG and 400 euros (instead of 250 euros previously) for the PERCO.

The investment structures available are the Arkema Actionnariat France company mutual fund (*Fonds Commun de Placement d'Entreprise* – FCPE) (PEG) entirely invested in the Company's shares, a range of multi-company FCPE funds offering the choice of investment in different asset classes (equities, bonds, money market), and structured funds offering capital guarantees.

Performance shares

These measures, set up in 2006, complement the deferred compensation packages described previously.

Performance share award schemes 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.

Each year, 800 people, or about 6% of the global workforce, receive performance share rights.

Following a vesting period of four years, for the performance share plan decided in 2014, the beneficiaries are granted the Arkema shares definitely, subject to a presence condition and performance conditions.

Further information on these compensation tools may be found in section 3.5 and paragraph 5.2.6, as well as in note 28 of the notes to the consolidated financial statements as at 31 December 2014, in paragraph 4.3.3 of this reference document.

2.5.1.4 RETIREMENT 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. Therefore, over 95% of Group employees receive complementary death and disability cover.

As regards death cover, the aim is to put in place a guarantee representing at least 18 months' salary. Nearly 80% of the global headcount has this level of cover.

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. Accordingly, 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 States, the United Kingdom and Germany where defined benefit schemes have been closed to employees hired between 2002 and 2006 and where defined contribution schemes have been put in place since.

More recently, defined benefit schemes in the United Kingdom have been closed to the acquisition of new rights with effect on 1 August 2013. Employees benefiting from these plans also benefit from existing defined contribution schemes.

For more information, please refer to note 19.3 of the notes to the consolidated financial statements as at 31 December 2014 in paragraph 4.3.3 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.

Within the Group, 95.6% of companies carry out Annual Performance Reviews (APR). The meetings provide an opportunity for discussions between employees and managers to set objectives for the coming year and to review the employee's career path and the training completed during the year. The joint analysis provides a starting point to decide on training for the year to round out the employee's know-how and expertise.

In 2014, the number of training hours (excluding e-learning) recorded in companies at least 50% held by the Group and with more than 30 employees, the case for 93.9% of ARKEMA's workforce, was 457,578 hours, that is, 34 hours of training per employee per year (compared to 307,206 hours, or 23 hours per employee in 2013). The number of permanent employees taking at least one training course during the year (excluding e-learning) was 11,534, that is, 86% of ARKEMA staff (compared to 10,082 in 2013, or 75% of the ARKEMA workforce).

In addition, 4,442 people took e-learning courses, that is, 33% of the staff (3,585 people in 2013, or 26% of the workforce).

2.5.2.2 CAREER MANAGEMENT

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 mission of career management is therefore twofold:

- ensure that the Company has the expertise that it needs to meet its development needs today and in the medium-term; and
- help employees build their careers. The purpose is to enable them to increase their skills and implement their projects, based on the potential and opportunities available in the Group.

Employee career management is provided by career managers organised as follows:

- career management piloted at the Corporate level for management in France and for Level 15 and higher internationally;
- they network with the career managers in each country and at each site for the OETAM (employees, technicians, supervisory management).

There is a single career management policy within the Group, *i.e.* it is based on the same principles, whatever the employee's status (managerial or non-managerial), country, age or sex. These principles are as follows:

- provide each employee with the resources needed to manage their career and provide assistance necessary at each step;
- implement a proactive internal promotion policy;
- identify and develop the potential to promote accountability and career development;
- promote functional and geographical mobility; and
- enable each person to advance in the Company and enrich their experience and skills while ensuring organisational flexibility.

The Annual Performance Review (APR) described in paragraph 2.5.2.1 of this reference document provides management with an opportunity to consider the advancement wishes of employees. In addition to the APR, meetings with career managers provide an opportunity to review the employee's career path, their expectations and the Group business lines towards which they could progress.

In addition to the objectives to recruit young people and seniors (see paragraph 2.5.1.2 of this reference document), the GPEC (jobs and skills management planning) and intergenerational agreement signed in September 2013 for Group companies in France includes the recognition of experts through skills/business line grids which complement the Hay classification. The agreement also covers specific measures such as knowledge transfer, the retirement advice centre, and 80% part-time work paid at 85% during the 24 months preceding retirement also in place to facilitate the end of seniors' careers.

2.5.2.3 INTERNATIONAL EXPERIENCE

The Group conducts its activities essentially in Europe, North America and Asia. The Company has implemented an international mobility policy. Its goals are to guarantee that the level of expertise required in all locations is met and to enhance the skills of employees by posting them in different environments.

This policy consists of four programmes suited to the different international mobility objectives.

Expertise

Applicable to Group employees who develop strategic projects for the Group in a foreign country that does not have the required skills locally and which actively participates in skills transfers to local employees.

Development

Applicable to Group employees who develop their careers for a specific period of time (on average three years) by taking on a job in their area of expertise in another country where there is similar local expertise in order to round out their knowledge, then return to the original country with their newly acquired experience.

International

Applicable to ARKEMA employees whose career is exclusively international with no further reference to the country of origin.

Expatriation in Europe

Applicable to French employees of the Group who develop strategic projects or develop their careers in another European country.

2.5.2.4 SPECIAL CAREER TRAINING PROGRAMMES 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 is currently developing an international training programme: Arkema Safety Academy. The programme is intended for all Group employees. Its objective is to help share safety issues and challenges, policy and tools at Group level. In 2014, programme development focused on:

- a "*Facteur Humain et Organisationnel de la Sécurité*" (human and organisational factors of safety) module for a management audience: This programme specifically focuses on the components of safety culture and enables the management of a site to work on the vision and implementation of the safety culture. The module involved 80% of the executive committees of Arkema France industrial sites and research centres in 2014, and the programme will gradually be rolled out throughout Europe in 2015. It will then be rolled out to the United States and Asia in 2016;
- a "safety culture" module intended for all Group employees, which was completed in 2014: The goal of the programme is to share a single vision of the Group's safety challenges, policy and tools with all Group employees. Its deployment began in 2014 with the Executive Committee, the Business Unit Managers, the Functional Managers and the managers on the major continents. The roll out includes the identification and training of 300 internal facilitators/relays. In early 2015, 192 facilitators/relays were identified and trained and 1,678 employees studied the module. All ARKEMA employees will have completed this module by the end of 2015.

ARKEMA is also designing e-learning modules for international deployment covering our major safety risks and the stakes involved in sustainable development. Several new developments were initiated in this area in 2014:

- the wearing of Individual Protection Equipment;
- the behaviour observation approach;
- the Code of Conduct and Business Ethics;
- the CSR policy;
- the energy policy.

2.5.3 ORGANISATION OF THE WORKING WEEK

2.5.3.1 ORGANISATION OF 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 overall, part-time employees accounted for 3.7% of the total workforce on 31 December 2014, compared to 3.3% in 2013.

Bearing in mind the specific features of the Group's industrial activities, the organisation 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

The number of hours lost to absenteeism in the Group in 2014 (excluding authorised holidays) was 3.5% of hours worked, compared to 3.4% in 2013. Medical absences accounted for 70.7% of the total number of absence hours, compared to 73.5% in 2013.

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. An exchange and dialogue structure has been implemented at the European level with the European Group Committee.

2.5.4.1 ORGANISATION OF DIALOGUE WITH SOCIAL PARTNERS

As part of its labour 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.

The Group Human Resources policy note is accessible on the intranet. It explains the principles for implementing dialogue with social partners, which is in full compliance with the provisions of the Code of Conduct and Business Ethics.

The social dialogue body at the European level is the European Group Committee, which consists of 23 members. It holds a one-day plenary meeting once a year to discuss issues within its remit, in particular:

- from an economic standpoint: Changes in the markets, the commercial situation, the activity level, the main strategic sectors, development prospects and goals;
- from a finance standpoint: Review of the Group's consolidated financial statements, annual report and investments;
- from a social standpoint: The Group's social policy and the status and changes in employment;
- from an environmental standpoint: The Group's policy and changes in European regulations; and,
- from an organisational standpoint: Significant changes concerning Group organisation, changes in its activities, the creation or termination of activities affecting at least two European Union countries.

The 2014 plenary session was held on 1 October at ARKEMA's head office.

The European Group Committee's liaison office, consisting of eleven members appointed among employee representatives within this committee, meets with management for updates on the Company's progress. A liaison office meeting was held on 19 March 2014.

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. The social support measures implemented during restructuring are focused on enabling internal and external redeployment of employees whose position has been eliminated under the best possible conditions and in line with national regulatory provisions.

The Chauny (France) site shutdown in 2014 resulted in the elimination of 71 jobs. An Employment Preservation Plan with a number of different measures was implemented to ensure internal redeployment (functional and/or geographical) and external mobility (search for an external position, company takeover or creation). The material and financial resources implemented were intended to enable each employee affected by job loss to find a solution suited to their personal situation. An employment mobility unit assisted by a specialised redeployment agency selected with management and the trade unions was implemented to assist employees seeking new positions.

As at 31 December 2014, solutions had been found for 97% of the employees in question, of which more than 50% were redeployed within the Group in France.

A consultation process with the employee representatives of the Stallingborough facility (United Kingdom) was initiated on 28 April 2014 regarding the plan to shut down the site's Coating Resins workshop, leading to the elimination of 58 jobs. The negotiation phase was completed on 20 June 2014 with a consensus on the conditions for employee departures which included, in particular, a voluntary system, an individual training budget and redeployment assistance services.

As at 31 December 2014, 94% of the employees affected by the elimination of their job had found a redeployment solution or were able to take early retirement.

On 9 September 2014, ARKEMA presented a plan to close its site in Zaramillo (Spain) to the plant's representative bodies. The plan was initiated as part of a project to improve the profitability of fluorinated gases and would result in the elimination of 59 jobs. In addition, the transfer of Arkema Quimica, SA central services to the Arkema Coating Resins site at Sant Celoni was announced and would result in the Madrid offices being closed.

Negotiations were led with the local works council for several months to review the plan's economic data and the assistance measures to be implemented.

2.5.4.2 OVERVIEW OF WORKFORCE REPRESENTATION IN 2014

Percentage of Group employees, by geographical area, benefiting from personnel representation and/or trade union representation

	2014
France	100%
Rest of Europe	98.07%
North America	98.22%
Asia	73.39%
Rest of the world	49.73%
ARKEMA TOTAL	**94.19%**

2.5.4.3 COLLECTIVE AGREEMENTS SIGNED IN 2014

Since ARKEMA's creation, the contractual policy developed within the Group has been implemented via the signature of several agreements.

In France, some agreements are signed at the Group level and are, therefore, applicable to all Group companies in France. They are completed by company and establishment agreements negotiated within the entities.

Outside France, collective bargaining within Arkema and its affiliates is carried out based on the national practices applicable to staff representation, and relations with management and trade unions.

The main topics for negotiation relate to overall compensation (salaries, provident schemes, health coverage, employee savings and other company benefits), job and skills management, quality of life at work, safety and health at work and dialogue with social partners.

The main agreements signed in France in 2014 were the following:

- Arkema France:
  - agreement on Arkema France profit-sharing for the 2014, 2015 and 2016 financial years, signed on 17 April 2014,
  - agreement on the renewal of the Plan on the Dispensation from Work for Shift Workers signed on 22 April 2014,
  - agreement on measures taken for the employment and integration of disabled people, renewal agreement signed on 2 July 2014,

- agreement on the allocation of seats in the Central Workers Council signed on 4 September 2014,
- agreement on the Central Workers Council signed on 8 September 2014,
- framework agreement on the principles for implementing teleworking signed on 26 November 2014,
- agreement on compulsory annual collective bargaining signed on 15 December 2014;
- Coatex:
  - packaging sector agreement on 1 March 2014,
  - manufacturing agreement on 24 June 2014,
  - agreement on representative elections on 17 November 2014;
- CECA:
  - agreement on CECA profit-sharing for the 2014, 2015 and 2016 financial years signed on 21 May 2014,
  - agreement on compensation for number of days worked signed on 31 October 2014,
  - agreement on the renewal of the Plan on the Dispensation from Work for Shift Workers signed on 25 July 2014;
- Altuglas International:
  - profit-sharing agreement on 2 April 2014,
  - agreement on compulsory annual collective bargaining signed on 19 December 2014;
- MLPC International:
  - agreement on representative elections on 29 January 2014,
  - profit-sharing agreement on 13 June 2014,
  - agreement on gradual work dispensation for shift workers on 1 July 2014.

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:

- in Germany: the agreements reached with the Central Works Council and the Works Councils of the various Arkema GmbH sites covered, in particular, compensation, safety, health at work, and work time;
- in Italy: Arkema Srl signed a total of twelve collective agreements in 2014, in particular, on compensation, working conditions and training. CECA Srl signed an agreement regarding the move of employees from Pioltello (CECA site) to Rho (Arkema site);
- in Korea: Arkema Korea signed two agreements on compensation and employee working conditions;
- in the Netherlands: ARKEMA BV and ARKEMA Rotterdam BV both signed company agreements on personnel representation and pension schemes;
- in the United States: ARKEMA Inc. signed two agreements. They covered compensation, working hours and working conditions, retirement and disabilities.

2.5.5 HEALTH AT WORK

2.5.5.1 HEALTH AT WORK CONDITIONS: AGREEMENTS AND ACTIONS

In matters of protecting health at work, ARKEMA has undertaken continuous progress actions for the prevention of harsh working conditions, stress, and risks at the workstation.

Agreements and actions initiated to prevent harsh working conditions

In January 2012 Arkema France concluded an agreement on the prevention of harsh working conditions. This agreement marks ARKEMA's resolve to engage in an initiative for the continuous and measured improvement of working environments. It is valid for three years from 1 February 2012.

The key points of the agreement are as follows:

- the setting of internal harsh working conditions thresholds;
- a diagnosis of harsh working situations across all ARKEMA France sites;
- the implementation of concrete measures to adapt workstations and develop skills and qualifications;
- the development of internal expertise and qualifications in the field of ergonomics. In this respect, training - ergonomics/work analysis actions - were deployed throughout all sites in France to increase employee expertise in this area. Benchmarks were established for each site;
- efforts to raise awareness of sleep issues for shift operators;
- actions to improve working conditions; and
- preliminary work in the design phase of new plants.

Additionally, 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.

Following the signature of these agreements, many actions were taken both locally and cross-company. In 2014, they included:

- studies in the field related to shift work. ARKEMA shift organisation guidelines were established to create an action plan. An awareness-raising module for operators and plant supervisors was designed and is currently being deployed;
- the technical department has been involved in work to integrate ergonomics upstream of facilities design. This work has led to the design of a library of work situations. The work will continue in 2015 and will result in the definition of guidelines for working conditions that will be taken into account when building new facilities (workshops, plants and R&D centres).
- creation of a work group at head office to study the synergies between the Accident Prevention through Observation (PAO) and Prevention of harsh working conditions approaches;
- a shared assessment with management and trade unions on the concrete actions taken in the field with respect to workstation set up, the development of maintenance aids and adjustments to work organisation and working conditions;
- awareness-raising about people who travel extensively and their health via the creation of a module and information brochure.

Agreements and actions initiated for stress prevention

Arkema France launched a voluntary individual and medical prevention initiative for stress at work in 2008. It is based on a diagnosis of employee stress levels established at a medical check-up (OMSAD). In 2009, ARKEMA also launched a voluntary group prevention initiative for stress at work designed to take action on the work environment when it is identified as an “at-risk area” based on relevant indicators such as an overly elevated rate of “excess-stress”.

This collective stress prevention approach was included in an agreement with Arkema France signed by four out of five unions in May 2010. Through the agreement, Arkema reaffirmed its goal of providing all of its employees with a working environment that promotes 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, analysing them with a view to identifying stress factors, and putting in place corrective actions.

The following have been implemented over the past four years:

- a large number of training courses were organised on the prevention of stress at work, intended for occupational health services, managers, human resources managers, and HSE managers. Training on preventing burnout was provided to managers and site directors in 2014. The training was then rolled out to the central observatory for the prevention of stress at work, two local observatories (head office and Cetia) and to site managers at Cetia. In all, 600 people were trained;
- in addition, communication initiatives continue on a regular basis. An awareness-raising week on the use of Information and Communication Technologies (ITC) was also held in 2014. It covered the following topics in particular: The use of email, the impact of social networks on the organisation and on management methods, changes in work due to ITC;
- a new mapping of Omsad (*Observatoire français médical du stress, de l’anxiété et de la dépression*) results will be carried out in early 2015;
- the risk areas identified were analysed locally to highlight the stress risk factors present. Once they were identified, *ad hoc* action plans were deployed locally.

Actions for health protection at the work station

In order to consolidate its health actions at the workstation level, ARKEMA is developing a health-safety risk assessment tool for workstations called the STARMAP project. It is the successor to the Franco-American MRT (Management of Risks and Tasks) tool. It will promote risk prevention worldwide through the sharing of data and best practices.

Agreements on early employee retirement from sites with asbestos

In France, five operating sites belonging to the Group were included by ministerial decree on a list of sites qualifying for early retirement provisions for asbestos workers available to people still in employment. 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 1 September 2007 with all trade unions. For more information, please refer to note 20 of the notes to the consolidated financial statements as at 31 December 2014 in paragraph 4.3.3 of this reference document.

2.5.5.2 MEDICAL CARE

Medical check-ups were available in 95.5% of the Group’s companies in 2014, representing 83% of the Group’s employees.

2.5.5.3 OCCUPATIONAL ILLNESSES

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 by the Group.

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 paragraph 1.7.2 of this reference document.

As regards industrial hygiene, in addition to the introduction of enclosed industrial processes limiting emissions as much as possible, collective protective measures such as source capture of residual emissions, general improvement work designed to minimise exposure risks, and personal protective measures adapted to each task, the Group requires the implementation of assessments of exposure risks at the workstation, and ensures the use of regular metrology for residual exposure to hazardous chemical products for its employees. The aim of these measures is to prevent future risks of occupational pathologies where possible. Metrological data are kept in conditions that will guarantee their long-term integrity.

In 2014, 33 occupational illnesses were reported at the Group level, of which 23 were related to exposure to asbestos and none to exposure to chemical products.

In France, the Group is also developing a policy of traceability of potential exposure to factors of harsh working conditions identified on its sites, including chemical risks, as part of its single risk assessment document, in accordance with French regulations. The Group has been working since 2012 at the computerisation of these data, while including the requirements of the 2010 and 2014 legal texts on harsh working conditions. The STARMAP tool (see paragraph 2.5.5.1) will manage internal traceability and track harsh working conditions perfectly consistent with the Group's international dimension.

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; and
- a recruitment policy based on the single criterion of relevance of the profile with the position. 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 TO PROMOTE 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:

- strengthening the principle of non-discrimination in access to employment;
- ensuring that the principle of equal pay is implemented;
- promoting and facilitating career development; and
- promoting parenting within the Company.

An agreement on equality at work was signed for Arkema France. Through the roll-out of this agreement, the agreements mentioned previously are also followed up through an analysis of the main indicators. A recruitment charter restating our commitment to non discrimination was also drawn up and distributed.

Arkema France also signed in April 2013 a Corporate Parenting Charter, thereby implementing its commitment to the issue of gender equality within the Group.

A guide will in fact be drafted for managers to provide them with the necessary information on interviews to be conducted as part of gender equality in the workplace.

ARKEMA ensures that female employees enjoy the same career development opportunities as their male counterparts. At Arkema France, of nine promotions to management positions in 2014, two, that is, 22% (compared to 33.3% in 2013), involved women. On 31 December 2014, women accounted for 22.1% of the permanent, non-management salaried workforce (21.8% in 2013) and 24.07% of all employees (compared to 25.2% in 2013).

In the United States, Arkema Inc. created an Affirmative Action Plan supporting gender and pay equality between all employees and job applicants, given similar qualifications and regardless of race, ethnicity, country of origin, religion or sex. The Affirmative Action Plan is updated annually for the period of 1 June through to 31 May.

Group-wide, in 2014, women held 17% of level 15 management positions and higher, according to the Hay classification, compared to 19% in 2013. However, this change is not significant over a year, as the time needed to acquire the skills required for this type of position can take several years of focused experience.

2.5.6.2 MEASURES TAKEN TO PROMOTE THE EMPLOYMENT AND INCLUSION OF PERSONS WITH DISABILITIES

Management and the trade unions at Arkema France signed an initial company agreement on 9 June 2008 in support of maintaining disabled people in employment or helping them find employment covering 2008-2009-2010. The agreement was renewed unanimously on 16 June 2011 by the unions and approved on 8 July 2011 by DIRECCTE Hauts-de-Seine (*Direction régionale des entreprises, de la concurrence, de la consommation, du travail et de l'emploi*). The agreement renewal was for 2011 through 2013.

Assessment of the two first agreements (2008 to 2013)

The first agreement resulted in the implementation of an operational organisation in February 2009, with the creation of Mission Handicap within the DRHCI (Department of Human Resources and Internal Communication) and trained local Coordinators and/or Disability Officers at each Arkema France site. This accelerated implementation of the process.

A significant amount of work was done to build a network of specialised partners involved in training and recruiting, workstation ergonomics and subcontracting. The work led to the creation and regular updating of a directory distributed to the local Coordinators and to the DABS (Goods and Services Purchasing Department).

The commitment of local Coordinators, with support from the CSP (*Centre de Services Partagés*) Recruiting and Mission Handicap, helped to achieve all of the commitments made in the first agreement in terms of hiring and meet or exceed many of the objectives of the second one.

The overall employment rate, which was to be maintained at 3.13% for the first agreement, reached 4.18%, for a goal of 4.10%, by the end of the second agreement.

- 19 permanent contract hires were completed over the 2011-2013 period. The objective was 18;
- 18 work-study contracts were signed out of a planned 20. The goal of 20 couldn't be reached because it wasn't possible to find candidates that were medically apt to meet the training requirements of the sites, notably, with respect to manufacturing operator training;
- 42 interns were hosted out of a projected 40 to 45;
- 7.18 full-time equivalent fixed-term contracts (FTE) and 15.63 FTE temporary workers were employed out of a planned 20 FTE for 2011-2013.

In addition, 74 actions to maintain employment, train and provide career development were completed. Eight facility accessibility projects were also initiated independently of the agreement budget.

Development of relations with the protected sector also continued: While the goal was to invoice €283,125 by the end of the agreement, that is, growth of 12% in the number of labour hours invoiced compared to the average recorded for the 2008-2010 period, €365,163 were spent in 2013.

A new agreement for the 2014-2016 period

An overall assessment of the agreement ending on 31 December 2013 was presented to management and the unions on 17 April 2014. Executive management, management and the unions agreed to continue the policy and a new agreement was signed with unanimous support on 2 July 2014. The agreement was approved by DIRECCTE Hauts-de-Seine on 16 October 2014.

The new agreement covers 2014, 2015 and 2016. It confirms the commitments made by the Company to:

- maintain disabled people in employment and guarantee them access to training and career development;
- conduct an open recruitment and integration policy;
- host young people in training;

- develop partnerships with the protected sector; and
- raise awareness within the Company.

It includes new hiring objectives:

- achieve an overall employment rate of 4.45%;
- hire at least 16 people under permanent contracts;
- train at least 16 people in a work-study programme;
- bring in 14 people on full-time equivalent permanent contracts or temporary assignments;
- sign 40 trainee agreements;
- increase the total labour cost of subcontractor contracts by 5% excluding taxes, compared to the average amount over 2011-2013.

The new agreement achieved the following by the end of 2014:

- **5** disabled persons were hired under permanent contracts since 1 January 2014;
- **6** fixed-term contracts were signed;
- **10** temporary work assignments were completed;
- **13** work-study contracts were signed, including 12 professional training contracts and one apprenticeship contract;
- **5** interns were hosted.

In addition, a number of different actions to maintain employment, train and provide career development were completed in 2014. These include the continuation or start-up of ergonomics studies (Lannemezan, Carling), corresponding changes to workstations and funding assistance for personal equipment: Hearing prostheses (Saint-Auban, head office) and occupational training actions for employee redeployment (GRL). 2014 marked the end of a programme to provide an employee with psychological assistance after their return to work after a long absence (head office). It began two years ago and led to the redeployment of the employee in a position suited to the constraints of their disability.

Continuing the deployment of a network of disability officers at the facilities, the Jarrie site held a training session for 12 disability officers and Pierre-Bénite trained two additional disability officers. Nearly 50 disability officers have been trained to date.

The implementation of suitable training programmes

Employability through specialised training is one of the leading commitments of the ARKEMA policy to promote persons with disabilities. Both executive management and management and the unions support this fully: the first qualifying "*Opérateur de Fabrication des Industries Chimiques*" (chemical industry production operator) training session, designed in 2012 in partnership with the INTERFORA training organisation and other industry companies ended in 2014. Nine people with a disability on a work-study programme took the course via a professional training contract, including three at Pierre-Bénite and Jarrie. All received their CQP (professional qualification certificate). A new class began in April 2014 following a period of *Préparation Opérationnelle à l'Emploi* (preparation for employment). Of the original eight people on work-study, seven are now continuing their apprenticeship. Three are at Arkema France sites (one at Pierre-Bénite and two at Jarrie). As a result of the experience gained in the first session, the tutors and INTERFORA education team were provided with a special training day in preparation for the new class. They also received support throughout their training from a company specialised in dealing with disabilities. The entire programme is financed via a three-way agreement between INTERFORA, ARKEMA and Solvay, which wanted to become involved.

2.5.6.3 ANTI-DISCRIMINATION POLICY

The action plan to employ seniors, which took effect on 1 January 2010 for a period of three years, ended on 31 December 2012. It resulted in the recruitment of 697 employees under permanent contracts, 54 of which were over 50, *i.e.* 7.74%.

In 2013, the issue of senior employment was included in the jobs and skills planning and intergenerational management agreement with the Group's companies. The agreement was signed on 12 September 2013 by the CFDT and CFE-CGC unions (see paragraph 2.5.2.2 of this reference document).

People 50 and older are considered to be seniors for the purposes of this agreement. ARKEMA committed to the following actions in the agreement:

- a hiring objective: 10% of permanent contract recruiting must be of people 50 and older;
- keeping people employed;
- end-of-career assistance;
- retirement planning;
- knowledge sharing.

In 2014, there were 376 permanent contract hires in the Group in France, 42 of which were people 50 or older, *i.e.* 11% of all recruiting (compared to 13.5% in 2013).

Taking into account legislative changes in France covering retirement and keeping seniors employed resulted in a modification to corresponding employee-related liabilities as described in note 19 of the notes to the consolidated financial statements as at 31 December 2014 in paragraph 4.3.3 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 and of the European Convention on Human Rights;
- the fundamental conventions of the International Labour Organisation; and
- the guiding principles of the OECD for multinational companies.

Through its official participation in the United Nations Global Compact, ARKEMA supports the ten principles, particularly those related to respect for human rights and international labour standards.

To confirm this adherence, ARKEMA has put in place an ARKEMA Code of Conduct and Business Ethics 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.

As indicated in paragraph 2.4.3 of this reference document, ARKEMA has implemented a number of different actions to raise the awareness of, and train, its employees to ensure that they comply with the rules and principles of the Code and, notably, that they respect the right to freedom of association and expression, and human rights, that they oppose all forms of forced labour and child labour and that they reject all forms of discrimination.

2.5.7.1 RESPECT FOR FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

ARKEMA is committed to respecting the fundamental freedoms of its employees, such as the freedom of association and expression, of protecting the personal data of its employees and of respecting their privacy, as defined in the Code of Conduct and Business Ethics.

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 paragraph 2.5.4 of this reference document.

2.5.7.2 ELIMINATION OF EMPLOYMENT AND CAREER DISCRIMINATION

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.

ARKEMA is committed to promoting diversity, which is an asset for its global business, and to recruiting employees solely based on its needs and their qualifications, as defined in its Code of Conduct and Business Ethics.

The policy of diversity, equal opportunities and equal treatment of employees within the Group is covered in paragraph 2.5.6 of this reference document.

2.5.7.3 ELIMINATION OF FORCED OR COMPULSORY LABOUR, ABOLITION OF CHILD LABOUR

ARKEMA fully supports the elimination of forced labour and opposes any type of labour which involves forcing people to work against their will or in violation of their personal freedom, as defined in the Code of Conduct and Business Ethics.

ARKEMA commits to never using child labour under any circumstances, regardless of the country ARKEMA is operating in, as defined in its Code of Conduct and Business Ethics.

2.6 METHODOLOGY NOTE

2.6.1 METHODOLOGY NOTE ON ENVIRONMENTAL AND SAFETY INDICATORS

2.6.1.1 ENVIRONMENTAL REPORTING TOOLS AND SCOPE

Extensive data

The Group's extensive 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 values of extensive indicators, once published after verification by the Independent Third-party Body, are not amended in the REED system. Any subsequent retroactive modification due to a change in the estimation method or to a correction is the subject of a commentary in the text of section 2.2 of this reference document.

The data are input by the HSE (Health Safety Environment) departments of the Group's sites, and validated on two levels – geographical then Group.

The consolidation scope for environmental reporting covers all Group sites for which operations (and emissions) permits were in the name of ARKEMA or a majority-held subsidiary on 31 December 2014.

The activities sold or terminated in 2014 are not included in the 2014 reporting, but are still in the reports of previous years.

The entire 2014 production of businesses acquired during 2014 is included in the 2014 report.

Activities started in 2014 are reported from their start-up date.

Intensive data (EFPI)

In order to oversee its environmental performance more accurately and provide a Group consolidated data report that better describes the evolution of this performance, ARKEMA has adopted a methodology allowing its plants to report intensive indicators, called EFPIs (Environmental Footprint Performance Indicators). This methodology for computing intensities of emissions or consumptions of resources relative to production volumes, compared with a baseline year, as used by the Group, minimises the impact of any changes to its business base and the productions from its plants, as well as any changes to the method used to estimate or calculate environmental footprint variables.

The Group's intensive quantitative environmental data are compiled by the same REED environmental reporting system, accessible globally via the web platform of a service provider.

EFPI data are input by the HSE (Health Safety Environment) departments of the Group's sites, and validated on two levels – industrial director then Group. They are subject to a large number of consistency tests.

The consolidation scope for EPFI reporting covers Group sites for which operations (and emissions) permits were in the name of ARKEMA or a majority-held subsidiary on 31 December 2014 and which are among the sites making the greatest contribution to the Group. All emissions or consumptions at these sites account for at least 80% of the Group's in year Y-1.

The activities sold or terminated in 2014 are not included in the EFPI 2014 reporting, but are still in the EFPI reports of previous years.

Businesses acquired during 2014 will be included in the EFPI 2017 reporting for the entire 2017 year as compared with the 2016 performance.

The Hengshui site (China) of Hebei Casda Biomaterials Co. Ltd. and the Zhangjiagang site (China) of Suzhou Hipro Polymers Co. Ltd. acquired in 2012 will only be included in the EFPI reporting from the 2015 EFPI onwards as compared with the 2014 performance.

Activities started up in the course of 2013 will be included in the 2015 EFPI reporting as compared with the 2014 performance.

The American sites which began reporting their emissions to water expressed as chemical oxygen demand (COD) in 2013 will only be included in the EFPI COD reporting from 2014 or 2015 as compared with the previous year's performance as soon as their emissions estimates are deemed reliable.

The EFPI calculation methodology allows the inclusion of new reporting sites within ARKEMA's previous performance. Should the inclusion of a large number of new sites result in a significant change to the confidence interval in this calculation of ARKEMA's EFPI, consideration will be given to whether an adjustment factor should be applied or whether the use of a new baseline year is proving necessary.

2.6.1.2 SAFETY REPORTING TOOLS AND SCOPE

Quantitative data concerning safety:

- are recorded in the Safety Log application accessible on the Group's intranet;
- are entered by the sites and validated by the head office;

- cover all industrial sites operated by ARKEMA or by its majority-held subsidiaries, head offices and research and development centres; and
- did not include vinyl-producing sites sold in 2012 in the 2012 data.

2.6.1.3 CHOICE OF INDICATORS, MEASUREMENT METHODS AND USER INFORMATION

The Group has defined these indicators in order to monitor various emissions and consumptions that are relevant to its activities and in accordance with French law on *Nouvelles Régulations Économiques* (NRE) and its decree of 20 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-I of the French "Grenelle II" law n° 2010-788 published on 12 July 2010 and its implementing decree dated 24 April 2012.

Environmental reporting is covered by an "Environmental Reporting" directive, an "EFPI Reporting" directive, and an "Energy Reporting" directive, issued by the Group Safety Environment (DSEG), Sustainable Development (DDD), and Energy Purchasing (DAMPE) divisions, 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 geographical regions, or in the event of problems in their application.

The directives may then be adapted into guides which are accompanied by training sessions per geographical 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 ADDITIONAL INFORMATION ABOUT 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 using SOx and NOx emissions converted into equivalent tonnes of SO_2.

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/EU 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).

Waste

Segregation of hazardous waste and non-hazardous waste may vary from one geographical region to another. The definitions used by the Group are those of the Basel Convention on the control of transboundary movements of hazardous waste and their disposal.

By-products that are recycled without processing at an ARKEMA site by being sold to third parties are not included in the computation of waste.

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 with 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.

Direct greenhouse gas emissions (GHG)

Direct declared emissions of GHG gases covered in the Kyoto Protocol

Their impact is calculated in equivalent tonnes of CO_2.

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).

For intensive data, the GHGs of fluorogases not listed in the Kyoto Protocol but listed in the Montreal Protocol are included in the EFPI computation.

Indirect greenhouse gas emissions (GHG)

In this report, indirect scope 2 CO_2 emissions were calculated using the electricity and steam consumption and emissions coefficient in tonnes per KWh or tonnes of steam provided by the suppliers of ARKEMA sites, or using the amounts provided by local authorities such as the EPA-2012 database in the United States, the 2013 Baseline Emission Factors for Regional Power Grids from the China NDRC (National Development & Reform Council) for China, SERMANAT data (Mexico's Federal Environmental Agency) for Mexico and data from ADEME (*Agence française de l'environnement et de la maîtrise de l'énergie*), which publishes information for several countries.

In this report, indirect emissions of scope 3 CO_2 were estimated using internal Group company logistics data, accounting for 99% of Group shipments. It should be noted that the kilometres travelled for transport per customer are only available for 54% of scope 3 emissions. Average mileage per zone was used in the other instances.

This data, consisting of tonnes transported, number of shipments, weight transported per shipment and average mileage for each type of transport, were then converted to tonnes of CO_2 emitted during the transports using coefficients per mode of transport defined in the "Guidelines for Measuring and Managing CO_2 Emissions from Freight Transport Operations" published by the European Chemical Transport Association (ECTA) and the European Chemical Industry Council (CEFIC) in March 2011 and prepared based on the work of Professor Alan McKinnon of Heriot-Watt University in Edinburgh in the United Kingdom.

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 METHODOLOGY NOTE ON SOCIAL AND SOCIETAL INFORMATION/INDICATORS

2.6.2.1 SCOPE AND REPORTING TOOLS

The Group's quantitative social data are from several different reporting processes.

Data concerning headcount:

- are recorded in the AREA 1 application accessible on the Group's intranet;
- are entered by the Human Resources directors (DRH) or the managers of Group companies (depending on their size);
- are validated at the Arkema, Altuglas International, CECA, Coatex and Sartomer group levels; and
- cover all companies in which the Group has a holding of 50% or more.

The quantitative and qualitative data concerning the other social and societal information:

- are recorded in the AREA 2 application accessible on the Group's intranet;
- are entered by the human resources employees of regional companies and subsidiaries;
- are validated by the regional DRHs or subsidiary managers; and
- cover all companies in which the Group has a 50% holding or more and which have over 30 employees, which accounts for 93.9% of the Group's total headcount.

2.6.2.2 CHOICE OF INDICATORS, DETERMINATION METHODS AND USER INFORMATION

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 was gradually extended in 2013, in particular with the monitoring of training hours recorded.

This information and these indicators also comply with the regulatory requirements of article 225-I of French law "Grenelle II" n° 2010-788 published on 12 July 2010 and its implementing decree of 24 April 2012.

Social reporting is covered by different procedure documents in the form of AREA 1 and AREA 2 guides, which were distributed to all of the report contributors and validators.

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 DETAILS 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. Outside France, employees engaged on fixed-term contracts exceeding 12 months and renewed more than once 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

The training hours counted do not include e-learning.

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.

2.7 INDICATORS

		2014	2013	2012
SAFETY				
Total recordable injury rate *(TRIR)* [1]		1.9	2.8	3.4
Lost-time injury rate *(LTIR)* [1]		1.1	1.6	1.9
Quota of AIMS-audited sites [2]	%	78	62	37
Quota of sites implementing peer observation	%	77	62	47
Safety, environment and maintenance capital expenditures	€M	211	195	189
Quota of OHSAS 18001-certified sites	%	60	54	34
Quota of OHSAS 18001-certified sites in Europe	%	62		
Quota of OHSAS 18001-certified sites in the Americas	%	63		
Quota of OHSAS 18001-certified in Asia	%	50		
ENVIRONMENT				
Quota of ISO 14001-audited sites [3]	%	70	59	55
Quota of ISO 14001-audited sites [3] in Europe	%	68		
Quota of ISO 14001-audited sites [3] in the Americas	%	84		
Quota of ISO 14001-audited sites [3] in Asia	%	50		
Emissions to air				
Substances contributing to acidification	t eq SO_2	4,750	5,330	5,760
Carbon monoxide	t	3,030	8,850	9,220
Volatile Organic Compounds *(VOC)* [4]	t	4,600	4,460	4,420
Dust	t	430	400	460
Emissions to water				
Chemical Oxygen Demand *(COD)*	t of O_2	3,870	3,800	3,430
Suspended solids	t	3,030	2,950	2,840
Waste				
Hazardous waste excluding material recovery	kt	149	160	160
including landfill disposal	kt	2.1	2.7	2.4
Hazardous waste recycled into materials	%	16	15	
Hazardous waste utilised for energy recovery	%	46	49	
Non-hazardous waste	kt	219	210	157
Resources				
Water withdrawn	Mm^3	120	130	130
Net purchases of energy	TWh	8.36	8.50	8.50
• In Europe	TWh	4.65		
• In the Americas	TWh	2.78		
• In the rest of the world	TWh	0.93		
Net purchases of energy by type				
• Fuel	TWh	4.52		
• Electricity	TWh	2.44		
• Steam	TWh	1.40		

		2014	2013	2012
Share of net fuel purchases from gas	%	90		
Share of net energy purchases from low-carbon emissions electricity	%	17		
Direct greenhouse gas emissions (GHG) [5]	kt eq CO_2	3,430	4,710	5,120
• Of which, CO_2	kt eq CO_2	1,380	1,470	1,460
• Of which, HFC	kt eq CO_2	2,010	3,200	3,610
Direct greenhouse gas emissions (GHG) [5] by region				
• In Europe	kt eq CO_2	1,050		
• In the Americas	kt eq CO_2	2,040		
• In the rest of the world	kt eq CO_2	340		
Indirect greenhouse gas emissions (GHG) scope 2 CO_2	kt	1,067	1,053	
• In Europe	kt	284		
• In the Americas	kt	545		
• In the rest of the world	kt	239		
Indirect greenhouse gas emissions (GHG) scope 3 CO_2 at more or less 20%	Mt	0.2		
Quota of the volume of products bulk shipped as a share of maritime shipments from Europe	%	26		
Quota of rail and intermodal shipments as a share of land shipments in Europe	%	44		
Average bulk shipment load rate per truck in Europe	t	23		
Quota of truck shipments done by bulk in Europe	%	76		
Quota of air shipments	%	0.07		
Number of energy diagnostics in progress or completed		20		
• In Europe		14		
• In North America		5		
• In Asia		1		
Number of Arkenergy investments		47		
• In Europe		31		
• In North America		12		
• In Asia		4		
Number of ISO 50001-certified sites		5		
Numbers of sites where ISO 50001 certification is in progress		10		
Adaptation to the consequences of climate change				
Number of sites exposed to a severe risk of storms and/or flooding		18		
Share of sales from products obtained in full or in part from renewable raw materials	%	13		
SOCIAL				
Headcount				
Total headcount on 31 December [6]		14,280	13,908	13,925
• including permanent employees		13,832	13,434	13,349
• including fixed-term employees		448	474	576

		2014	2013	2012
% managerial positions	%	25.1	26.3	24.9
% female employees	%	23.7	23.3	23.4
% of women in management positions [7]	%	17	19	18
Recruiting [8]		1,022	864	883
% of female recruits	%	25.0	20.0	23.2
% of 50 years old and over recruits	%	9.8	8.2	8.9
% of below 30 years old recruits	%	41.5	39.5	42.8
Departures [9]		1,905	1,352	4,092
• Of which, resignations		379	362	405
• Of which, redundancies		252	224	191
• Of which, left due to a sale/merger		213	0	2,679
Part-time employees	%	3.7	3.3	3.3
Training				
Number of training hours [10]	thousands	458	307	
Training hours per employee		34	23	
Number of permanent employees receiving training [11]		11,534	10,082	
Number of employees who benefited from e-learning		4,442	3,585	
Number of safety training hours	thousands	150		
Number of safety training hours per employee		17		
Number of employees receiving safety training (excluding e-learning)		8,776		
Number of employees taking safety-related e-learning courses		4,263		
Number of environment-related training hours		15,837		
Number of environment-related training hours per employee		7.6		
Number of employees receiving environment-related training (excluding e-learning)		2,070		
Share of work-study students [12]	%	4.6	4.5	3.1
Share of Group companies conducting Annual Performance Reviews	%	95.6		
Health and welfare				
Absenteeism [13]	%	3.5	3.4	3.8
Hours off work on medical grounds	%	70.7	73.5	69.4
Quota of employees benefiting from medical follow-up	%	83	84	84
Quota of employees benefiting from work incapacity supplementary cover	%	95	95	89
Quota of employees benefiting from additional life cover	%	95	95	81
Quota of employees benefiting from death benefit coverage [14]	%	80	80	73
Compensation				
Quota of employees benefiting from minimum compensation guarantees	%	99	98	98
Quota of employees benefiting from collective variable compensation elements	%	65	60	
Quota of employees benefiting from individual variable compensation elements	%	18	15	
Representation				
Quota of employees benefiting from personnel and/or trade union representation [15]	%	94.2	94.9	94

		2014	2013	2012
SOCIETAL				
Number of "Common Ground"® initiatives [16]		985	644	280
Share of Group sites taking part in Common Ground®	%	90	81	
Share of European sites taking part in the Common Ground® programme	%	85		
Share of American sites taking part in the Common Ground® programme	%	93		
Share of Asian sites taking part in the Common Ground® programme	%	94		
Subcontractors and suppliers				
Suppliers receiving the ARKEMA Supplier Code of Conduct		16,200		
• Of which goods and services suppliers	%	83		
• Of which logistics providers	%	6		
• Of which raw materials providers	%	11		
Responsible product stewardship				
Number of substances with REACH registration		274		
Number of voluntary GPS sheets published on finished products		145		
INNOVATION				
Number of patent applications filed for solutions to sustainable development challenges		81	79	

(1) Number of accidents per million hours worked.
(2) AIMS audit (Arkema Integrated Management System) which combines ISO 9001, ISO 14001 and OHSAS 18001 requirements.
(3) Or RCMS (Responsible Care® Management System) in the United States.
(4) 2012 data revised as indicated in paragraph 2.2.1.2 of this reference document.
(5) GHG emissions concerning gases covered in the Kyoto Protocol.
(6) Breakdown by region, age, category of position and gender, as detailed in paragraph 2.5.1.1 of this reference document.
(7) Position level 15 or above according to the Hay classification.
(8) Breakdown by region, age, category of position and gender, as detailed in paragraph 2.5.1.2 of this reference document.
(9) Breakdown by region, as detailed in section 2.5.1.2 of this reference document.
(10) Recorded in companies held 50% or more by the Group and employing over 30 people, which accounts for 93.9% of the total headcount.
(11) Excluding e-learning.
(12) Share of work-study students compared to headcount (scope: Arkema France).
(13) Total number of hours off work (excluding authorised leave of absence) relative to the total number of man-hours worked.
(14) Guarantee representing at least 18 months' salary.
(15) Breakdown by region, as detailed in paragraph 2.5.4.2 of this reference document.
(16) Initiative launched by ARKEMA as part of its relations with its manufacturing site stakeholders.

2.8 FAIRNESS OPINION OF AN INDEPENDENT THIRD PARTY PURSUANT TO ARTICLE L. 225-102-1 OF THE FRENCH COMMERCIAL CODE

BUREAU VERITAS SA

67/71, boulevard du Château, 92571 Neuilly-sur-Seine

RCS Nanterre B 775 690 621

VERIFICATION REPORT ON THE SINCERITY OF THE INFORMATION RELATIVE TO THE TRANSPARENCY REQUIREMENTS ON THE DISCLOSURE BY COMPANIES OF ENVIRONMENTAL AND SOCIAL TOPICS

The reviewed information is relative to year ended December 31, 2014.

REQUEST, RESPONSIBILITIES AND INDEPENDENCE

At the request of the Arkema group, and in accordance with the requirements of article L.225-102-1 of the French Commercial Code (*Code de commerce*), we performed, as independent third party, an independent verification of the social, environmental and societal information contained within the 2014 Arkema reference document.

The preparation and presentation of the qualitative and quantitative information for the publication required by the article R.225-105-1 of the French Commercial Code (*Code de commerce*) is the sole responsibility of Arkema group. The collection and management of this information has been coordinated by the Sustainable Development Direction of Arkema group in accordance with:

- 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", available at the corporate level, and a summary of which is included under the form of a methodological note in the reference document section 2.6, which will be available on Arkema group's website.

It's our role, in accordance with the requirements of the article R.225-105-2 of the French Commercial Code *(Code de commerce)*, to conduct the verification pursuant to the issuing of this verification report.

The conclusions of this report include:

- an attestation of completeness of the social, environmental and societal information required by the article R.225-105-1 of the French Commercial Code (*Code de commerce*);
- a reasoned opinion on the sincerity of the published information as well as a limited assurance opinion of the quantitative information, and if any, a reasoned opinion on the explanation given in case of the omission of certain consolidated information.

This opinion is independently stated, and without partiality. Our work has been conducted according to the professional practices. Bureau Veritas has implemented its Code of Ethics which is applied by its staff.

NATURE AND SCOPE OF OUR WORK

We conducted our works from the beginning of October to the signature of the present report, for a period of about 13 weeks, by a team of 7 verifiers. We conducted around 95 interviews during this mission.

We verified that the social, environmental and societal information covers the consolidated perimeter as defined in the articles L 233-1 and L 233-3 of the French Commercial Code (*Code de commerce*). The perimeter's adjustments for the social and environmental information are clarified in the methodological note of the reference document

For the attestation of completeness of the information we undertook the following work:

- taking note of the Group policy relative to sustainable development, according to its social and environmental impacts and its societal commitments;
- comparison of the information presented in the reference document 2014 with the list as provided for in article R 225-105-1 of the French Commercial Code (*Code de commerce*);
- verification of the explanation given in case of omission of consolidated information.

For the reasoned opinion on the sincerity of the information, we conducted our work in accordance with the French legal order, published on the 13th May 2013 determining the methodology according to which the independent third party conducts its mission, and with our methodology.

We conducted the following procedures in order to provide limited assurance that nothing has come to our attention that causes us to believe that the produced information contains any material misstatements likely to call into question its sincerity, in all material aspects according to the "reporting methodology":

- review of the "reporting methodology" with regard to relevance, reliability, completeness, understandability of information;
- identification of the persons, within the Group, who are in charge of the collection, and if any, those who are responsible for the procedures of internal control and risk management;
- verification of the implementation of a process for the collection, treatment, compilation, internal control of the information to guarantee their completeness and consistency;
- examination of the internal control and risks management procedures relative to the preparation of the information;
- interviews with persons in charge of the social, environmental and societal reporting;
- selection of consolidated information to be tested [(1)] and definition of the nature and the scope of the tests, taking into consideration their importance with regard to the social and environmental consequences related to the Group's activities as well as to its societal commitments.
- Regarding the quantitative information we recognized as to be the most important we have:
  - performed an analytical review of the information and check for a sample of information the calculations and the compilation of the information at the corporate level and the controlled entities;
  - selected a sample of sites [(2)] based on their activities, their contribution to the consolidated information, their localization, the results of the previous verification exercises and a risks analysis.
- Regarding each selected entity we performed the following work:
  - interviews to check that the "the reporting methodology" is correctly implemented;
  - performance of detailed tests, checking, based on sampling, the calculation applied and reconciling the information with supporting evidences.

The entities selected accounted for an average of more than 20% of the consolidated information, recognized as the most important, for each topic environment and social.

- Regarding the qualitative information, for the information we believe to be the most important we have conducted interviews, exanimated source documents and, if any, public information;
- Regarding the explanations relative to the missing/omitted information, we assessed their relevance.

COMMENTS ON THE "REPORTING METHODOLOGY" AND ON THE INFORMATION

The procedures and process for the reporting of the Group lead us to make the following comment:

Even though it is specified in the reference document, it is relevant to mention that some information doesn't cover the whole consolidated perimeter (review of agreements on matters of occupational health, measures taken for the employment and integration of disabled people).

ATTESTATION OF COMPLETENESS OF THE INFORMATION

Based on our work, within the perimeter defined by the Group, we attest to the completeness of all the required social, environmental and societal information.

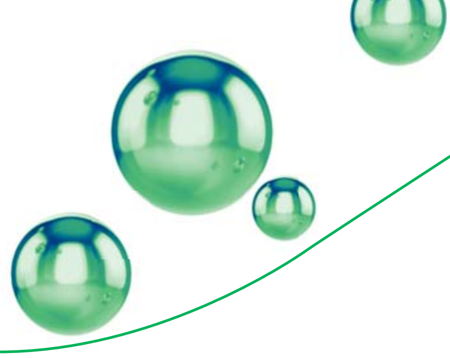
SINCERITY OPINION AND LIMITED ASSURANCE

Based on our work, nothing has come to our attention to suggest that the social, environmental and societal information communicated by Arkema group in its 2014 reference document is not fairly presented in all material aspects in accordance with the reporting methodology.

Puteaux, February 16 2015
Bureau Veritas
Jacques Matillon
Agency Director

(1) Social information: total headcount breakdown by gender, age, status category, employees recruitments and departure, individual variable compensation elements, number of training hours, % of companies performing annual performance reviews, part of the workforce working part-time, absences for medical reasons, part of the workforce benefiting from personnel representation or/and trade union representation, Collective agreements signed in 2014; part of the workforce receiving routine medical care/monitoring, part of women in executive posts. Environmental: consumption of energy, GHGs emissions breakdown by par zones, VOC emissions, COD emissions to water (4 major indicators), as well as substances contributing to acidification, dust emissions, water withdrawn, suspended solids, hazardous waste, non-hazardous waste, total CO_2 emissions, HFC emissions, CO_2 emissions of scope 2 breakdown by zones, estimation of products transport related CO_2 emissions of scope 3, part of the various modes of transport that emit less greenhouse gas, loading ratio of road bulk shipment, part of sites ISO 14001 certified breakdown by par zones, number or environment training hours, number of performed energy assessments breakdown by zones, number of ISO 50001 certified sites; number Akenergy investments made by the group breakdown by zones, expected gains related to Akenergy investments, net purchase of energy breakdown by zones, net purchase of energy breakdown by category, part of gas within the purchase of energy, part of the purchase of energy coming from low-carbon electricity, number of patent applications related to innovative solutions, part of the Group turn-over obtained in whole or part from renewable raw materials. Health & safety information: TRIR, LTRIR ; part of the sites OHSAS 18001 certified breakdown by zones, number of health and safety training hours, number of employees who have benefited from at least one health and safety e-learning training course. Societal information: number of "Common Ground®" initiatives and part of the companies taking an active part in these events, number of suppliers who received the Supplier's Code of Conduct.

(2) For social information the companies: CECA SA; Coatex SAS; Arkema Inc, those entities represent around 22% of the total headcount. For environmental and health & safety information, the following sites : Riom, Saint Bauzile, Carling, Lannemezan, Marseille, Jarrie et Balan EVA in France and Beaumont, Calvert City, Clear Lake in the USA, the contribution of those sites to each of the 4 major indicators represents: 63% of GHGs; 46% of energy consumption; 32% of VOC and 30% of COD.



3

CORPORATE GOVERNANCE

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

This chapter 3, together with paragraph 1.7.1 of this reference document, makes up the Chairman of the Board of Directors' report as required under article L. 225-37 of the French Commercial Code. This report was prepared by the Company's Chairman and Chief Executive Officer, with the assistance of a working group comprising, in particular, the Secretary of the Board of Directors and the Vice-President Internal Audit and Internal Control, having taken into consideration:

- the AFEP-MEDEF Corporate Governance Code for listed companies as revised in June 2013 (the "AFEP-MEDEF Code"), and its Implementation Guide as amended in December 2014, available on the AFEP and MEDEF websites (www.afep.com and www.medef.com);
- AMF recommendation n° 2012-02 dated 9 February 2012 on corporate governance and the compensation of directors of listed companies, updated on 11 December 2014, and AMF recommendations n° 2013-17 dated 4 November 2013 and n° 2014-08 dated 22 September 2014; and
- the recommendations of the High Committee on Corporate Governance set out in its Annual Report published in October 2014.

It was then submitted to and reviewed by the Nominating, Compensation and Corporate Governance Committee (for the corporate governance part) and by the Audit and Accounts Committee (for the internal control part) before being approved by the Company's Board of Directors on 4 March 2015.

The other information required under the aforementioned article L. 225-37, namely, the conditions of shareholder participation at annual general meetings, information concerning the structure of the Company's share capital and factors likely to have an impact in the event of a public offering, are set out in paragraphs 5.5.1, 5.2.1, 5.3.1, 5.3.2 and 5.3.3, respectively, of this reference document.

3.1 COMPLIANCE WITH THE CORPORATE GOVERNANCE SYSTEM

With regard to corporate governance, the Company refers to the recommendations of the AFEP-MEDEF Code and its Implementation Guide, as amended in December 2014, available on the AFEP and MEDEF websites (www.afep.com and www.medef.com).

In accordance with the "comply or explain" rule provided under article L. 225-37 of the French Commercial Code and article 25.1 of the AFEP-MEDEF Code, the Company considers that, barring exceptions for which comprehensible, relevant and detailed explanations are provided in the following summary table, the Company complies with the corporate governance system in force in France.

Disregarded provisions of the AFEP-MEDEF Code	Explanations
16. Audit and Accounts Committee *"The time available for reviewing the accounts should be sufficient (no less than two days before review by the Board)."*	Given the timetable for closing the accounts and publishing the results, as well as the Company's internal organisation, the Audit and Accounts Committee reviewing the accounts generally meets the day before the Board of Directors' meeting. However, members of the Audit and Accounts Committee effectively receive the necessary documents and information to carry out their duties with a sufficient timeframe (generally 5 days prior to the meeting) to be able to review them in a satisfactory manner and give their opinion to the Board of Directors. The Audit and Accounts Committee also meets once a year in mid-December to review the closing options prior to the Board meeting held to approve the annual accounts. The aim of a two-day timescale requirement as provided for under the AFEP-MEDEF Code is part of the governance targets which ARKEMA intends to put in place in the very near future.
23.2.4. Stock options and performance shares *"in accordance with the terms set by the board and announced upon the award, the performance shares awarded to executive directors should be conditional upon the acquisition of a defined quota of shares upon the availability of the awarded shares."*	The Nominating, Compensation and Corporate Governance Committee has not deemed it necessary to introduce a condition to purchase additional shares in the Company, given the stringent obligations to hold shares set by the Board of Directors whereby the Company's Chairman and Chief Executive Officer, in particular, must hold at least 30% of the shares awarded on a definitive basis and a number of shares obtained upon the exercise of stock options corresponding to at least 40% of the net capital gain on acquisition until the conclusion of his term of office (for further details on the holding requirements for the Chairman and Chief Executive Officer, see paragraph 3.4.3.3 of this reference document).
23.2.5. Start-of-contract, termination and non-compete compensation Severance payment *"These performance requirements set by the board must be demanding and may not allow the indemnification of an executive director, unless his or her departure is imposed upon them regardless of the nature of their severance, and linked to a change in control or strategy."*	The rule linking forced severance to a change in control or strategy has not been retained in order to compensate for the loss of all benefits, in particular for length of service, related to the executive employee status of Mr Thierry Le Hénaff during his 17 years in the Total group, to which ARKEMA belonged at the time of the Company's spin-off and stock market listing, and his appointment as Chairman and Chief Executive Officer of the latter Company.

3.2 COMPOSITION OF ADMINISTRATIVE AND MANAGEMENT BODIES

3.2.1 BOARD OF DIRECTORS

3.2.1.1 PRINCIPLES FOR THE COMPOSITION OF THE BOARD OF DIRECTORS

The composition and functioning of the Company's Board of Directors are determined by current laws and regulations, by the Company's Articles of Association, and by the Internal Rules of the Board of Directors.

At the date of this reference document, taking into consideration the expiration of the term of office of Mr Jean-Pierre Seeuws due to the maximum permitted age provided for in the Company's Articles of Association, the Company is currently run by a Board of Directors comprising eleven members, nine of whom are independent. However, the Board of Directors intends to propose the candidacy of a new director at the Company's next annual general meeting of shareholders. The Company's Board of Directors includes three women and one member representing shareholder employees.

In accordance with the AFEP-MEDEF Code and with AMF recommendations in relation to the composition of Boards of Directors, the Nominating, Compensation and Corporate Governance Committee regularly reviews the objectives relating to the diversification of the composition of the Board of Directors, whether in terms of independence of directors, balanced representation of gender and mix of nationalities and cultures, as well as wide range of experience and complementary skills. Consequently, the Committee aims at selecting and submitting to the Board of Directors managers or former managers of business who possess skills in areas such as industry, finance, research and information technology. In terms of increasing the international presence in its composition, and given the Group's recent history as an independent company, the Board of Directors wishes to continue to encourage the face-to-face presence and active participation of its members at its meetings and, in that respect, is seeking French or foreign nationality candidates who have acquired significant experience abroad.

As at the date of this reference document, the Board of Directors considers that its members' skills are diverse enough to be able to carry out its duties with the necessary independence and objectivity.

The professional expertise of each member of the Board of Directors, at the date of this reference document, is set out in paragraphs 3.2.1.2 and 3.2.1.3 herein.

Independence of directors

As part of its process to assess its members' independence and to prevent risks of conflict of interests between director and top management, the Company or the Group, the Board of Directors takes into account all the criteria of the AFEP-MEDEF Code, which are taken up in its Internal Rules. Accordingly, an independent director is one who, other than his position on the Board, has no relationship whatsoever with the Company, the Group or its management. In particular, an independent director may not:

- be, or have been within the last five years, an employee or executive officer of the Company or an employee or director of a consolidated company;
- be, or have been within the last five years, an executive officer of a company for which the Company, directly or indirectly, is a director, or for which a Company's executive officer or employee is a director;
- be, or be linked directly or indirectly to a customer, supplier, investment or corporate banker of significant importance to the Company or to the Group, or for which the Company or Group represents a significant portion of the business;
- have a close family relationship with an officer of the Company;
- have been an auditor of the Company during the last five years;
- have been a director of the Company for more than twelve years; or
- be or represent a significant shareholder of the Company owning over 10% of the Company's share capital or voting rights.

The annual review of the independence of each member of the Board of Directors, in accordance with the AFEP-MEDEF Code and the Board of Directors' Internal Rules, took place at the Nominating, Compensation and Corporate Governance Committee meeting on 9 January 2015 and at the Board of Directors meeting on 22 January 2015. At these meetings, the Nominating, Compensation and Corporate Governance Committee, and subsequently the Board of Directors, specifically reviewed the business relationships that may be sustained with Sopra Steria and with Natixis, companies with which certain directors are associated and, in that respect, performed materiality tests to establish whether those relationships are of significant importance. To that end, a summary of the transactions carried out between ARKEMA and the aforesaid companies was submitted to the Board of Directors in order to assess the volume of business represented by these transactions between each of these companies, respectively, and ARKEMA.

Consequently, the Board of Directors reviewed carefully the situation of Mr Laurent Mignon, Chief Executive Officer of Natixis which was involved, in particular, in the financing arrangements for the acquisition of BOSTIK. Firstly, the Board of Directors noted and confirmed ARKEMA's practice of inviting a small number of leading banks to participate in a call for tenders each year, which enables the Group to access financing products and, more generally, banking products, at competitive rates. Within the specific context of the proposed acquisition of BOSTIK, taking into account the strict conditions of confidentiality stipulated by the vendor, the Board of Directors decided (with Mr Laurent Mignon excluded from the vote) not to arrange a call for tenders for the financing of that acquisition, and appointed Natixis, in particular, to arrange a bridge loan facility, since Natixis' proposal enabled the objectives established for that financing transaction to be met (maintaining a solid balance sheet structure and preserving the current credit rating) while also offering rates considered competitive based on figures regularly collected by ARKEMA as part of the annual tender procedures with its main banks. Finally, the Board of Directors performed materiality tests by comparing the fees received by all of the Group's banks and establishing the share of ARKEMA's credit commitments held by each one. These tests enabled the Board of Directors to establish that:

- exceptional compensation was paid to Natixis by ARKEMA in 2014 as part of the BOSTIK acquisition, but that this compensation concerned a specific transaction that was fully completed in January 2015, was paid for transactions executed at competitive market rates and was subsequently shared with other banks of the Group;
- this compensation represents less than 0.2% of ARKEMA's sales and an even smaller percentage of Natixis' sales; consequently, it cannot create a link of dependency between the two companies; and
- in accordance with ARKEMA's banking policy, ARKEMA's confirmed credit commitments with Natixis (excluding the bridge loan facility specific to the BOSTIK acquisition, which ended on 20 January 2015 and which ARKEMA did not ultimately draw on [see paragraph 4.1.8 of this reference document]), are no greater, in relation to ARKEMA's total commitments, than those of the other main banks, and represent less than 20%.

Consequently, the Board of Directors concluded that there is no dependent relationship between the two companies and that Mr Laurent Mignon should continue to be qualified as an independent director.

Lastly, given the absence of any significant volume of business concluded with Sopra Steria [1], the Board of Directors decided that, with the exception of Mr Thierry Le Hénaff, Chairman and Chief Executive Officer of the Company and of Mr Patrice Bréant, who is employed by a Group company, all members of the Board of Directors are independent.

At the date of this reference document, and in accordance with the AFEP-MEDEF Code, which provides that the director representing shareholder employees, Mr Patrice Bréant, should not be included when establishing the percentage of independent directors, the rate of independance of the Board of Directors is 90% (9 directors out of 10). This proportion is greater than the AFEP-MEDEF Code recommendation providing for at least half the board members to be independent in companies with diversified capital and no controlling shareholders.

Balanced gender representation on the Board of Directors

In accordance with articles L. 225-17 paragraph 2 and L. 225-37 paragraph 6 of the French Commercial Code, the Board of Directors ensures that the principle of balanced gender representation among its members is applied, particularly when renewing each director's term of office. Thus, in accordance with the provisions of law n° 2011-103 dated 27 January 2011 relating to balanced gender representation on Boards of Directors and Supervisory Boards and to professional gender equality, at the date of this reference document, the Company's Board of Directors included 3 women among its 11 members, representing 27%. Upon proposal of the Nominating, Compensation and Corporate Governance Committee, the Board of Directors will ensure that the rate of 40% provided by the above referenced law will be achieved at the latest at the annual general meeting held to approve the financial statements for the financial year ending 31 December 2016.

Representation of shareholder employees/representation of employees

In accordance with relevant regulations, the Board of Directors includes a member representing shareholder employees, Mr Patrice Bréant, whose term of office was renewed at the annual general meeting on 15 May 2014.

Furthermore, pursuant to the provisions of law n° 2013-504 dated 14 June 2013 relating to job security establishing the new article L. 225-27-1 of the French Commercial Code, companies fullfilling the conditions provided for by this law are required to appoint at least one director representing employees, in accordance with the terms set forth by the Articles of Association. It should be noted that the Company does not meet the conditions laid down in the law and that it is consequently not subject to such obligation. The aforesaid provisions apply to Arkema France, a subsidiary of the Company, and the board of directors of that company now has a director representing employees designated by the Central Works Council on 26 June 2014.

Other characteristics

According to the provisions of the Company's Articles of Association:

- subject to the laws applicable to provisional appointments made by the Board of Directors, the directors shall serve a four-year term of office. In accordance with the recommendations of the AFEP-MEDEF Code, the directors' terms of office are staggered in order to avoid reappointment of the Board *en*

(1) Company of which Mr. François Énaud was the Chief Executive Officer.

masse, and ensure that the directors' reappointment process operates smoothly. In this regard, with the terms of office of all directors being staggered, the general shareholders meeting is therefore called every year to decide upon the renewal of one or more terms of office;

- each director must hold at least 300 of the Company's shares throughout their term of office except for the director representing shareholder employees, who must hold, individually or through a company mutual fund (*Fonds Commun de Placement d'Entreprise* or FCPE) governed by article L. 214-165 of the French Monetary and Financial Code (*Code monétaire et financier*), 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; in accordance with the recommendations of the AFEP-MEDEF Code and with the High Committee on Corporate Governance, the Board of Directors on 4 march 2015, upon proposal of the Nominating, Compensation and Corporate Governance Committee, decided to increase the minimum number of shares to be held by each director to 450 shares, which corresponds to a value representing approximately one year of attendance fees, net of tax and amended its Internal Rules accordingly; and
- the age limit for directors as provided for in the Company's Articles of Association is 70 years old.

Furthermore, in accordance with the provisions of the Board of Directors' Internal Rules, each director is subject to an obligation to provide information to the Company on any situation, even a potential one, of direct or indirect conflict of interest with the Company (see paragraph 3.2.3.3 below on this point).

3.2.1.2 COMPOSITION OF THE BOARD OF DIRECTORS

In 2014, the composition of the Board of Directors changed as a result of the appointment of the *Fonds Stratégique de Participations* as a director, at the Company's annual general meeting on 15 May 2014.

At 31 December 2014, the composition of the Board of Directors was as follows:

Directors	Other offices held
MR 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 financial statements for 2015 financial year **Nationality:** French **Number of shares held at 31 December 2014:** 89,184	***Current:*** **France** **Within the Group** ▸ Chairman of the Board of Directors, Arkema France **Outside the Group** ▸ Director, Eramet* **International** ▸ None ***Held in the past five years but now expired:*** **Expired in 2014** ▸ None **Expired 2010 to 2013** ▸ None
MR PATRICE BRÉANT **Main office held within the Company:** Director representing shareholder employees **Date of first appointment:** 1 June 2010 **Date of last renewal:** 15 May 2014 **Date appointment expires:** AGM held to approve financial statements for 2017 financial year **Nationality:** French **Number of FCPE shares held at 31 December 2014:** 484 **Expertise:** experience acquired in trade union matters and R&D for High Performance products	***Current:*** **France** **Within the Group** ▸ Member of the FCPE Arkema Actionnariat France Supervisory Board **International** ▸ None ***Held in the past five years but now expired:*** **Expired in 2014** ▸ None **Expired from 2010 to 2013** ▸ None

MR 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 financial statements for 2014 financial year **Nationality:** French **Number of shares held at 31 December 2014:** 301 **Expertise:** CEO of a large digital services company listed on the Paris stock exchange, with a strong presence in India and in the United Kingdom, and with significant experience in customer-driven businesses and new technologies	***Current**:*** **France** **Within the Sopra Steria group** ▸ Chief Executive Officer and Director, Sopra Steria Group* **Outside the Sopra Steria group** ▸ Chairman of the Board of Directors, Agence nouvelle des solidarités actives (ANSA) ▸ Director, FONDACT (Association under law 1901 for participative management, employee savings plans, and responsible share ownership) **International** **Within the Sopra Steria group:** ▸ Director, Steria UK Limited (United Kingdom) ▸ Chairman of the Board of Directors and Director, Steria Holdings Limited (United Kingdom) ▸ Member of the Supervisory Board, Steria Mummert Consulting AG (Germany) ***Held in the past five years but now expired**:*** **Expired in 2014** ▸ Chief Executive Officer, Groupe Steria SA* ▸ Chairman and Chief Executive Officer, Steria SA **Expired from 2010 to 2013** ▸ Director, Steria Limited ▸ Director, Steria Services Limited
MR BERNARD KASRIEL **Main office held within the Company:** Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 4 June 2013 **Date appointment expires:** AGM held to approve financial statements for 2016 financial year **Nationality:** French **Number of shares held at 31 December 2014:** 1,602 **Expertise:** engineer and former CEO of a large French CAC40-listed industrial group with strong international experience, particularly in the United States	***Current**:*** **France** ▸ Director, L'Oréal* **International** ▸ Director, Nucor* (USA) ***Held in the past five years but now expired**:*** **Expired in 2014** ▸ None **Expired from 2010 to 2013** ▸ Partner at LBO France
MRS VICTOIRE DE MARGERIE **Main office held within the Company:** Director **Date of first appointment:** 7 November 2012 **Date appointment expires:** AGM held to approve financial statements for 2014 financial year **Nationality:** French **Number of shares held at 31 December 2014:** 300 **Expertise:** Chairman of a micromechanics SME with broad experience in the industry, mainly in Germany and in the United States, and an independent director of various listed companies in the industrial sector in France, United Kingdom and Italy	***Current**:*** **France** ▸ Chairman, Rondol Industrie ▸ Director, Ecoemballages ▸ Director, Eurazéo* **International** ▸ Director, Morgan Advanced Materials* (United Kingdom) ▸ Director, Italcementi* (Italy) ***Held in the past five years but now expired**:*** **Expired in 2014** ▸ Director, Norsk Hydro* (Norway) **Expired from 2010 to 2013** ▸ Director, Ciments Français ▸ Director, Groupe Flo ▸ Director, Outokumpu

MR LAURENT MIGNON	*Current**:*
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 financial statements for 2014 financial year **Nationality:** French **Number of shares held at 31 December 2014:** 300 **Expertise:** Chief Executive Officer of a French bank listed on the Paris stock exchange, with significant experience in economics and financial matters	**France** **Within the BPCE group** ▸ Chief Executive Officer, Natixis SA* ▸ Chairman of the Board of Directors, Natixis Global Asset Management (NGAM) ▸ Member of the Executive Board, BPCE ▸ Chairman of the Board of Directors, Coface SA* **International** **Outside the BPCE group** ▸ Director, Lazard Ltd* ***Held in the past five years but now expired**:*** **Expired in 2014** ▸ None **Expired from 2010 to 2013** ▸ Chairman, Coface Holding SAS ▸ Permanent Representative of Natixis, Director, Coface SA ▸ Director, Sequana* ▸ Permanent Representative of Natixis, observer at the Supervisory Board of BPCE
MR THIERRY MORIN	*Current**:*
Main office held within the Company: Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 4 June 2013 **Date appointment expires:** AGM held to approve financial statements for 2016 financial year **Nationality:** French **Number of shares held at 31 December 2014:** 1,243 **Expertise:** former Chairman and CEO of a French industrial group in the highly competitive automotive component industry with a strong international presence	**France** ▸ Chairman, Thierry Morin Consulting (TMC) ▸ Chairman of the Management Board, Université de Technologie de Compiègne ▸ Manager, TM France ▸ Director, Elis **International** ▸ Chairman, TMPARFI SA (Luxembourg) ***Held in the past five years but now expired**:*** **Expired in 2014** ▸ None **Expired from 2010 to 2013** ▸ Director, CEDEP ▸ Chairman of the Board of Directors, Institut national de la propriété industrielle (INPI)
MR MARC PANDRAUD	*Current**:*
Main office held within the Company: Director **Date of first appointment:** 15 June 2009 **Date of last renewal:** 4 June 2013 **Date appointment expires:** AGM held to approve financial statements for 2016 financial year **Nationality:** French **Number of shares held at 31 December 2014:** 500 **Expertise:** executive director of a large international bank with significant investment banking experience across numerous countries	**France** ▸ Vice-Chairman, Deutsche Bank France – Middle East and Africa **International** ▸ None ***Held in the past five years but now expired**:*** **Expired in 2014** ▸ None **Expired from 2010 to 2013** ▸ None

MRS CLAIRE PEDINI	***Current**:***
Main office held within the Company: Director **Date of first appointment:** 1 June 2010 **Date of last renewal:** 15 May 2014 **Date appointment expires:** AGM held to approve financial statements for 2017 financial year **Nationality:** French **Number of shares held at 31 December 2014:** 343 **Expertise:** member of the Executive Committee of a large French CAC40-listed industrial group, with significant experience in finance, investor relations and human resources, both in France and internationally	**France** ▸ Senior Vice-President, Compagnie Saint-Gobain*, in charge of Human Resources **International** ▸ None ***Held in the past five years but now expired**:*** **Expired in 2014** ▸ None **Expired from 2010 to 2013** ▸ None
MR 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:** Term of office expired in January 2015 **Nationality:** French **Number of shares held at 31 December 2014:** 3,315 **Expertise:** former executive officer of a large chemicals group	**France** ▸ None **International** ▸ None ***Held in the past five years but now expired**:*** **Expired in 2014** ▸ None **Expired from 2010 to 2013** ▸ None
MR PHILIPPE VASSOR	***Current**:***
Main office held within the Company: Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 4 June 2013 **Date appointment expires:** AGM held to approve financial statements for 2016 financial year **Nationality:** French **Number of shares held at 31 December 2014:** 2,300 **Expertise:** former Chairman and CEO (France) of a leading auditing firm with significant accounting and finance experience	**France** ▸ Chairman, Baignas SAS ▸ Chairman, V.L.V. SAS ▸ Chairman, Triple V SAS ▸ Chairman, VLV Orfila SAS ▸ Director, BULL* **International** None ***Held in past five years but now expired**:*** **Expired in 2014** ▸ Chairman, DGI Finance SAS **Expired 2010 to 2013** ▸ Chairman and Director Infovista ▸ Director, Groupama S.A.

FONDS STRATÉGIQUE DE PARTICIPATIONS	*Current offices held by the FSP**:*
Main office held within the Company: Director **Date of first appointment:** 15 May 2014 **Date appointment expires:** AGM held to approve financial statements for 2017 financial year **Number of shares held at 31 December 2014:** 4,759,008	**France** ▸ Director, SEB SA*
Permanent representative: **MRS ISABELLE BOCCON-GIBOD** **Date appointed:** 15 May 2014 **Nationality:** French **Expertise:** former executive director of a large international industrial group present in the pulp and paper industry	*Current offices held by the permanent representative of the FSP**:* **France** ▸ Member of the National Orientation Board Council *(Conseil national d'orientation)* of BPI France ▸ Vice-President of the Economic Commission of the MEDEF ▸ Director, Paprec

* *Listed company.*
** *Outside ARKEMA.*

As at the date of this reference document, the Board of Directors only has 11 members due to the expiry of the directorship of Mr Jean-Pierre Seeuws, who reached the age limit provided for in the Articles of Association.

At the combined general meeting on 2 June 2015, the renewal of the terms of office of Mrs Victoire de Margerie, Mr François Énaud and Mr Laurent Mignon, for a four-year period expiring at the closing of the annual general meeting to be held in 2019 to approve the financial statements for the financial year ending 31 December 2018 will be submitted to shareholders. These renewals have been approved by the Board of Directors.

For further details on these resolutions, see paragraph 6.2.2 of this reference document.

Furthermore, shareholders should be invited to vote on the appointment of a new director, for a four-year period expiring at the closing of the annual general meeting to be held in 2019 to approve the financial statements for the financial year ending 31 December 2018. The Board of Directors will approve the candidacy for this appointment.

3.2.1.3 INFORMATION ON THE MEMBERS OF THE BOARD OF DIRECTORS

Thierry Le Hénaff, born in 1963, holds degrees from *École Polytechnique* and *École Nationale des Ponts et Chaussées* in France 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, the Adhesives division of Total S.A., 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. In 2004, he joined Total Chemicals Group's Management Committee.

He has been Chairman and Chief Executive Officer of Arkema Chemicals 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 Centre 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 484 shares at 31 December 2014. 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 is a *Chevalier de la Légion d'Honneur*.

Between 1998 and March 2015, François Énaud has been Chairman and Chief Executive Officer of Steria and Chief Executive Officer of Goupe Steria before becoming Chief Executive Officer of Sopra Steria Group.

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, Managing Director of subsidiaries, Transport division and Telecoms division), before becoming Chief Executive Officer of the Company in 1997 and Chairman in 1998. In September 2014, François Enaud was appointed Chief Executive Officer of the Sopra Steria Group, which was formed following the merger of Sopra and Steria.

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 branch. 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 (COO) 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 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 Paris 2 – Panthéon-Assas University. She has been Chairman and principal shareholder of Rondol Industrie, a micromechanics SME, since 2009.

She previously held operational positions 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 Études Commerciales* (HEC) and the Stanford Executive Program. He has been Managing Director of Natixis SA since 14 May 2009.

Laurent Mignon held various positions in the banking business within Indosuez Bank for over 10 years, ranging from trading to investment banking. In 1996, he joined Schroders Bank in London, followed by 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 Asset Management, AGF Immobilier, and, in 2003, of the Life and Financial Services sector and of Credit Insurance.

From September 2007 to May 2009, he was Managing Partner of Oddo et Cie alongside Philippe Oddo.

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 *Université de Technologie de Compiègne* (UTC), former Chairman of the Board of Directors of INPI (*Institut national de la propriété industrielle*), and Chairman of Société TM France.

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 was appointed Vice-Chairman of Deutsche Bank Europe, Middle East and Africa in June 2013, and is in charge of clients for the merchant bank in the Europe, Middle East and Africa region.

He began his career as an auditor with Peat Marwick Mitchell (1982-1985). He subsequently became Vice-President of Bear Stearns & Co Inc. (1985-1989), Managing Director of SG Warburg France S.A. (1989-1995), Managing Director of Deutsche Morgan Grenfell (1995-1998), then Managing Director and Head of Investment Banking (1998). He then joined Merrill Lynch where he served as an Executive Director of Merrill Lynch & Co Inc. (1998) and Managing Director of Merrill Lynch France (1998), then later became Chairman 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 Executive Vice-President of Compagnie Saint-Gobain in charge of Human Resources since 1 June 2010.

After holding a number of finance and management control positions 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. He was a member of the Board of Directors of Arkema from 2006 to 2015.

Philippe Vassor, born in 1953, holds a degree from *École Supérieure de Commerce de Paris* (ESCP Europe), 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).

Fonds Stratégique de Participations (FSP) was created in 2012 by four large French insurance companies: BNP Paribas Cardif, CNP Assurances, Predica and Sogécap, to make long-term equity investments in French listed companies outside the financial sector, and to support them in implementing their strategy. It is represented in the governance bodies of these businesses.

The FSP is an independent investment structure with its own governance. Management of the FSP has been entrusted to an entity of the Edmond de Rothschild Group (with a dedicated team in Edmond de Rothschild Asset Management – EdRAM) which is in particular in charge of relations with the FSP's permanent representatives on companies' Boards of Directors and of the financial monitoring of such companies. The FSP does not act in concert with other shareholders and votes independently at general meetings of the companies in which it has invested. FSP has designated Mrs Isabelle Boccon-Gibod as its permanent representative on the Company's Board of Directors.

Isabelle Boccon-Gibod, born in 1968, is a graduate of the *École Centrale de Paris* and the University of Columbia in the United States. She is a member of the National Orientation Board (*Conseil national d'orientation*) of BPI France, Vice-President of the MEDEF Economics Commission and has been a director of the Paprec Group since April 2014. Isabelle Boccon-Gibod is also a photographer and the author of *Fors Intérieurs*, a literary work providing portraits of famous mathematicians.

She was Executive Vice-President of Arjowiggins and Executive Vice-President of Sequana. She also chaired Copacel (*Union française des industries des cartons, papiers et celluloses*) until the end of 2013.

3.2.2 MANAGEMENT

3.2.2.1 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Since the Company's stock market listing in 2006, ARKEMA has undertaken an in-depth 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. At its meeting on 23 May 2012 held immediately after the Company's annual general meeting at which Mr Thierry Le Hénaff was reappointed as a director, the Board of Directors renewed the appointment of Mr Thierry Le Hénaff as Chairman and Chief Executive Officer of the Company.

The 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 (general meetings, chief executive officer and Board of Directors) also entails:

- the presence of a large majority of independent members on the Board of Directors (90% at the date of this reference document);
- a close involvement of all members of the Board of Directors in the Group's strategy;
- the presence of a very large majority of independent members in the various committees of the Board of Directors (100% at the date of this reference document);
- the introduction by the Board of Directors of limitations on the powers of the Chairman and Chief Executive Officer, who is required to inform the Board of Directors of the most significant transactions or submit them to the Board of Directors for prior approval. These limitations are set out in detail in paragraph 3.3.1 of this reference document; and
- a formal annual assessment of the Board of Directors carried out by all directors, with the exception of the Chairman and Chief Executive Officer (see paragraph 3.3.2.4 of this reference document).

The Chairman and Chief Executive Officer is not a member of any of the specialised committees of the Board of Directors.

Each year the directors are questioned, as part of the annual assessment of the Board of Directors, on the continuation of the governance structure in place. Moreover, the Nominating, Compensation and Corporate Governance Committee regularly conducts a specific review of the existing governance structure, and verifies that the chosen structure is always the best suited. It presents its conclusions to the Board of Directors which then decides whether or not to retain the structure in place.

At the date of this reference document, the Company's current governance structure, which has proven itself effective since 2006 and which is run in compliance with corporate governance best practices, still appears to be most suited to successfully achieve ARKEMA's ambition over the long-term.

3.2.2.2 EXECUTIVE COMMITTEE

The Chairman and Chief Executive Officer has put in place an Executive Committee (Comex) comprising two operational executive vice-presidents and four functional executive vice-presidents who report to him directly.

The Comex is in charge of the Group's operational management supervision as well as coordination and monitoring of the implementation of the strategy within the Group. 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 Comex meets twice a month.

At 31 December 2014, the Comex comprised the following members:

- Thierry Le Hénaff: Chairman and 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 in charge of Group Strategy, responsible for strategic planning, economic studies, acquisitions and disposals, internal auditing, insurance and risk management;
- Michel Delaborde: Executive Vice-President in charge of Human Resources and Communications for the Group; and
- Thierry Lemonnier: 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 overseeing the High Performance Materials segment and the Fluorogases and Hydrogen Peroxide BUs within the Industrial Specialties segment; and
- Marc Schuller: Executive Vice-President overseeing the Coating Solutions segment and the Thiochemicals and PMMA BUs within the Industrial Specialties segment, as well as energy and raw material global procurement.

Mr Bernard Pinatel, Chairman and Chief Executive Officer of Bostik, is a member of the Comex since 3 February 2015 as Executive Vice-President overseeing the High Performance

Materials segment, of which BOSTIK forms a new Business Unit (Specialty Adhesives) since its acquisition on 2 February 2015. He replaces Pierre Chanoine, who is retiring.

As at the date of this reference document, the two operational executive vice-presidents members of the Comex are:

- Bernard Pinatel: Executive Vice-President supervising the High Performance Materials segment; and
- Marc Schuller: Executive Vice-President supervising the Coating Solutions and Industrial Specialties segments in addition to energy and raw materials global procurement.

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 Advisor 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.

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. In 2004 he became Group President in charge of this business, and Director of the Fluorogas BU in 2005. He was a member of ARKEMA's Comex from 2008 to early 2015.

Michel Delaborde, born in 1956, holds a degree in economics from Université 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 for Trading & Middle East, he took charge of corporate communications for Total in 1996 and subsequently became Communications Director, first for Total-Fina, then for Total-Fina-Elf 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.

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 in the Exploration/Production division and then joined Total's Finance department in 1983 before becoming Chief Financial Officer of the Refining/Marketing segment in 1993. 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.

Bernard Pinatel, born in 1962, is a graduate of *École Polytechnique* and of *Institut d'Études Politiques* (IEP) *de Paris*, and holds an MBA from *Institut européen d'administration des affaires* (INSEAD). He is also a statistician-economist (*École nationale de la statistique et de l'administration économique* – ENSAE).

Having started his career at Booz Allen & Hamilton, he joined the Total group in 1991 where he held a number of operational positions, both in the factory and at head offices of several subsidiaries, including Hutchinson and Coates Lorilleux. Between 2000 and 2006, he was appointed Executive Vice-President France and, thereafter, Executive Vice-President Europe, of BOSTIK and, between 2006 and 2009, he served as Chairman and Chief Executive Officer of Cray Valley. He has served as Chairman and Chief Executive Officer of Bostik S.A. since 2010.

At Total, he was a member of the Executive Committee of the Chemicals branch between 2007 and 2011, and has been a member of the Group Management Committee since 2011 and a member of the Chemical Refining Executive Committee since 2012. He has been a member of ARKEMA's Comex since 3 February 2015.

Marc Schuller, born in 1960, is a graduate of *École Supérieure des Sciences Économiques et Commerciales* (ESSEC).

He joined Orkem 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 Total-Fina. 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 CONCERNING MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT

3.2.3.1 ABSENCE OF FAMILY TIES

To the Company's knowledge, and at the date of drafting this reference document, 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 ABSENCE OF ANY CONVICTION FOR FRAUD, INVOLVEMENT IN A BUSINESS FAILURE, OR PUBLIC INCRIMINATION AND/OR SANCTION

To the Company's knowledge, and at the date of drafting this reference document, 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 as a member of an administrative, management or supervisory body during the past five years;
- charged with any offence or had any official public sanction made 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

In accordance with the Board of Directors' Internal Rules, Mrs Claire Pedini, director of Arkema and Executive Vice-President of Compagnie Saint-Gobain in charge of Human Resources, informed the Board of Directors of a conflict of interest situation that potentially affects her in view of Saint Gobain's project to acquire the Sika group, a competitor of BOSTIK, launched in December 2014. As a result, Mrs Claire Pedini indicated to the Board of Directors that once the acquisition would be completed, she will resign from her position as director of Arkema. In the interim, in accordance with the provisions of the Internal Rules applicable to conflicts of interest, the Board of Directors has decided that Mrs Claire Pedini shall not take part in any discussions or vote on any resolutions that may concern any matter associated with BOSTIK.

To the Company's knowledge, there are no other potential conflicts of interest between the duties of members of the Board of Directors or of senior management, *vis-à-vis* the Company, and their private interests. The Company has set up measures to prevent potential conflicts of interest between the directors and the Company. These measures are described in paragraphs 3.2.1.1 and 3.3.2.2 of this reference document. Furthermore, each director has undertaken, in accordance with the Company's Board of Directors Internal Rules, 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 whereby 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 3.4.3.3 of this reference document.

3.2.3.4 INFORMATION REGARDING SERVICE CONTRACTS

To the Company's knowledge, there are no service contracts 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 Mr 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 set forth by law, by the Company's Articles of Association and by the Board of Directors' Internal Rules. The latter documents can be found on the Company's website (www.arkema.com) in the Investor Relations/Governance section.

3.3.1 MANAGEMENT AND LIMITATION OF POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and Chief Executive Officer is vested 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, however such limits are not enforceable against third parties.

In 2006, the Board of Directors introduced internally 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 euros, 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 euros; and
- annual liquidations of investment exceeding the annual budget by more than 10%.

In addition, the Board of Directors shall be informed after the event of any:

- industrial investment in excess of 30 million euros; and
- acquisition or divestment project with an enterprise value in excess of 50 million euros.

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 23 January 2014, the Board of Directors also authorised the Chairman and Chief Executive Officer, with powers of sub-delegation, to issue deposits, commitments and guarantees in the name of the Company, up to a limit of 90 million euros, and to continue the deposits, commitments and guarantees previously made.

This authorisation was renewed under the same terms up to a limit of 90 million euros, at the Board of Directors meeting on 22 January 2015.

3.3.2 DUTIES AND FUNCTIONING OF THE BOARD OF DIRECTORS

3.3.2.1 DUTIES

The Board of Directors is a collegiate body mandated by the shareholders within which decisions are taken collectively. It is accountable to all of the shareholders.

The Company's Board of Directors exercises the powers it is assigned by law in order to act in the Company's best interests in all circumstances. In this regard, it sets out the guidelines governing the Company's activity and oversees their application. Subject to those powers expressly conferred to 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.

The Board of Directors can decide to set up one or more expert committees. It lays down the composition and attributions of these committees, which will conduct their proceedings under the responsibility of the Board of Directors. In accordance with the Internal Rules of the Board of Directors and of its committees, some matters are therefore submitted for prior review by the appropriate committee before being submitted to the Board of Directors for approval.

3.3.2.2 FUNCTIONING

The functioning of the Board of Directors is determined by current laws and regulations, the Company's Articles of Association and its Internal Rules as adopted by the Board of Directors meeting on 12 May 2006, and amended on several occasions, most recently on 4 March 2015 to take into account changes regarding the Strategy Committee.

In accordance with its Internal Rules, the Board of Directors meets at least four times a year and as often as the interests of the Company demand. Meetings of the Board are convened by its Chairman. The convening notice may be delivered by any means, even verbally, eight days before the date of the meeting and, in urgent cases, without notice. It specifies where the meeting will take place.

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 Rules, in all cases permitted by law and if specified in the notice of meeting, directors attending 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 and recommendations of the AFEP-MEDEF Code in particular, the Company's Board of Directors Internal Rules also set out the rights and obligations of the directors and provide for the following in particular:

- before accepting their duties as director of the Company, the directors must ensure that they are acquainted with the Company's Articles of Association, the Board of Directors' Internal Rules, and the legal and regulatory provisions governing the functions of a director of a French *société anonyme* (public limited liability company), and in particular the rules relating to the definition of the powers of the Board of Directors, the plurality of terms of office, the agreements referred to under article L. 225-38 of the French Commercial Code, the holding and use of privileged information, the declarations of trading in the Company's shares and the black-out periods during which members may not trade in those shares;
- the directors are appointed by all the shareholders and must act in all circumstances in the Company's best interests;
- the directors must devote the necessary time and attention to their duties. Consequently, the directors may not hold more than four other directorships in listed companies, including foreign companies, not affiliated with their group. Accordingly, the directors 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 their affiliated group, including their participation in the committees of these companies' boards; executive corporate officers may not hold more than two other directorships in listed companies outside the Group and must seek the opinion of the Board of Directors prior to accepting any new directorship in a listed company;
- the directors undertake to maintain their independence of analysis, judgement, decision-making and action, under all circumstances, and, in that respect, undertake, in particular, to notify the Board of Directors of any conflict of interest, whether direct or indirect, actual or potential, with the Company. They must refrain from taking part in any vote on any resolution of the Board where they find themselves in any such situation involving a conflict of interest; furthermore, the directors must confirm the absence of any conflict of interest between them and the Company every year, in response to a request from the Company at the time of drafting the reference document, and at any time at the request of the Chairman and Chief Executive Officer;
- the directors undertake to notify the Board of Directors 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;
- the directors must be committed and, where possible, take part in all the Company's Board of Directors meetings and the meetings of the committees to which they have been appointed, as well as general meetings;
- prior to each Board of Directors meeting, a file is sent to each director sufficient time before the meeting and in principle together with the notice of meeting, unless an emergency arises justified by particular circumstances, providing information on items on the agenda 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 deem it necessary, the directors may also request additional training on the Group's specific features, businesses, and areas of activity, at the time of their appointment or during their term of office. This training is organised by the Company, which supports the related costs;
- all documents provided for Board of Directors meetings and all information collected during or outside Board of Directors meetings are confidential, without exception, whether or not the information collected is presented as being confidential. In this regard, the directors must consider themselves bound by strict professional confidentiality beyond the simple duty of discretion provided for by the law. Furthermore, the directors undertake not to express their individual views outside the boardroom on matters discussed during Board of Directors' meetings, or on the essence of the opinions expressed by individual directors; and

- as required by law and regulations, the directors must refrain from trading in the Company's securities (including derivative financial instruments) insofar as, by virtue of their duties, they have access to privileged information. Furthermore, the directors must disclose any transactions they have entered into in respect of the Company's securities.

3.3.2.3 ACTIVITIES OF THE BOARD OF DIRECTORS

The Board of Directors met seven times in 2014 (as in 2013) with a very high attendance rate at these meetings of 96.3% (versus 92% in 2013). The meetings on average lasted approximately three hours.

The agenda of the Board of Directors' meetings included recurring annual topics, in particular (i) approval of the Company's and consolidated annual and half-yearly financial statements and review of the quarterly by financial information as well as the Company's financial communication, the annual budget and preparation of the annual general meeting, including approval of the draft resolutions, (ii) approval of the strategy, upon proposal by the Strategy Committee, (iii) approval of the Chairman of the Board of Directors' report on the composition of the Board of Directors and the application of the principle of balanced gender representation, on conditions of preparation and organisation of the work of the Board of Directors as well as the internal control procedures put in place by the Company and, generally, on questions of governance, (iv) the setting of the compensation conditions for the Chairman and Chief Executive Officer, the Executive Committee members, as well as the setting and allocation of attendance fees among Board members and Committee members, (v) the review of reports on the work of the specialised committees, and (vi) the annual assessment of the Board of Directors.

In 2014, the Board of Directors also reviewed the following topics:

- the renewal of Mrs Claire Pedini's term of office as director and member of the Audit and Accounts Committee, the appointment of the *Fonds Stratégique de Participations*, whose permanent representative is Mrs Isabelle Boccon-Gibod, as a new director and member of the Audit and Accounts Committee, and the renewal of Mr Patrice Bréant's term of office as director representing shareholders' employees;
- the various strategic investment or divestiture projects;
- the planned acquisition in Acrylics in China;
- the planned acquisition of BOSTIK and its financing, in particular, the share capital increase with preferential subscription rights for shareholders;
- the regulated agreements undertaken with Natixis as part of the financing of the acquisition of BOSTIK, it being specified that Mr Laurent Mignon did not take part in the vote on this matter;
- the performance conditions of the 2012 performance share plan;
- the 2014 performance share plan;
- ARKEMA's situation from an environmental and safety standpoint;
- ARKEMA's situation from a human resources standpoint;
- the report on the 2014 road shows;
- the share capital increase reserved for employees and former employees of the Group;
- the bond issue;
- the renewal of the Euro Medium Term Notes (EMTN) programme;
- the changes in the Executive Committee and the related succession plan, including the Chairman and Chief Executive Officer.

At each meeting, the Chairman reviewed the transactions concluded since the previous meeting, and sought the authorisation of the Board of Directors on the main projects underway that are likely to be concluded before the next Board of Directors meeting. The Board of Directors was also informed at least once a quarter of the Company's financial situation, cash position, and commitments and liabilities.

Since the beginning of 2015, the Board of Directors has met twice with an attendance rate of 86.4%.

These meetings focused in particular on (i) the closing of the corporate and consolidated annual accounts for the year ended 31 December 2014, the proposed allocation of profit and dividend distribution, and all documentation related thereto: the management report, the Chairman of the Board of Directors' report pursuant to article L. 225-37 of the French Commercial Code (*Code de commerce*), and more generally the 2014 reference document, as well as the preparation of the annual general meeting, and in particular the draft resolutions to be submitted to shareholders, (ii) the assessment of the independence of directors, a review of the conditions governing the term of office of the Company's Chairman and Chief Executive Officer including defining his powers in terms of deposits, advance payments and guarantees for 2015, and the formal assessment of the functioning of the Board of Directors in 2014, (iii) the setting of the amount of attendance fees for 2015 and principles for their allocation, the renewal of the terms of office as director due to expire, (iv) the compensation conditions of the Chairman and Chief Executive Officer (the fixed part for 2015, and the variable part for 2014 and the criteria for the variable part for 2015), (v) the annual reports of the Audit and Accounts Committee, the Nominating, Compensation and Corporate Governance Committee and the Strategy Committee, (vi) the Group's insurance programme for 2015, and (vii) the industrial situation of Group sites.

3.3.2.4 ASSESSMENT OF THE FUNCTIONING OF THE BOARD OF DIRECTORS

In accordance with the AFEP-MEDEF Code and its Internal Rules, the Board of Directors conducts an annual self-assessment of its functioning by means of a questionnaire and, in principle, a formal assessment is conducted by an external consultant once every three years. The form and terms of the Board's assessment are debated by the Nominating, Compensation and Corporate Governance Committee every year.

The last formal assessment of the Board of Directors' functioning by an external consultant was performed at the beginning of 2012. A report was produced and a summary of it was submitted to the Board of Directors. This assessment showed that, generally speaking, the functioning of the Board of Directors has continued to improve since the previous external assessment carried out in 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 were:

- the introduction of a human resources review once a year, and the further improvement of the succession plan;
- the reinforcement of the environmental review;
- more comprehensive feedback on annual and half-yearly road shows; and
- continued communication on economic parameters impacting the Company's results.

Considering the areas for improvement identified in the assessment performed by the external consultant at the beginning of 2012 and the improvements actually achieved since then, and in view of the high level of satisfaction of the members of the Board of Directors in that respect, the annual assessment of the Board of Directors for 2014 was carried out without the participation of an external consultant and was discussed at the Board of Directors' meetings on 22 January 2015 and 4 March 2015, respectively, as follows: (i) submission of a questionnaire to all directors prepared by the Company's Nominating, Compensation and Corporate Governance Committee and approved by the Board of Directors, and subsequently (ii) analysis of the directors' answers to the questionnaire by the aforesaid committee and report on its findings to the Board of Directors. This assessment showed that the directors were very satisfied overall with the functioning of the Board in 2014 and in particular with the effective contribution of each director as well as the quality of the information provided.

3.3.3 COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has three permanent specialised committees: the Audit and Accounts Committee, the Nominating, Compensation and Corporate Governance Committee and the Strategy Committee.

As of the date of this reference document, upon proposal of the Nominating, Compensation and Corporate Governance Committee and as approved by the Board of Directors, the Strategy Committee has been replaced by a Board of Directors' annual seminar dedicated to strategy to which all the directors will attend (for more details, see paragraph 3.3.3.3 of this reference document).

The role, organisation and functioning of each committee are set out in their respective Internal Rules, as established and approved by the Board of Directors. Accordingly, the Internal Rules of each committee state as follows:

- the term of office of committee members shall coincide with their term of office as directors, however the Board of Directors may modify the composition of the committees at any time;
- the meetings of each committee will be valid only if at least two members are present;
- no committee member may be represented by another person; and
- 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.

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 role of the committees is to examine and prepare certain matters to be discussed by the Board of Directors; accordingly, the committees put forward their opinions, proposals and recommendations to the Board.

3.3.3.1 THE AUDIT AND ACCOUNTS COMMITTEE

Composition and functioning

At 31 December 2014, the Audit and Accounts Committee comprised four directors: Mr Philippe Vassor (chairman), Mrs Claire Pedini, Mr Jean-Pierre Seeuws and Mrs Isabelle Boccon-Gibod (permanent representative of the *Fonds Stratégique de Participations*).

At the date of this reference document, the Audit and Accounts Committee only comprises three directors following the retirement of Mr Jean-Pierre Seeuws who reached the age limit provided for in the Articles of Association.

In accordance with the AFEP-MEDEF Code, none of the members of the Audit and Accounts Committee holds an executive position within the Company. At the date of this reference document, all members of this Committee have been qualified as independent by the Board of Directors. Furthermore, the appointment or reappointment of the Chairman of the Audit and Accounts Committee proposed by the Nominating, Compensation and Corporate Governance Committee is subject to particular scrutiny by the Board of Directors.

In accordance with article L. 823-19 of the French Commercial Code, it should be noted that the chairman of the Audit and Accounts Committee, Philippe Vassor, has specific expertise in finance and accounting as he spent most of his professional career from 1975 to 2005 working for the auditing firm Deloitte and serving as its Chairman and Chief Executive Officer in France. Furthermore, in accordance with the AFEP-MEDEF Code, the members of the Audit and Accounts Committee all have financial or accounting expertise (see biographies of the members under paragraphs 3.2.1.2 and 3.2.1.3 of this reference document).

The members of the Audit and Accounts Committee have also all 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 Board of Directors. The timetable of Audit and Accounts Committee meetings is set by its chairman. Furthermore, the chairman of the Audit and Accounts Committee has appointed the Chief Financial Officer as secretary to the said committee.

The statutory auditors are invited to attend every Audit and Accounts 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 there is a reasoned decision to the contrary by the Board of Directors, no Audit and Accounts 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 the specialised committee as defined 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 corporate 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 compensation, 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 the preparation of the financial statements, reviews annual consolidated financial statements, 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 release;
- it oversees the audit of the annual corporate and consolidated financial statements by the statutory auditors, and the procedures involved in preparing financial information;
- it assesses the suitability and consistency from year to year of accounting principles and policies;
- it reviews internal control procedures;
- it reviews the work programmes 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 the use of derivatives;
- it assesses major transactions planned by the Group, upon request by the Board of Directors, where necessary;
- it remains regularly updated on developments of significant claims and disputes;
- it reviews the main off-balance sheet commitments, particularly the most significant new commitments; and
- it prepares and submits reports as provided by the Internal Rules of the Board of Directors, and presents to the Board that portion of the annual report in draft form 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 six times in 2014 with an attendance rate of its members of 100%.

The Group's Chief Financial Officer (appointed as secretary of the Committee), the Vice-President of the Accounting department and the statutory auditors attended all of these meetings.

The work of the Audit and Accounts Committee in 2014 focused mainly on: (i) the review of the 2013 financial statements (consolidated and corporate in addition to review of provisions at 31 December 2013) and the related 2013 draft management report, 2013 draft reference document, the 2014 quarterly accounts, the half-yearly accounts at 30 June 2014 and corresponding draft half-yearly financial report, the draft press releases relating to the quarterly, half-yearly and annual results, and the review of the Company's forecast management documents, (ii) the approval of the statutory auditors' fees for 2014, (iii) the review of internal control procedures and the Internal and External Audit work schedule, and the review of the Group's risks and, consequently, risk mapping, in the presence of the Vice-President of Internal Audit and Internal Control, (iv) the commitments related to pensions and similar benefits, off-balance sheet commitments and derivative instruments, (v) closing options, (vi) the Group's tax situation, and (vii) the BOSTIK acquisition project and its financing and, in that respect, the *pro forma* financial information.

Since the beginning of 2015, the Audit and Accounts Committee has met once with an attendance rate of 100%. At that meeting, the committee focused, in particular, on the review of the 2014 consolidated financial statements and of provisions at 31 December 2014, the 2014 draft management report, including social, environmental and societal information as required under article L. 225-102-1 of the French Commercial

Code, and the draft of the section of the Chairman of the Board of Directors' report concerning internal control and risk management in 2014, the draft press release relating to the 2014 results as well as the committee's activity report to the Board of Directors.

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 2014 shows that the committee members were very 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: Thierry Morin (chairman), François Énaud, Bernard Kasriel, and Victoire de Margerie. In accordance with the AFEP-MEDEF Code, no member of this Committee holds an executive position in the Company. At the date of this reference document, all members of this Committee have been qualified as independent by the Board of Directors.

The Nominating, Compensation and Corporate Governance Committee meets several times a year. 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 the Nominating, Compensation and Corporate Governance Committee meetings is set by its chairman. Furthermore, the chairman of the Nominating, Compensation and Corporate Governance Committee appointed the Group's Executive Vice-President Human Resources and Communication as secretary of this Committee.

The Chairman and Chief Executive Officer attends the Committee's meetings and is closely involved in its discussions. However, he does not take part in the Committee's discussions relating to him.

Duties

In accordance with its internal rules, 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 director or executive corporate officer, (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 of Directors, and (iii) recommending to the Board of Directors the corporate governance principles to be implemented in the Group.

Accordingly, its duties include, regarding:

(i) nominations:

- recommendations on the composition of the Board of Directors and its committees to the Board of Directors,
- the annual review of current procedures and practices relating to succession plans for Executive Committee members and the progress of the Group's senior managers within the management bodies, and recommendations in this regard,
- every year, submission to the Board of Directors of a list of directors who can be considered as independent, in accordance with the provisions of article 2.1 of the Internal Rules of the Company's Board of Directors,
- assistance to the Board of Directors in appointing and evaluating the corporate officers, the directors, and the directors serving as committee members on the committees set up by the Board of Directors, and
- preparation and submission of an annual report on the Committee's operation and work;

(ii) compensation:

- the reviews of the compensation of the Company's executive officers, whether they are corporate officers or not, as well as the main objectives proposed by senior management in this regard, including stock option and performance share plans, pension schemes, contingency funds and benefits in kind,
- policy recommendations and proposals to the Board of Directors 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,
- the review of principles for allocating attendance fees among Board of Directors members and the conditions for reimbursing any expenses incurred by the directors, and
- preparation and submission of reports as provided for by the Internal Rules, and presentation of that part of the annual report in draft form to the Board of Directors, and, more generally, of 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:

- analysis and supervision of corporate governance principles,
- recommendations on corporate governance best practices,
- preparation of the annual assessment of the Board of Directors' work,
- examination of cases arising from conflicts of interest, where applicable,
- discussions on corporate governance and ethical issues referred by the Board of Directors or its Chairman for review, and
- review of the Code of Conduct and Business Ethics and proposal of modifications when necessary.

Activity of the Nominating, Compensation and Corporate Governance Committee

In 2014, 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 in 2014 mainly focused on the compensation of the Chairman and Chief Executive Officer and the Executive Committee members as well as that of executive officers, the annual assessment of the Board of Directors and the Committee itself, the review of profiles (appointment and reappointment) for positions as director and members of the committees, the changes in long-term incentive programmes, the implementation of performance share allocation plans, the succession plan for Executive Committee members and its changes following the replacement of Mr Pierre Chanoine, who retired, by Mr Bernard Pinatel.

Since the beginning of 2015, the Nominating, Compensation and Corporate Governance Committee met twice, with a 100% attendance rate. These meetings focused in particular on: the review of the AMF's 2014 Annual report on corporate governance and executive compensation, the 2014 Activity Report of the High Committee on Corporate Governance, the 2014 annual assessment of the Board of Directors and the annual assessment of the Committee itself, the review of the independent status of directors, the review of the Chairman of the Board of Directors' report pursuant to article L. 225-37 of the French Commercial Code relating to corporate governance, the proposal to set the amounts and terms for the allocation of attendance fees for 2015, the review of the proposal to renew the terms of office of Mrs Victoire de Margerie and of MM. François Énaud and Laurent Mignon, the proposed compensation of members of the Executive Committee (the variable part due for 2014, the fixed part due for 2015 and criteria for the 2015 variable part), the proposed compensation of the Chairman and Chief Executive Officer (the variable part for 2014, fixed compensation for 2015 and the criteria for the 2015 variable part) and the submission to shareholders' opinion of the compensation elements of Mr Thierry Le Hénaff due for 2014, in accordance with the AFEP-MEDEF Code.

3.3.3.3 THE STRATEGY COMMITTEE

The Strategy Committee gathers all the members of the Board of Directors qualified as independent, namely 10 members as at 31 December 2014, under the chairmanship of Mr Jean-Pierre Seeuws. It meets at least once a year to approve the Company's strategy and to ensure its implementation.

Upon retirement of Mr Jean-Pierre Seeuws, who reached the age limit provided for in the Company's Articles of Association, and upon proposal of the Nominating, Compensation and Corporate Governance Committee, discussions took place at the beginning of 2015 with regard to the future status of the Strategy Committee. As a result, based on a comparison of best practices in this regard, and in view of its composition and the limited frequency of its meetings, the Strategy Committee appeared more similar to an annual meeting of the Board of Directors on strategy than a specialised committee. With the aim of involving all directors in the discussions relating to the Group's strategic orientations and, consequently, allowing all directors to have access to the same information concerning the Group strategy, the Board of Directors unanimously decided to replace the Strategy Committee by an annual seminar of the Board dedicated to corporate strategy.

Activity of the Strategy Committee in 2014

The Strategy Committee met twice in 2014 with a 100% attendance rate for Committee members.

The work of the Strategy Committee at these meetings focused primarily on an analysis of the Group's strategy as well as a review of operational projects, including the Bostik Group acquisition project.

3.4 COMPENSATION AND BENEFITS 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 Company's Board of Directors based on recommendations by the Nominating, Compensation and Corporate Governance Committee comprising independent directors only.

The following information is given pursuant to the AFEP-MEDEF Code, the AMF recommendation on the compensation of corporate officers dated 22 December 2008, mentioned in the AMF recommendation n° 2012-02 on corporate governance and executive compensation dated 9 February 2012 and revised on 11 December 2014, and the AMF recommendation n° 2014-08 (2014 AMF annual report on corporate governance and executive compensation for listed companies dated 22 September 2014) and the recommendations of the High Committee on Corporate Governance in its 2014 Activity Report on October 2014.

3.4.1 COMPENSATION OF NON-EXECUTIVE CORPORATE OFFICERS

The annual general meeting on 15 May 2014 set the maximum annual amount of attendance fees that the Board of Directors may allocate between its members and those of the specialised committees, from the 2014 financial year onwards, at 550,000 euros.

The total amount of attendance fees allocated to directors for 2014 was 501,500 euros (compared to 391,500 euros for 2013), distributed as follows:

TABLE OF ATTENDANCE FEES AND OTHER COMPENSATION RECEIVED BY CORPORATE NON-EXECUTIVE OFFICERS (TABLE 3 OF AMF NOMENCLATURE)

(In euros)	Amounts paid for 2014	Amounts paid for 2013
Mr Patrice Bréant, Director representing shareholder employees Attendance fees	None*	None
Mr François Énaud, Director Attendance fees	48,500	41,000
Mr Bernard Kasriel, Director Attendance fees	48,500	41,000
Mrs Victoire de Margerie, Director Attendance fees	48,500	41,000
Mr Laurent Mignon, Director Attendance fees	36,500	29,000
Mr Thierry Morin, Director Attendance fees	54,500	48,500
Mr Marc Pandraud, Director Attendance fees	42,500**	38,000**
Mrs Claire Pedini, Director Attendance fees	56,500	48,000
Mr Jean-Pierre Seeuws, Director Attendance fees	59,500	49,500
Mr Philippe Vassor, Director Attendance fees	70,500	55,500
Mrs Isabelle Boccon-Gibod Attendance fees	36,000***	0
TOTAL	**501,500**	**391,500**

* *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 2014 was €91,450.*

** *At the request of Mr Marc Pandraud, his attendance fees have been paid by the Company to a charity.*

*** *Mrs Isabelle Boccon-Gibod is the permanent representative of the Fonds Stratégique de Participations, director of the Company since 15 May 2014.*

Except for Mr Patrice Bréant, director representing shareholder employees for whom information is given above, members of the Board of Directors (non-executive corporate officers) received no other compensation and no other benefits in 2014 from the Company, nor were they awarded any stock options or performance shares. Furthermore, no compensation other than that mentioned above and paid by the Company was paid to directors of the Company by other Group companies during this year.

Upon proposal of the Nominating, Compensation and Corporate Governance Committee, the Board of Directors at its meeting on 23 January 2014, set the amount of attendance fees from the 2014 financial year onwards, as follows:

- an annual fixed part of 20,000 euros per director paid on a *prorata temporis* basis in the event of a change during the year; and
- a predominant variable part taking account of directors' attendance, as follows:
  - 3,000 euros per director present at a Board of Directors meeting, except for "unscheduled" meetings held by conference call and those of shorter duration for which the variable part is set at 1,500 euros per director present, and
  - 2,000 euros per member present at a meeting of one of the specialised committees, except for the chairman's variable part, which is 4,000 euros.

It should be noted that directors who so wish may receive their attendance fees at the end of each quarter as the year progresses, as follows:

- payment of the annual fixed part on a *prorata temporis*, basis, *i.e.* 25% of the fixed part per quarter; and
- payment of the variable part taking account of directors' attendance at Board meetings and specialised committee meetings, based on the number of such meetings held during the quarter concerned.

The Board of Directors has confirmed these distribution rules and the associated amounts for the 2015 financial year.

3.4.2 COMPENSATION OF MEMBERS OF THE EXECUTIVE COMMITTEE (1)

3.4.2.1 COMPENSATION PRINCIPLES

The Nominating, Compensation and Corporate Governance Committee every year examines the (fixed and variable) compensation structure proposed by the Chairman and Chief Executive Officer for Executive Committee members. This compensation comprises:

(i) two short-term elements:

- an annual fixed part determined based on the scope of the respective duties and responsibilities held by each Executive Committee member,
- an annual variable part determined based on general quantitative targets identical to those set for the Chairman and Chief Executive Officer, which are closely aligned with the Group's economic performance and the implementation of its strategy. These quantitative targets related to the Group's economic performance are complemented by quantitative and qualitative targets designed to appraise the individual performance of each Executive Committee member within their remit; and

(ii) a long-term incentive through the award of performance shares, fully subject to the fulfilment of performance conditions.

In the past, Executive Committee members also received stock options (see section 3.5 and note 28 of the notes to the consolidated financial statements featured in paragraph 4.3.3 of this reference document).

It should be noted that since 2010 Executive Committee members have been required, for the duration of their term of office, to retain at least 20% of the shares they were awarded definitively, and a number of shares from the exercising of stock options corresponding to at least 40% of the net capital gain on acquisition. These obligations are suspended once the number of ARKEMA shares held, whatever their origin, represents a total amount equivalent to 150% of their gross annual fixed compensation. It should be noted that the Chairman and Chief Executive Officer is subject to specific holding requirements (see paragraph 3.4.3.3 of this reference document).

In view of these stringent obligations, the availability of performance shares for allocation to Executive Committee members is not conditional upon the purchase of an additional number of shares in the Company. In that respect, the Executive Committee members subscribed up to 100% of their subscription rights to the share capital increase with preferential subscription rights achieved on 15 December 2014 to finance the Bostik Group acquisition.

In addition, each year Executive Committee members certify that they have not, and will not, use hedging instruments in relation to the stock options or performance shares that have been, or will be, granted to them by the Company.

Furthermore, as is the case with any Group employee, in very unusual circumstances, a specific contribution may result in an additional bonus approved by the Nominating, Compensation and Corporate Governance Committee.

The structure of compensation of Executive Committee members is regularly compared to the market practices of comparable companies in terms of sector of activity and market capitalisation.

Executive Committee members receive no attendance fees with regard to the directorships they hold with Group companies.

3.4.2.2 ANNUAL COMPENSATION OF EXECUTIVE COMMITTEE MEMBERS (1)

The total gross fixed compensation awarded to members of the Executive Committee by the Company for 2014 amounted to 1,760,520 euros.

Furthermore, the total variable compensation paid to the members of the Executive Committee by the Company in 2014 for 2013 amounted to 1,067,180 euros.

Based on the targets approved by the Board of Directors' meeting on 3 March 2014, specifically: (i) general quantitative targets identical to those applying to the Chairman and Chief Executive Officer and relating mainly to growth in EBITDA, recurring cash flow, and margin on variable costs of new developments, and (ii) quantitative and qualitative targets specific to each member, the Board of Directors meeting on 4 March 2015, upon proposal of the Nominating, Compensation and Corporate Governance Committee, approved the amount of the variable part allocated for 2014 to Executive Committee members, for which the maximum amount set by the Board of Directors could represent up to 85% of the fixed part for each member. The overall amount of the annual variable part for the Executive Committee members for 2014 stood at 932,546 euros.

Furthermore, on proposal of the Nominating, Compensation and Corporate Governance Committee, the Board of Directors meeting on 4 March 2015 set the compensation components for Executive Committee members for 2015 as follows:

- the overall amount of gross fixed compensation will be 1,979,876 euros, in line with the Group's overall compensation policy for the 2015 financial year and taking account of the changes made to the composition of the Executive Committee in February 2015;
- the variable part will be determined on the basis of criteria that, for the general quantitative criteria related to the Group's economic performance, will continue to be based on the achievement of EBITDA, recurring cash flow, and margin on variable costs of new developments targets, as well as on quantitative and qualitative criteria specific to each member. The maximum amount of the variable part may represent up to 85% of the fixed part for each member.

(1) Excluding Chairman and Chief Executive Officer.

As a result, compensation due and paid to Executive Committee members, excluding the Chairman and Chief Executive Officer, for 2014 and 2013 was as follows:

	2014 (Gross amounts in euros)		2013 (Gross amounts in euros)	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Fixed compensation	1,760,520	1,760,520	1,726,000	1,726,000
Variable compensation	932,546	1,067,180	1,067,180	1,199,450
TOTAL	**2,693,066**	**2,827,700**	**2,793,180**	**2,925,450**

3.4.2.3 SOCIAL SECURITY AND PENSION SCHEMES

Executive Committee members benefit from the same social security schemes (life assurance, disability, work incapacity, and reimbursement of healthcare costs) as employees of Arkema France. They also benefit from a defined contribution pension scheme whereby contributions are based on the part of their compensation exceeding by eight times the annual social security threshold, a part for which there is no mandatory legal scheme. There is also a defined benefit supplementary pension scheme, applicable to certain executives of the Group who benefited from a similar scheme prior to the Company's spin-off and stock market listing, the characteristics of which are given in paragraph 3.4.3.4 of this reference document.

3.4.3 COMPENSATION OF EXECUTIVE DIRECTORS

The Chairman and Chief Executive Officer is the Company's sole executive director.

3.4.3.1 COMPENSATION PRINCIPLES

The policy and principles governing the compensation of the Chairman and Chief Executive Officer are defined by the Board of Directors on proposal of the Nominating, Compensation and Corporate Governance Committee, comprising only independent members, in accordance with the AFEP-MEDEF Code recommendations in that regard, upon each renewal of his term of office.

This compensation policy is also reviewed and discussed every year by the Company's Board of Directors, which conducts a comprehensive and inclusive assessment of the elements constituting the compensation of the Chairman and Chief Executive Officer, in order to make it simple and easy to understand, balanced and consistent. Accordingly, the Board of Directors ensures in particular that this compensation policy is aligned with the Group's strategic priorities over the medium and long term and is adapted both to the Group's economic performances and to the Chairman and Chief Executive Officer's individual performances and responsibilities.

The compensation policy for the Chairman and Chief Executive Officer is designed to provide encouragement and secure loyalty, in accordance with the practices of the market for equivalent functions in similar chemical companies and in French companies with similar market capitalisation. It is also consistent with the policy applicable to the Group's senior executives.

The Chairman and Chief Executive Officer does not take part in the discussions of the Nominating, Compensation and Corporate Governance Committee or those of the Board of Directors concerning his own compensation.

On the basis of the above, the structure of the Chairman and Chief Executive Officer's annual compensation comprises:

(i) two short-term elements:

- an annual fixed part,
- an annual variable part determined based on both quantitative and qualitative targets; and

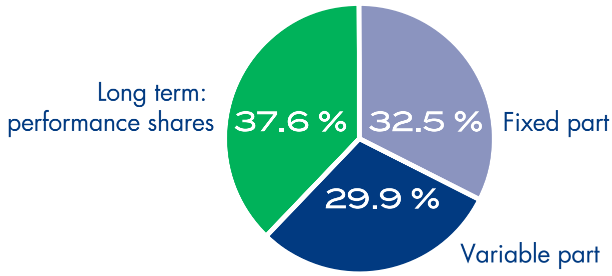
(ii) a long-term incentive through the award of performance shares, the number of which may not exceed 12% of all rights allocated in any single financial year, fully subject to the fulfilment of performance conditions.

Additionally, the Chairman and Chief Executive Officer, in this very capacity, has the use of a company car and benefits from director unemployment insurance.

In accordance with the recommendations of the AFEP-MEDEF Code, the Chairman and Chief Executive Officer is not bound to any Group company by an employment contract.

He receives no attendance fees from the Company and does not benefit from any compensation resulting from a non-compete agreement.

By way of illustration, and based on the valuation of the performance shares awarded in November 2014, the structure of the Chairman and Chief Executive Officer's compensation for 2014 was as follows:



SUMMARY OF COMPENSATION, STOCK OPTIONS AND SHARES AWARDED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER (TABLES 1 AND 2 OF AMF NOMENCLATURE)

	2014 (Gross amounts in euros)		2013 (Gross amounts in euros)	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Fixed compensation	750,000	750,000	750,000	750,000
Variable compensation*	688,500	800,250	800,250	1,042,726
Exceptional compensation	None	None	None	None
Attendance fees	None	None	None	None
TOTAL	**1,438,500**	**1,550,250**	**1,550,250**	**1,792,726**
Benefits in kind – Car	6,720	6,720	6,720	6,720
Director unemployment insurance	16,453	16,453	17,001	17,001
Valuation of stock options allocated during the year according to the method used for consolidated financial statements (detailed in note 28.1 of the notes to the consolidated financial statements at 31 December 2014 in paragraph 4.3.3 of this reference document).		N/A		N/A
Valuation of performance shares allocated during the year according to the method used for consolidated financial statements (detailed in note 28.2 of the notes to the consolidated financial statements at 31 December 2014 in paragraph 4.3.3 of this reference document).		868,660		1,342,000

* *Variable compensation is paid in the year following the period for which it has been calculated based on the criteria set out in paragraph 3.4.3.2.*

3.4.3.2 ANNUAL COMPENSATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the compensation policy described in the paragraph 3.4.3.1 above, the annual compensation of Mr Thierry Le Hénaff, Chairman and Chief Executive Officer, consists of:

1. **annual fixed compensation**, reviewed, in accordance with the AFEP-MEDEF Code, upon every renewal of his term of office as Chairman and Chief Executive Officer, and based in particular on a market analysis of similar companies; this fixed compensation was last amended on 23 May 2012 so that it may be more closely aligned with the compensation of managers of similar industrial companies in terms of profile, size, market cap and profitability.

   The amount of the annual fixed part was set at 750,000 euros with effect from 23 May 2012, and has remained unchanged since then, the Board of Directors having confirmed that amount once again, at its meeting on 4 March 2015, for the 2015 financial year. The level of annual fixed compensation of Mr Thierry Le Hénaff is below the average of the annual fixed compensations received by his peers;
2. **annual variable compensation**, determined on the basis of the fulfilment of specific and demanding quantitative and qualitative targets, aligned with the Group's strategy; these targets are reviewed annually by the Board of Directors on a proposal of the Nominating, Compensation and Corporate Governance Committee.

For 2014, at its meeting on 3 March 2014, the Board of Directors decided that the annual variable part determined on the basis of the quantitative and qualitative criteria adopted by the Board of Directors on a proposal of the Nominating, Compensation and Corporate Governance Committee, could represent up to 150% of his annual fixed compensation, as in previous years.

The criteria that were adopted for this purpose were as follows:

- three quantitative criteria for a maximum weight of 110% of the annual fixed compensation (representing 73.5% of the criteria used to determine the variable compensation):
  - the EBITDA level, for a maximum weight of 55% of the annual fixed compensation, which aligns the compensation of the Chairman and Chief Executive Officer with the annual financial performance of the Group and rewards the actions achieved by the Group, its capacity to adapt to changing market conditions and the good day-to-day management of the Group by the Chairman and Chief Executive Officer,
  - the recurring cash flow, for a maximum weight of 27.5% of the annual fixed compensation, which rewards the Group's ability to generate the cash necessary to finance ARKEMA's strategic ambitions and in particular its capital expenditure plans, acquisition programme and dividend policy while maintaining a solid balance sheet, and
  - the margin on variable costs of new developments for a maximum weight of 27.5% of the annual fixed compensation, which promotes innovation and the development of new customers, the launch of new applications as well as the completion of major investment projects in line with the Group's focused growth strategy;
- qualitative criteria, specifically defined every year, through around fifteen items, for a maximum weight of 40% of the annual fixed compensation (representing 26.5% of the criteria used to determine the variable compensation), which are mainly linked to (i) the implementation of the Group's long-term strategy by the Chairman and Chief Executive Officer, and in particular the changes in the Group's profile with an increasingly balanced geographical presence, the management of acquisitions, the development of innovation platforms and secured access to strategic raw materials, (ii) the day-to-day management of the company with quantified operational criteria (safety, fixed costs, working capital, capital expenditure and balance sheet structure) and (iii) the implementation of major industrial projects for the Group.

It should be noted that for confidentiality purposes, in particular with regard to competitors, the value of the targets to be achieved, which was established in detail, is not disclosed.

Given the criteria adopted above and the actual achievements recorded at 31 December 2014, on a proposal of the Nominating, Compensation and Corporate Governance Committee, the Board of Directors at its meeting on 4 March 2015 set the amount of the variable part for 2014 as follows:

- in respect of the three quantitative criteria related to the financial performance of the Group (EBITDA, recurring cash flow, and margin on variable costs of new developments), the achievement rates obtained in 2014 differ substantially according to each of the three criteria. On the first criterion (EBITDA), the Group's performance was significantly below the target level, although margins demonstrated good resilience in more challenging market conditions in fluorogases and acrylics. The performance with regard to recurring cash flow remained solid with good control of capital expenditure, in a year with major projects, and of working capital. Furthermore, the margin on variable costs of new developments, while not at target level, was relatively high with numerous new developments in High Performance Materials, particularly in fluorinated polymers and in Filtration and Adsorption, as well as downstream acrylics (Coating Solutions segment). After applying the calculation formula defined by the Nominating, Compensation and Corporate Governance Committee, the amount of the variable part due in respect of quantitative criteria amounted to 51.8% of annual fixed compensation, significantly less than in previous years; and
- with regard to the qualitative criteria which mainly dealt with the implementation of the Group's strategy, the performance was deemed excellent at the end of a particularly busy year in terms of the transforming projects underway within the Group. The Board of Directors acknowledged, in particular, the achievement or progress of various complex industrial projects, which are significant and structuring for the Group's long-term positioning, such as the completion and successful start-up of the Thiochemicals platform in Malaysia, which represented an investment of around 200 million euros, the finalisation of the acrylics investment programme in North America, which represented an overall investment of 110 million US dollars over three years, the completion of the Bostik Group acquisition, including the negotiations and financing arrangements, the set-up of an acrylics joint-venture with Jurong Chemical in China and completion of the first stage of this transaction, which has enabled ARKEMA to access to a world-scale unit in Acrylics, the strict control of fixed costs and of working capital and, finally, the very clear improvement in safety results, which far exceeded the original targets. Consequently, the amount of the variable part due in respect of qualitative criteria was set at 40% of annual fixed compensation.

In total, the variable compensation for 2014 approved by the Board of Directors amounted to 688,500 euros, 14% less than the variable part for 2013 and 34% less than the variable part for 2012. It represents 91.8% of 2014 annual fixed compensation, representing a overall achievement rate of 61.2% (47.1% in respect of quantitative criteria and 100% in respect of qualitative criteria).

Upon proposal of the Nominating, Compensation and Corporate Governance Committee, at its meeting on 4 March 2015, the Board of Directors also decided that the variable part of the Chairman and Chief Executive Officer's compensation could reach a maximum of 150% of his annual fixed compensation, as was the case in 2014, and will continue to be based on quantitative criteria identical to those applied in previous years, linked to the Group's financial performance: EBITDA, recurring cash flow and margin on variable costs of new developments, with the weighting of each criterion to remain unchanged. Qualitative criteria will be added to these quantitative criteria, which relate again to the Group's priorities: the implementation of the Group's long-term strategy by the Chairman and Chief Executive Officer, the day-to-day management of the Company with quantified operational criteria (safety, fixed costs, working capital, capital expenditure and balance sheet structure) and the implementation of major industrial projects for the Group. In that respect, the Board of Directors will specifically monitor the successful integration of the Bostik Group. Additionally, the Board of Directors will regularly monitor the ramp-up of the acrylic assets in China and the development of Sunke, the development of the thiochemicals plant in Malaysia, the continuing deployment of a global information system, as well as a number of significant projects currently underway or under review. The weighting of the different criteria used to determine the variable part remains unchanged.

It should be noted that the Chairman and Chief Executive Officer never takes part in the discussions of the Nominating, Compensation and Corporate Governance Committee, or those of the Board of Directors, concerning his compensation.

3.4.3.3 AWARD OF STOCK OPTIONS AND PERFORMANCE SHARES

The Nominating, Compensation and Corporate Governance Committee pays special attention to the award of stock options and performance shares to the Chairman and Chief Executive Officer, and it is the focus of specific discussions at the Board of Directors every year [1].

Like a number of Group employees, the Chairman and Chief Executive Officer receives stock options and/or performance shares in respect of the stock option and free share allocation plans put in place by the Board of Directors under the terms described in section 3.5 and in note 28 of the notes to the consolidated financial statements at 31 December 2014 in paragraph 4.3.3 of this reference document.

Pursuant to the law, the AFEP-MEDEF Code and market recommendations, the Board of Directors also adopted the following principles regarding the award of performance shares to the Chairman and Chief Executive Officer:

- the award of all performance shares to the Chairman and Chief Executive Officer is subject to performance conditions evaluated over a period of at least 3 years; and
- from 2013 onwards, the rights granted to the Chairman and Chief Executive Officer in respect of performance share allocation plans may not exceed 12% of all rights granted in any one year.

Furthermore, since 2010, the Chairman and Chief Executive Officer has been subject, until termination of his functions, to an obligation to retain at least 30% of the shares awarded to him definitively, as well as a number of shares acquired upon the exercise of stock options corresponding to at least 40% of the net capital gain on acquisition. These obligations are suspended when the number of ARKEMA shares held, whatever their origin, represents a total amount equivalent to 200% of his annual gross fixed compensation. However, should the Chairman and Chief Executive Officer hold an amount of shares, of whatever origin, representing twice the fixed part of his then current annual gross compensation, a holding obligation will apply under the following terms:

- at least 10% of the shares allocated definitively, subsequent to this threshold being reached; and
- a number of shares acquired from the exercise of stock options corresponding to at least 10% of the net capital gain on acquisition.

Given these stringent holding obligations, and notwithstanding the provisions of article 23.2.4 of the AFEP-MEDEF Code, the Board of Directors, on a proposal by the Nominating, Compensation and Corporate Governance Committee, did not consider it necessary to make the availability of performance shares conditional upon the purchase of additional shares in the Company. In this regard, it should be noted that the Chairman and Chief Executive Officer held 89,184 Arkema shares at 31 December 2014, which represent a significant portion of his holdings. His stake in the Company's share capital has increased regularly and significantly, over and above the award of performance shares, through the exercise of stock options and the exercise of 100% of his subscription rights in respect of the share capital increase with preferential subscription rights carried out on 15 December 2014 to finance the Bostik Group acquisition.

During the 2014 financial year, within the general framework of the Group's stock-based compensation policy, the principles of which are set out in section 3.5 of this reference document, at its meeting on 13 November 2014, the Board of Directors, on a proposal of the Nominating, Compensation and Corporate Governance Committee, decided to award 26,000 performance shares to Mr Thierry Le Hénaff (out of a total of 275,000 shares granted to around 780 beneficiaries in 2014, representing 9.45% out of a maximum 12%); the definitive award of these shares, following a 4-year vesting period, is contingent upon his continued presence in the Group and the fulfilment of three stringent performance criteria (EBITDA growth, comparative EBITDA margin and comparative TSR – Total Shareholder Return). These criteria are detailed in paragraph 3.5.1 of this reference document.

(1) Stock options have also been granted in the past.

PERFORMANCE SHARES GRANTED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER IN 2014 (TABLE 6 AMF NOMENCLATURE)

	N° and date* of plan	Number of shares granted in 2014	Acquisition date/ availability date	Valuation of shares as per method used for consolidated financial statements
Mr Thierry Le Hénaff	Plan 2014 (4+0)			
	Date: 13 November 2014	26,000**	14 November 2018	€868,660

* *Date of Board of Directors meeting.*
** *I.e. 0.04% of share capital.*

The conditions applicable to the 2014 performance share plan are set out in paragraph 3.5.1 of this reference document.

In line with his former practice, and in accordance with the recommendations of the AFEP-MEDEF Code revised in June 2013, Mr Thierry Le Hénaff formally undertook not to use hedging instruments related to the stock options or the performance shares which were awarded or will be awarded to him by the Company as part of his functions throughout his term as an executive director of the Company.

In 2014, following the acknowledgement by the Board of Directors of the fulfilment of all the performance conditions applicable to performance share plans AP n° 2 of 2011 and AP n° 1 of 2012, Mr Thierry Le Hénaff was definitively awarded:

- 8,200 performance shares in respect of plan AP n° 2 of 2011 subject to a mandatory holding period of 2 years; and
- 13,000 performance shares in respect of plan AP n° 1 of 2012 subject to a mandatory holding period of 2 years.

Further details on these plans may be found in the history of the performance share plans set out in section 3.5 of this reference document.

During 2014, the mandatory holding period came to an end for 18,800 shares pertaining to plan AP n° 1 of 2010. These shares thus became available, subject to compliance with the specific holding requirement of Mr Thierry Le Hénaff, as set out above.

PERFORMANCE SHARES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER THAT BECAME AVAILABLE IN 2014 (TABLE 7 AMF NOMENCLATURE)

	N° and date* of plan	Number of shares that became available in 2014	Purchase conditions
Mr Thierry Le Hénaff	Plan AP n° 1 2010 Date: 10 May 2010	18,800	None (see paragraph 3.4.3.3 of this reference document)

* *Date of Board of Directors meeting.*

Additionally, in accordance with the AFEP-MEDEF Code and AMF recommendations, the number of stock options exercised in 2014 by Mr Thierry Le Hénaff is set out in the following table:

STOCK OPTIONS OR SHARE PURCHASE OPTIONS EXERCISED DURING 2014 BY THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER (TABLE 5 AMF NOMENCLATURE)

	N° and date* of plan	Number of options exercised	Exercise price
Mr Thierry Le Hénaff	Plan 2008 Date: 13 May 2008	24,000	€36.21
	Plan 2007 Date: 14 May 2007	36,000	€44.63

* *Date of Board of Directors meeting.*

3

It should be noted that the Board of Directors meeting on 7 March 2012 decided that 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, Mr Thierry Le Hénaff will retain his rights to stock options and free share or performance share allocation under the plans decided by the Board of Directors until his term of office terminates.

In accordance with the AFEP-MEDEF Code and AMF recommendations, the history of stock option and performance share awards is set out in tables in section 3.5 of this reference document.

3.4.3.4 BENEFITS AFTER TERMINATION OF TERM OF OFFICE AS CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Since the Company's spin-off and stock market listing, Mr Thierry Le Hénaff has not been bound to the Company by an employment contract. The compensation of Mr Thierry Le Hénaff is therefore entirely linked to his function as a corporate officer of the Company. In this regard, he benefits from retirement and termination of functions provisions as described below, as authorised by the Board of Directors and approved by the Company's shareholders general meetings on 5 June 2007 and 23 May 2012.

Retirement benefits

Mr Thierry Le Hénaff benefits from a supplementary defined benefit pension scheme offered to certain senior executives of the Group who benefited from an equivalent scheme before the spin-off; this supplementary pension scheme is subject to the beneficiary completing his career in the Group.

The provision of this supplementary pension scheme was authorised by the Board of Directors in 2006 as part of the establishment of the conditions for the exercise of his term of office and approved by the shareholders at their general meeting on 5 June 2007, in accordance with the procedure relating to regulated agreements and commitments.

The annual amount of supplementary pension in respect of this supplementary pension scheme, calculated on the retirement date, is determined by applying the following coefficients to the calculation base:

- 1.8% for the reference compensation part ranging from 8 to 40 times the annual social security ceiling, and
- 1% for the reference compensation part ranging from 40 to 60 times the annual social security ceiling,

multiplied by the number of years of service, limited to 20 years, and adding the 2 amounts thus obtained.

The maximum percentage of the reference compensation to which this defined benefit scheme would entitle the beneficiary is thus 36% of the part of the compensation ranging from 8 to 40 times the annual social security ceiling, and 20% of the reference compensation part ranging from 40 to 60 times the social security annual ceiling, the reference compensation being equal to the average of the last three years of compensation (fixed and variable) for his professional activity.

At 31 December 2014, the percentage of reference compensation to which this scheme would entitle the beneficiary was 28.4%.

The Chairman and Chief Executive Officer also benefits from a defined contributions pension scheme put in place in particular to help reduce the amount of social liabilities resulting from the defined benefit scheme mentioned above, for which contributions have been set at 20% of annual compensation exceeding eight times the social security annual ceiling and capped at the tax reintegration limit. The income from this defined contribution scheme is deducted from the additional pension paid in respect of the defined benefit scheme set out above.

The contributions paid in respect of the defined contribution scheme for the Chairman and Chief Executive Officer amounted to 24,030 euros in 2014.

The total annual amount due in respect of the defined benefit scheme, the defined contribution scheme and the mandatory schemes may in no event exceed 45% of the reference compensation. Should this be the case, the pension paid in respect of the defined benefit scheme is reduced in due proportion.

Provisions are made for these amounts in Arkema's accounts, as shown in note 5 of the notes to the financial statements in paragraph 4.5.3 of this reference document.

Benefits related to termination of functions

Mr Thierry Le Hénaff benefits from severance compensation as part of his term of office as corporate officer, and in the event of early termination of contract (termination or non-renewal of his term of office) or termination associated with a change of control of the Company or a change of strategy decided on by the Board of Directors, except in the event of serious or gross misconduct.

In accordance with the AFEP-MEDEF Code, indemnity is due only in the event of forced dismissal of the Chairman and Chief Executive Officer, and the amount of this indemnity may not exceed twice his total annual gross compensation (fixed and variable). Additionally, 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 variable compensation payments made prior to the date of early termination of contract.

It should be noted, however, that the recommendation of the AFEP-MEDEF Code linking forced dismissal to a change of control or strategy has not been taken into account in order to compensate for the loss of benefits, in particular in terms of seniority, in relation to his having spent 17 years as a salaried executive of the Total group, which ARKEMA formed part of at the time of its spin-off and stock market listing and at the time of his appointment as Chairman and Chief Executive Officer of the Company.

The award of that compensation was approved by the shareholders, in accordance with article L. 225-42-1 of the French Commercial Code, at the annual general meeting on 23 May 2012, following prior authorisation by the Board of Directors.

The amount of this benefit will be calculated on the basis of the fulfilment of five stringent performance conditions, as follows:

- 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;
- comparative EBITDA margin: this economic performance indicator shall be compared to that of competitors in the chemicals industry 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;
- working capital requirement (WCR): the year-end WCR over annual sales ratio shall have decreased by at least 2.5% per year (average compound rate) between 31 December 2005 and the date at which this performance condition has been fulfilled;
- 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;
- 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 three 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.

Mr 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, Mr 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, Mr 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, Mr 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, Mr Thierry Le Hénaff shall receive 0% of the sums provided for in the event of early termination of contract.

SUMMARY OF EMPLOYMENT CONTRACT/PENSION SCHEME AND OTHER BENEFITS (TABLE 11 AMF NOMENCLATURE)

	Employment contract		Supplementary defined benefit pension scheme		Indemnities or benefits due or liable to be due upon termination or change of functions		Indemnity resulting from non-compete agreement	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr Thierry Le Hénaff		X	X		X			X

(1) On recurring activity (in particular excluding impact of M&A, restructuring operations).

3.4.4 ELEMENTS OF COMPENSATION DUE OR ALLOCATED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER FOR 2014 SUBMITTED TO SHAREHOLDERS' OPINION

In accordance with the recommendations of article 24.3 of the AFEP-MEDEF Code, the shareholders general meeting on 2 June 2015 (9th resolution) is asked to give an advisory opinion on the elements of compensation due or awarded for the year ended 31 December 2014 to Mr Thierry Le Hénaff, Chairman and Chief Executive Officer of the Company, as shown below:

ELEMENTS OF COMPENSATION DUE OR ALLOCATED TO MR THIERRY LE HÉNAFF FOR 2014 SUBMITTED TO SHAREHOLDERS'S OPINION

Elements of compensation due or allocated for 2014	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	€750,000	The annual fixed part was amended on 23 May 2012 upon the renewal of the term of office of the Chairman and Chief Executive Officer so that this fixed compensation might be more closely aligned with that of executive officers of comparable industrial companies. At its meeting on 3 March 2014, the Board of Directors decided to maintain the fixed part due for 2014 at 750,000 euros, which places the level of Mr Thierry Le Hénaff's annual fixed compensation below average of his peers.
Annual variable compensation	€688,500	The amount of the variable part due for 2014, which could, as in previous years, represent up to 150% of the annual fixed compensation, was set by the Board of Directors at its meeting on 4 March 2015, taking into account the quantitative and qualitative criteria approved by the Board in 2014 and the achievements noted as of 31 December 2014, as follows: • with regard to the three quantitative criteria linked to the financial performance of the Group (EBITDA, recurring cash flow, and margin on variable costs of new developments), the achievement rates obtained in 2014 differ substantially according to each of the three criteria. On the 1st criterion (EBITDA) the Group's performance was significantly below the target level, although margins demonstrated good resilience in more challenging market conditions in fluorogases and acrylics. The performance with regard to recurring cash flow remained solid with good control of capital expenditure, in a year when large projects were undertaken, and of working capital. In addition, the margin on variable costs of new developments, while not at the target level, was relatively high with numerous new developments in High Performance Materials, particularly in fluorinated polymers and in Filtration and Adsorption, as well as downstream acrylics (Coating Solutions segment). After applying the calculation formula defined by the Nominating, Compensation and Corporate Governance Committee, the amount of the variable part due in respect of quantitative criteria amounted to 51.8% of annual fixed compensation, significantly less than in previous years; and • with regard to the qualitative criteria which mainly dealt with the implementation of the Group's strategy, the performance was deemed excellent at the end of a particularly busy year in terms of the transforming projects underway within the Group. The Board of Directors acknowledged, in particular, the achievement or progress of various complex industrial projects, which are significant and structuring for the Group's long-term positioning, such as the completion and successful start-up of the Thiochemicals platform in Malaysia, which represented an investment of around 200 million euros, the completion of the acrylics investment programme in North America which represented an overall investment of 110 million US dollars over three years, the completion of the Bostik Group acquisition, including the negotiations and financing arrangements, the set-up of an acrylics joint-venture with Jurong Chemical in China and the completion of the first stage of that transaction, which enabled ARKEMA to access to a world-scale unit in acrylics, the strict control of fixed costs and working capital and, finally, the very clear improvement in safety results which exceeded the original targets by far. Consequently, the amount of the variable part due in respect of qualitative criteria was set at 40% of annual fixed compensation. In total, the variable compensation for 2014 set by the Board of Directors amounted to 688,500 euros, *i.e.* 14% less than the variable part for 2013 and 34% less than the variable part for 2012. It represents 91.8% of the 2014 annual fixed compensation, representing a overall achievement rate of 61.2% (47.1% in respect of quantitative criteria and 100% in respect of qualitative criteria). Further detail on the criteria may be found in paragraph 3.4.3.2 of this reference document.
Deferred variable compensation	N/A	Mr Thierry Le Hénaff receives no multi-yearly variable compensation.

Exceptional compensation	N/A	Mr Thierry Le Hénaff does not benefit from any exceptional compensation.
Attendance fees	N/A	Mr Thierry Le Hénaff receives no attendance fees from Arkema.
Stock options	N/A	The Board of Directors decided at the beginning of 2013 to withdraw stock option arrangements.
Performance shares	€868,660	Making use of the authorisation granted by the shareholders general meeting on 4 June 2013 (12th resolution), on a proposal of the Nominating, Compensation and Corporate Governance Committee, at its meeting on 13 November 2014, the Board of Directors awarded 26,000 performance shares (representing 0.04% of share capital) to Mr Thierry Le Hénaff (out of a total of 275,000 shares awarded to approximately 780 beneficiaries, representing 9.45% out of a maximum of 12%). The definitive award of these shares, following a 4-year vesting period, is contingent upon a presence condition in the Group and the fulfilment of three stringent performance criteria: ARKEMA's EBITDA growth, comparative EBITDA margin and comparative Total Shareholder Return. These three criteria are applicable for 35%, 30% and 35% of rights awarded, respectively. Further detail on the criteria may be found in paragraph 3.5.1 of this reference document.
Benefits in kind	€6,720	Mr Thierry Le Hénaff has a company car.

ELEMENTS OF COMPENSATION DUE OR ALLOCATED FOR 2014 ALREADY SUBMITTED TO THE SHAREHOLDERS' GENERAL MEETING FOR APPROVAL AS PART OF THE PROCEDURES RELATED TO REGULATED AGREEMENTS AND COMMITMENTS

Severance compensation	*No payment*	*Mr Thierry Le Hénaff benefits from severance compensation as part of his term of office as corporate officer, the amount of which, calculated based on the fulfilment of five quantitative criteria set by the Board of Directors and approved by the shareholders' general meeting (TRIR (Total Recordable Injury Frequency Rate), comparative EBITDA margin, working capital requirement (WCR), EBITDA margin, and return on capital employed), may not exceed two years of his total annual gross compensation (fixed and variable).* *In accordance with the procedure relating to the regulated agreements and commitments, this commitment was authorised by the Board of Directors meeting on 7 March 2012 and **approved by the shareholders general meeting on 23 May 2012** (6th resolution).* *Further detail on the conditions of the award of this compensation may be found in paragraph 3.4.3.4 of this reference document.*
Non-competition compensation	*N/A*	*Mr Thierry Le Hénaff does not benefit from non-competitive compensation.*
Supplementary pension scheme	*No payment*	*Mr Thierry Le Hénaff benefits from supplementary defined benefit pension scheme, applicable to certain senior executives of the Group receiving annual compensation exceeding eight times the social security annual ceiling, and contingent upon the fulfilment of the beneficiary completing his career in the Group. The income from this supplementary pension scheme will be deducted from the income from the defined contribution scheme applicable to certain senior executives of the Group. The Company's pension commitments for the Chairman and Chief Executive Officer corresponded, on 31 December 2014, to an annual pension, the calculation of which is based in particular on the average compensation paid over the last three years, equal to 28.4% of his current annual compensation.* *In accordance with the regulated agreements and commitments procedure, this commitment was authorised by the Board of Directors on 4 July 2006, and **approved by the shareholders general meeting on 5 June 2007** (4th resolution).* *Further detail on this pension commitment may be found in paragraph 3.4.3.4 of this reference document.*

3.4.5 STOCK TRANSACTIONS BY THE COMPANY'S DIRECTORS AND MEMBERS OF THE EXECUTIVE COMMITTEE

Pursuant to article 223–26 of the French Financial Markets Authority (AMF) general regulations, the following table features the operations declared by the individuals mentioned in article L. 621-18-2 of the French Monetary and Financial Code, in 2014:

	Financial instrument	Nature of operation	Date of operation	Place of operation	Unit price	Amount of operation
Mr Luc Benoît-Cattin	FCPE shares	Subscription	23 April 2014	Paris	€64.19	€64,190.00
	Shares	Subscription*	15 December 2014	Paris	€38.50	€39,886.00
Mr Bernard Boyer	Shares	Exercised stock options	6 March 2014	Paris	€36.21	€130,356.00
	Shares	Sale	6 March 2014	Paris	€79.65	€286,740.00
	FCPE shares	Subscription	23 April 2014	Paris	€64.19	€64,190.00
	FCPE shares	Sale	12 June 2014	Paris	€75.13	€67,560.24
	Shares	Exercised stock options	17 June 2014	Paris	€30.47	€60,940.00
	Shares	Subscription*	15 December 2014	Paris	€38.50	€168,283.50
Mr Patrice Bréant	FCPE shares	Subscription	23 April 2014	Paris	€64.19	€10,434.84
	FCPE shares	Subscription	2 May 2014	Paris	€79.56	€920.00
Mr Pierre Chanoine	FCPE shares	Subscription	23 April 2014	Paris	€64.19	€64,190.00
	FCPE shares	Sale	18 June 2014	Paris	€74.08	€84,975.76
	Shares	Exercised stock options	20 June 2014	Paris	€30.47	€80,440.80
	Shares	Subscription*	15 December 2014	Paris	€38.50	€136,290.00
Mr Michel Delaborde	Shares	Exercised stock options	5 March 2014	Paris	€44.63	€847,970.00
	FCPE shares	Subscription	23 April 2014	Paris	€64.19	€64,190.00
	FCPE shares	Sale	18 June 2014	Paris	€74.08	€80,066.98
	Shares	Exercised stock options	20 June 2014	Paris	€30.47	€76,175.00
	Shares	Subscription*	15 December 2014	Paris	€38.50	€236,582.50
Individual linked with Michel Delaborde	Shares	Sale	6 March 2014	Paris	€79.65	€504,423.45
Individual linked with Michel Delaborde	Shares	Sale	6 March 2014	Paris	€79.65	€504,423.45
Individual linked with Michel Delaborde	Shares	Sale	6 March 2014	Paris	€79.65	€504,503.10
Mr Bernard Kasriel	Shares	Acquisition	11 December 2014	Paris	€54.00	€8,640.00
	Shares	Subscription*	15 December 2014	Paris	€38.50	€5,467.00
Mr Thierry Le Hénaff	Shares	Exercised stock options	28 January 2014	Paris	€36.21	€724,200.00
	Shares	Sale	28 January 2014	Paris	€74.65	€1,486,729.40
	Shares	Exercised stock options	17 April 2014	Paris	€36.21	€144,840.00
	Shares	Exercised stock options	12 May 2014	Paris	€44.63	€1,606,680.00
	Shares	Subscription*	15 December 2014	Paris	€38.50	€429,159.50
Individual linked with Thierry Le Hénaff	Shares	Sale	12 May 2014	Paris	€73.20	€878,400.00
Individual linked with Thierry Le Hénaff	Shares	Sale	12 May 2014	Paris	€73.20	€878,400.00

	Financial instrument	Nature of operation	Date of operation	Place of operation	Unit price	Amount of operation
Mr Thierry Lemonnier	FCPE shares	Subscription	23 April 2014	Paris	€64.19	€64,190.00
	Shares	Subscription*	15 December 2014	Paris	€38.50	€222,222.00
Mr Thierry Morin	Shares	Subscription*	15 December 2014	Paris	€38.50	€9,355.50
Mr Marc Schuller	Shares	Exercised stock options	5 March 2014	Paris	€36.21	€434,520.00
	Shares	Sale	5 March 2014	Paris	€78.41	€940,920.00
	FCPE shares	Subscription	23 April 2014	Paris	€64.19	€64,190.00
	FCPE shares	Sale	19 June 2014	Paris	€74.78	€71,191.47
	Shares	Exercised stock options	23 June 2014	Paris	€30.47	€67,034.00
	Shares	Subscription*	15 December 2014	Paris	€38.50	€212,943.50
Mr Philippe Vassor	Shares	Acquisition	25 August 2014	Paris	€57.18	€40,026.00
	Shares	Subscription*	15 December 2014	Paris	€38.50	€11,550.00
Mr Jean-Pierre Seeuws	Shares	Subscription*	15 December 2014	Paris	€38.50	€19,327.00

* *Subscription as part of the share capital increase with preferential subscription rights, for an amount of 350,451,024 euros carried out as part of the financing the Bostik Group acquisition.*

3.5 STOCK-BASED COMPENSATION

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 incentivise and closely involve managers and certain employees in its future growth as well as its stock market performance.

Accordingly, in 2006, the Board of Directors put in place stock option and free performance share plans, as detailed below.

From 2010 onwards, all stock awards made to the Chairman and Chief Executive Officer and to Executive Committee members have been contingent upon the fulfilment of performance conditions. Furthermore, in accordance with the law and the AFEP-MEDEF Code, since 2010 the Board of Directors has set, for every plan put in place, the number of shares resulting from the exercise of stock options or performance shares definitely acquired which the Chairman and Chief Executive Officer and the Executive Committee members must retain (see paragraphs 3.4.2.1 and 3.4.3.3 of this reference document).

On a proposal by the Nominating, Compensation and Corporate Governance Committee, the Board of Directors set out in detail, at the beginning of 2013, the principles of the stock-based compensation policy by way of allocation of performance shares, applicable from 2013 for the validity period of the authorisation granted by the shareholders general meeting on 4 June 2013, namely 38 months, as follows:

- involve managers and certain employees of the Group in its future growth as well as its stock market performance in the medium-term;
- continue its share allocation policy implemented in 2006, namely share allocation not only reserved for executive managers, but concerning around 750 employees of the Group whose performance has been outstanding, or who should be incentivised;
- increase the definitive vesting period to be at least three years in order to firmly establish the medium-term compensation dimension as part of the overall compensation package;
- make it imperative that the definitive award, for executive managers, is contingent upon the fulfilment of two stringent performance criteria, each one applicable for 50% of the rights allocated:
  - one internal criterion related to the growth of ARKEMA's EBITDA, fully consistent with the financial prospects disclosed to the market,
  - one external criterion based on a comparison of ARKEMA's average EBITDA margin with the average EBITDA margin of a panel of chemical companies over an identical period of at least three years. The panel may change if significant changes take place in the competitive landscape;
- generally, award existing shares, acquired as part of the buy-back programme, resulting in no dilution for shareholders;
- withdraw stock option arrangements.

Upon proposal of the Nominating, Compensation and Corporate Governance Committee, the principles related to the performance criteria set out above were adopted at the Board of Directors meeting on 13 November 2014, as follows:

- a third new performance criterion the TSR (Total Shareholder Return) was introduced to align the interests of performance share beneficiaries even more directly with those of shareholders; as a result, the weighting of these criteria has been modified (see paragraph 3.5.1 of this reference document on the 2014 performance share plan); and
- the average EBITDA margin over a period of three years has been replaced by a comparative EBITDA margin target for 2017, aligned with the date set for the achievement of mid-term targets. The evaluation of the criterion over a time horizon of at least 3 years therefore remains unchanged. However, it seemed more appropriate to set the target for 2017, as that year constitutes an intermediary stage in the ambitious plan to improve BOSTIK's profitability, which was announced in September 2014 and which should allow to increase the EBITDA margin for this business from its current level of 10.3% in 2014 (compared with 13.2% for ARKEMA in 2014) to a figure much more in line with the average of its peers in the adhesive segment, between 14 and 15%. In addition, the allocation scale for this criterion is, in practice, more ambitious than that used in 2013 prior to the decision to acquire the Bostik Group, since the EBITDA margins in the less capital-intensive adhesives segment are naturally lower than those in the rest of the more capital-intensive specialty chemicals sector.

Moreover, the panel of competitors has been modified to take into account changes which took place in the competitive landscape and in ARKEMA's business portfolio, since the beginning of 2013. It now includes Evonik, which was listed in April 2013. It is also intended to restrict its composition to European competitors given that, US competitors now benefit from a very favorable access to energy and to certain raw materials with the development of shale gas in North America, as well as the impact of foreign exchange rates, which have been particularly substantial with sharp fluctuations of the US dollar against the euro. Consequently, the panel now includes AkzoNobel (Specialty Chemicals), BASF (excluding Oil and Gas), Clariant, Lanxess, Solvay, and Evonik. This panel of challenging and high-quality competitors is used for the performance criterion related to the evolution of the EBITDA margin in comparison with competitors and that related to the comparative evolution of TSR.

The accounting treatment of these stock-based compensation instruments is given in note 28 of the notes to the consolidated financial statements in paragraph 4.3.3 of this reference document.

3.5.1 FREE SHARE AND PERFORMANCE SHARE AWARD PLANS

In accordance with the AFEP-MEDEF Code and with the practices of other French listed groups, the award of performance share plans takes place at the same time every year. This award is taking place in November, since 2013.

The beneficiaries of free share and performance share allocation plans are executive managers as well as a number of Group employees whose performance has been outstanding. The number of beneficiaries is around 800 employees for each plan.

Except for the 2006 plan whereby vested shares resulted from a share capital increase operation, all vested shares in respect of previous plans were purchased by the Company as part of its share buy-back programme. Consequently, and given the performance share award policy agreed by the Board of Directors in 2013, these plans do not result in a potential dilution for shareholders.

2014 PERFORMANCE SHARE PLANS

In accordance with the stock-based compensation policy in force within the Group, at its meeting on 13 November 2014, the Board of Directors, as authorised by the shareholders general meeting on 4 June 2013 and on a proposal of the Nominating, Compensation and Corporate Governance Committee, decided to award 275,000 existing performance shares (*i.e.* 22% of the overall quota granted by the said general meeting for a duration of 38 months) to some 780 beneficiaries, including the Chairman and Chief Executive Officer and the Executive Committee members. The vesting period for performance share allocation rights has been maintained at four years in order to establish a medium-term compensation dimension as part of overall compensation. At the end of the vesting period, no holding period will be required, but the definitive award of the shares is contingent upon a presence condition in the Group and the fulfilment of three performance criteria.

The Board of Directors decided to introduce a third performance criterion, the TSR (Total Shareholder Return), in addition to the criteria relating to ARKEMA's EBITDA growth and EBITDA margin compared to a panel of competitors both applicable to the 2013 performance share plan and maintained as part of the 2014 plan, in order to align the interests of performance share beneficiaries even more closely with those of shareholders.

These three demanding criteria, each applicable to a percentage of allocated rights, are defined as follows:

- growth of ARKEMA's EBITDA: for 35% of allocated rights.

  The target for the award of all rights under this criterion shall be for 2017 EBITDA to reach 1,310 million euros, with gearing not exceeding 40%. Should gearing exceptionally exceed the 40% threshold, a review of the target EBITDA would be put forward by the Nominating, Compensation and Corporate Governance Committee to the Board of Directors.

No share will be awarded if the 2017 EBITDA is below 1,000 million euros. Between 1,000 million euros and 1,310 million euros, the rate of allocation will be determined in accordance with a linear and continuous scale;

- comparative 2017 EBITDA margin: for 30% of allocated rights.

All rights will be awarded if ARKEMA's 2017 EBITDA margin exceeds the average of the chosen panel by one point. If ARKEMA's 2017 EBITDA margin is equal to the average of the chosen panel, the allocation rate will be 85%. If ARKEMA's EBITDA margin is below that of the panel by 2.5 points or more, no share will be awarded.

Between these two values, the allocation rate will be determined according to the indicator value for the 2017 financial year, established as follows: indicator = ARKEMA's EBITDA margin – average EBITDA margin of the panel.

The allocation scale for the 2014 plan is identical to that used for the 2013 performance share plan. The scale was determined taking into account the mid-term objectives of different competitors and the current margin achieved by the Group, the efforts of which now focus essentially on sales growth, while the EBITDA margin growth target is now more limited. In 2014, the Group's EBITDA margin reached 13.2% and should be compared to the average EBITDA margin of the panel of 14.1%.

Value of target	Allocation rate in respect of the criterion
ARKEMA's EBITDA margin > average EBITDA margin for panel + 1	100%
ARKEMA's EBITDA margin = average EBITDA margin for panel	85%
-0.5 < indicator < 0	75%
-1 < indicator ≤ -0.5	65%
-1.5 < indicator ≤ -1	50%
-2 < indicator ≤ -1.5	35%
-2.5 < indicator ≤ -2	20%
Indicator ≤ -2.5	0%

The Board of Directors has also decided to amend the competitors' panel to take account of changes in the competitive landscape. The panel now consists of: Akzo Nobel (Specialty Chemicals only), BASF (excluding Oil & Gas), Clariant, Lanxess, Solvay and Evonik (for further details, refer to the principles related to stock-based compensation in the introduction to section 3.5 of this reference document);

- comparative TSR (Total Shareholder Return): for 35% of allocated rights.

ARKEMA's TSR over a three-year period, from 2015 to 2017, will be compared to those of the same panel of competitors chosen for the 2nd criterion.

This criterion will be achieved up to 100% if ARKEMA's TSR ranks among the top groups upon classification of all 7 groups (ARKEMA and the 6 competitors included in the panel) ranked in descending order by their TSR over the period.

The share allocation rate under this third criterion will be as follows:

ARKEMA's position after ranking of the TSR of each chemicals group included in the panel, in descending order	Allocation rate in respect of the criterion
1st or 2nd	100%
3rd	75%
4th	50%
5th	25%
6th or 7th	0%

In accordance with this scale, the criterion is 50% fulfilled at the median ranking. The 25% allocation rate below the median is justified by the aim of keeping Group employees constantly mobilised and motivated throughout the period concerned and is offset by the high-quality and challenging nature of the panel chosen for comparison, particularly in terms of value creation.

TSR is calculated as follows:

TSR = (share price at end of period – share price at beginning of period + sum of dividends per share paid out during the period)/ share price at beginning of period.

To limit the effects of volatility on the share price, an average share price recorded over a two-month period will be used.

Hence the share price at the beginning of the period will be the average of the opening prices between 1 November 2014 and 31 December 2014, and the share price at the end of the period will be the average of the opening prices between 1 November 2017 and 31 December 2017.

For the Chairman and Chief Executive Officer and the other members of the Executive Committee, these conditions apply to all the rights to shares which they are awarded. For all other beneficiaries, these conditions will apply to the fraction of the rights exceeding 100.

As part of the share capital increase reserved for employees carried out in April 2014, the features of which are set out in paragraph 5.2.7, the Board of Directors also acknowledged at its meeting on 6 May 2014, the allocation of 16,368 free shares, pursuant to a specific plan put in place for employees of Group companies outside France who subscribed to the share capital increase (one free share being allocated for every five shares subscribed, up to a limit of 20 free shares) and for employees in countries where it was not possible to subscribe to the share capital increase (5 free shares for each employee, *i.e.* 750 shares).

2014 PERFORMANCE SHARE PLANS

	2014		
Date of annual general meeting	4 June 2013	4 June 2013	4 June 2013
% of rights that may be awarded relative to the Company's share capital		2%	
Date of Board of Directors' meeting	6 May 2014	6 May 2014	13 November 2014
Number of rights awarded	750	16,368	275,000
including Chairman & CEO	-	-	26,000
Aggregate by authorisation		292,118, *i.e.* 0.86% of share capital at date of AGM	
Hedging terms of the plans	-	-	-
Number of cancelled shares (1)	335	-	-
Number of vested shares (2)	-	-	-
Number of rights still to be acquired at 31 December 2014	415	16,368	275,000
Vesting period	4 years	4 years (3)	4 years
Holding period	0	0 (4)	0
Performance conditions	-	-	EBITDA growth by 2017, 2017 EBITDA margin compared to a panel, compared TSR over the period from 2015 to 2017
Achievement rate	-	-	-

(1) These performance shares became redundant due to the application of either the condition of presence within the Group or the performance conditions.
(2) These shares were awarded to the beneficiaries (including early in the case of death, for example).
(3) Except Italy and Spain where the vesting period is 3 years.
(4) Except Italy and Spain where the holding period is 3 years.

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; and
- following this vesting period, the shares definitively acquired by the beneficiaries must be held 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, 2006, 2007, 2008 and 2009, the rights granted accounted for 1% of the Company's share capital at the date of the shareholders general meeting having authorised the award.

HISTORY OF PERFORMANCE SHARE PLANS BETWEEN 2006 AND 2009 (TABLE 10 OF AMF NOMENCLATURE)

	2006	2007	2008	2009
Date of annual general meeting	10 May 2006	10 May 2006	10 May 2006	10 May 2006
% of rights that may be awarded relative to the Company's share capital	3%			
Date of Board of Directors' meeting	4 July 2006	14 May 2007	13 May 2008	12 May 2009
Number of rights awarded	150,000	125,000	180,000	184,850
including Chairman & CEO	8,000	7,000	14,000	14,000
Aggregate by authorisation	639,850 *i.e.* 1% of share capital at the date of the AGM			
Hedging terms of the plans	Share capital increase	Share buy-back	Share buy-back	Share buy-back
Number of cancelled shares (1)	8,895	37,400	137,873	52,650
Number of vested shares (2)	141,105	87,600	42,127	132,200
Number of rights still to be acquired at 31 December 2014	-	-	-	-
Vesting period	2 years	2 years	2 years	2 years
Holding period	2 years	2 years	2 years	2 years
Performance conditions	EBITDA growth in 2007 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%)
Achievement rate	100%	71.3%	0%	100%

(1) These performance shares became redundant due to the application of either the condition of presence within the Group or the performance conditions.
(2) These shares were awarded to the beneficiaries (including early in the case of death, for example).

From 2010 to 2013, the Board of Directors amended the provisions applicable to the plans as follows:

- in accordance with the AFEP-MEDEF Corporate Governance Code, the definitive award of the rights is contingent upon the fulfilment of (i) performance conditions over a number of years, and (ii) "external" criteria, by which the Group's economic performance is compared against that of a panel of chemicals companies.

  The table below details the performance conditions applicable to each of the plans as well as the rates of allocation reached. 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 distinct plans for employees of companies outside France, providing for a four-year vesting period, with no holding obligation, in order to match the availability of securities with the tax liability relating to the definitive free share acquisition (2010 to 2012 plans); the plans implemented from 2013 onwards provide for a vesting period of four years for all beneficiary categories; and
- reinforcement of the "loyalty incentive" component of that compensation tool by increasing the vesting period: in cases where more than 200 rights to free share grants are allocated, 50% of the definitive award takes place after a two-year vesting period and 50% after a three-year vesting period (2010 to 2012 plans); plans implemented from 2013 onwards have already reinforced the "loyalty incentive" component by introducing a four-year vesting period, as described above.

HISTORY OF PERFORMANCE SHARE PLANS BETWEEN 2010 AND 2013

	2010		2011			2012				2013
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	15 June 2009	4 June 2013
% of rights that may be awarded relative to the Company's share capital	3%									2%
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	9 May 2012	6 November 2013
Number of rights awarded	153,705	50,795	88,305	59,380	52,315	101,860	74,805	65,335	17,163	250,000
including Chairman & CEO	18,800	-	8,200	8,200	-	13,000	13,000	-	-	26,000
Aggregate by authorisation	663,663 *i.e.* 1% of share capital at date of AGM									250,000 *i.e.* 0.04% of share capital at date of AGM
Hedging terms of the plans	Share buy-back	Share buy-back	Share buy-back	Share buy-back	-	Share buy-back	-	-	-	-
Number of cancelled shares [1]	3,870	4,247	1,245	1,555	3,225	1,630	1,355	2,430	60	3,130
Number of vested shares [2]	149,835	46,548	87,060	57,825	-	100,230	-		11	-
Number of rights still to be acquired at 31 December 2014	-	-	-	-	49,080	-	73,450	62,905	17,092	246,870
Vesting period	2 years	4 years	2 years	3 years	4 years	2 years	3 years	4 years	4 years [3]	4 years
Holding period	2 years	-	2 years	2 years	-	2 years	2 years	-	- [4]	-
Performance conditions	2010 EBITDA (50%), Progress of ARKEMA 2010/2011 average margin versus 2005 compared to panel of competitors (50%)		2011 EBITDA (50%), Progress of ARKEMA 2011/2012 average margin compared to panel of competitors (50%)			2012 EBITDA (50%), Progress of ARKEMA 2012/2013 average EBITDA margin compared to panel of competitors (50%)			None	EBITDA growth by 2016 (50%) and progress of average EBITDA margin over the 2013-2016 period compared to that of a panel of competitors (50%)
Achievement rate	100%	100%	100%			100%			-	-

(1) These performance shares became redundant due to the application of either the condition of presence within the Group or the performance conditions.

(2) These shares were awarded to the beneficiaries (including early in the case of death, for example).

(3) Except Italy and Spain where the vesting period is 3 years.

(4) Except Italy and Spain where the holding period is 3 years.

3.5.2 STOCK OPTION PLANS

In accordance with the stock-based compensation policy decided by the Board of Directors in 2013, and in anticipation, no stock option plan has been implemented since 2012.

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;
- stock option vesting period of two years, and an additional holding period of two years, *i.e.* four years from the award date; and
- condition of presence in the Group at the time of exercise of options.

As regards these three years, the Board of Directors authorised the award of a number of stock options representing 2.64% of the Company's share capital at the date of the shareholders general meeting that authorised the award.

At 31 December 2014, 224,500 stock options resulting from these plans remain outstanding following the adjustments made as described hereafter.

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 and the requirements of stakeholders in this regard, stock awards are subject to performance criteria chosen to align mid-term stock-based compensation with the Group's strategy.

  The chosen criteria are therefore indicators reflecting the Group's economic performance, as well as its relative performance compared to a panel of other comparable 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.

  It should be noted that 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. However, the rate of achievement of the targets is mentioned as an indication for each of the plans in the following table;
- the stock option vesting period has been extended in order to strengthen the "loyalty incentive" component of this compensation tool.

Hence, the plans decided in 2010 and 2011 feature the following characteristics:

- beneficiaries: executive managers in 2010 (74 beneficiaries) and Executive Committee members only in 2011 in order to restrict the most high-risk 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 vesting period, while the remaining 50% of rights may be exercised after five years for the 2010 plan, and after four years for the 2011 plan;
- condition of presence in the Group at the time of exercise of options; and
- performance criteria detailed in the table below.

As regards these two years, 2010 and 2011, the Board of Directors authorised the award of a number of stock options representing 1% of the Company's share capital at the date of the shareholders general meeting that authorised the award.

At 31 December 2014, 578,846 stock options resulting from the 2010 and 2011 plans were still outstanding.

At 31 December 2014, the total number of stock options still outstanding was 803,346, *i.e.* 1.10% of the Company's share capital on that date.

In accordance with law, and in order to uphold beneficiaries' rights, an adjustment was made to the number of oustanding options and to their exercise price as a result of the share capital increase with preferential subscription rights carried out on 15 December 2014.

HISTORY OF STOCK OPTION PLANS (TABLE 8 OF AMF NOMENCLATURE)

	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 options awarded following adjustments	540,000	603,074	465,437	230,044	233,513	109,082	109,082
including to the Chairman and CEO: Mr Thierry Le Hénaff	55,000	70,000	52,500	35,000	35,000	29,250	29,250
including to the Chairman and CEO: Mr Thierry Le Hénaff, following adjustments	55,500	70,389	52,676	36,361	36,361	30,386	30,386
Number of outstanding options at 31 December 2014	-	81,922	142,578	134,169	226,513	109,082	109,082
Aggregate by authorisation	1,600,000, *i.e.* 2.7% of the share capital at the date of the annual general meeting			660,000, *i.e.* 1% of the share capital at the date of the annual general meeting			
Vesting period (1)	2 years	2 years	2 years	2 years	5 years	2 years	4 years
Holding period (2)	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
Exercise price (in euros) following adjustment	-	€42.96	€34.85	€29.33	€29.33	€65.92	€65.92
Performance conditions (other than exercise price)	-	-	-	2010 EBITDA (50%), Progress of ARKEMA 2010/2011 average EBITDA margin versus 2005 compared to a panel of competitors (50%)	2014 EBITDA margin	2011 ROCE	Average EBITDA margin 2011/2014
Achievement rate	-	-	-	100%	93.3%	100%	100%

(1) Subject to condition of presence with the Group when the options are exercised.
(2) From end of vesting period.

3.6 STATUTORY AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE *(CODE DE COMMERCE)*

KPMG Audit
Département de KPMG S.A.
1, cours Valmy
92923 Paris-La Défense Cedex
Statutory auditors
Member of the "*compagnie régionale de Versailles*"

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1
S.A.S. à capital variable
Statutory auditors
Member of the "*compagnie régionale de Versailles*"

Arkema

Registered office : 420, rue d'Estienne d'Orves - 92700 Colombes

Share capital : €728,226,950

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

To the shareholders

Ladies and Gentlemen,

In our capacity as statutory auditors of Arkema, 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 2014.

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;
- 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, on 4 March 2015

The statutory auditors

French original signed by

KPMG Audit *Département de KPMG S.A.*		ERNST & YOUNG Audit
Jacques-François Lethu	François Quédiniac	Valérie Quint
Partner	*Partner*	*Partner*

4

FINANCIAL AND ACCOUNTING INFORMATION

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

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 2014 in paragraph 4.3.3 of this reference document, and in particular with the accounting policies described in note B – Accounting policies to the consolidated financial statements.

4.1.1 INDICATORS USED IN MANAGEMENT ANALYSIS

The main performance indicators used by ARKEMA are defined in note B.17 of the notes to the consolidated financial statements presented in paragraph 4.3.3 of this reference document.

In analysing 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 analysed 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 and air-conditioning markets, sales are 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 also 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 IMPACT OF CHANGES TO ACCOUNTING STANDARDS

IFRIC 21 "Levies" was adopted by the European Union in June 2014. It came into force on 1 January 2015 with retroactive effect from 1 January 2014. Pursuant to this text, ARKEMA now accounts in first quarter for the whole of certain taxes previously evenly spread between the four quarters of the year. The impact of this interpretation is neutral on the EBITDA and the net income Group share published for 2014. However, the impact on the EBITDA of each quarter is as follows: -12 million euros in first quarter and some +4 million euros in each of the following three quarters.

In 2015, the application of IFRIC 21 will have, by quarter, a similar effect to that recorded in 2014, but will be neutral on the year as a whole.

4.1.4 DESCRIPTION OF MAIN FACTORS WHICH AFFECTED SALES AND RESULTS IN THE PERIOD

In an increasingly volatile macro-economic environment as shown in 2014 by the rapid changes in oil prices and in the euro / US dollar exchange rate that were not anticipated by many experts, 2014 for ARKEMA was marked by fast-changing market conditions in its two most cyclical product lines (acrylics and fluorogases) and also by an environment difficult to assess in polyamide 12 in the first part of the year. These elements had an impact on the financial performance, the extent of which exceeded expectations and led the Group, when it published its 2nd quarter results, to adjust its 2014 target and defer its 2016 targets by 12 months. This prompted the Group to further reinforce its forecasting process. This exceptional volatility observed in 2014 should not, however, hide the progress made by ARKEMA since its stock market listing in 2006 nor the performance for the remainder of the activity which was globally up compared to 2013.

The following factors had some impact to varying degrees on the performance reported by the Group's activities:

- a volatile macro-economic environment marked by moderate global growth with:
  - ongoing mixed market conditions between the various regions in which the Group operates. In the continuity of 2013, growth remained slow in Europe but solid in North America, where the Group achieved 35% of its sales. In this region, the automotive market continued to show sound growth, whereas demand was disappointing in the construction and decorative paint markets. Finally, China this year again and for the third consecutive year, reported more moderate growth, and
  - strong variations in foreign exchange rates and in particular the significant strengthening of the US dollar compared to the euro at the end of 2014. Although the currency translation effect is neutral overall on the income statement for the year as a whole with an average US dollar rate of 1.33 compared to the euro, it was significantly negative in 1st half 2014 before being fully offset in 4th quarter 2014 given the marked increase of the US dollar at the end of the year. The currency transaction effect, which results from the export of products manufactured in Europe and is more difficult to quantify, includes in particular the impact of the weak Japanese yen compared to the euro which weighed on the results of the polyamide 12 business which has a particularly strong presence in Asia. Finally, the currency impact on the balance sheet is significant given the major increase of the US dollar compared to the euro on the accounts closing date compared to the end of 2013;
- market conditions specific to some of the Group's product lines, and in particular:
  - for fluorogases, challenging market conditions which, contrary to expectations, continued into the second part of 2014, and which reflect an increased competitive pressure from certain Chinese producers and an unfavourable product mix which weighed on prices and margins. If market conditions have stabilised overall since 2nd quarter 2014, this activity however lost EBITDA of some 100 million euros over the period from mid-2013 to mid-2014 compared to the period from mid-2012 to mid-2013. The Group set itself a target to compensate this decrease by the end of 2017, half of which through the effect of internal measures to optimise fixed and variable costs, and half through the assumption of a gradual improvement in market conditions supported by regulatory changes,
  - for acrylic monomers, unit margins in 2014 went from close to mid-cycle levels at the beginning of the year down to low cycle levels at the end of the year with volumes disappointing overall in particular in decorative paints in Europe and in the superabsorbent market affected by destocking at the end of 2014. The current unit margin situation should continue throughout 2015, with margins expected to be at the low end of the cycle over the period,
  - for polyamide 12, which had a high basis of comparison in 2013. This activity was also affected, in 2nd quarter 2014, by the major ten-year maintenance turnaround in Mont, France, which had an impact on EBITDA estimated at some -7 million euros, and
  - for PMMA, which, following a more challenging 2013 in Europe in particular in the automotive end-market, benefited from highly favourable market conditions in 2014 supported by a good demand in the automotive sector, in particular in North America, and a tight balance between supply and demand following industrial problems encountered by certain MMA producers in particular in Asia. In 2015, these market conditions should normalize;
- the confirmation of the positioning of the Group's activities in fast-growing niche markets supported by sustainable development trends (lightweight materials in transportation, biosourced polymers, new energies such as lithium-ion batteries) and by the growth in world population and in purchasing power primarily in Asia (animal nutrition, etc.), which helped many product lines to further improve;
- the ongoing implementation of the Group's focused growth strategy and of its operational excellence programme with:
  - a large number of projects currently underway within the Group with several ongoing major developments, including the finalisation mid-2014 of the 110 million US dollars Acrylics investment programme in North America and the construction of a Thiochemicals platform in Malaysia - the Group's largest industrial project - which came on stream beginning 2015. These developments were largely responsible for maintaining a high level of capital expenditure in 2013 and 2014,

- the closing of a number of acquisitions and divestment operations, in particular with the purchase of a stake in Sunke in Acrylics in China and the divestment of coating resins companies in South Africa, which resulted in a 184 million euros net cash outflow, and
- the ongoing drive towards productivity and cost optimisation in particular in the Coating Solutions segment, with the closure of the Chauny site (France) in Acrylics effective 1st quarter 2014, and the ongoing restructuring of the Coating Resins activities in particular in Europe with the closure of production at the Stallingborough site (United Kingdom) effective July 2014. ARKEMA also announced a project to shut down fluorogas production at the Zaramillo site (Spain), for which discussions with social partners in Spain are currently being finalised. These restructuring operations resulted in non-recurring charges amounting to 42 million euros booked in the accounts in 2014;
- the financing operations completed as part of the acquisition of BOSTIK with a hybrid bond issue for a gross amount of 700 million euros achieved in October 2014 and a share capital increase with preferential subscription rights for a gross amount of 350 million euros finalised in December 2014. The level of debt, very low at 31 December 2014 with a net debt representing 0.2 times the 2014 EBITDA, reflects these financing operations carried out in 2014 for the acquisition of BOSTIK finalised early February 2015.

4.1.5 ANALYSIS OF ARKEMA'S INCOME STATEMENT

(in millions of euros)	2014	2013	Variation
Sales	**5,952**	**6,098**	**- 2.4%**
Operating expenses	(4,926)	(4,950)	- 0.5%
Research and development expenses	(155)	(144)	+ 7.6%
Selling and administrative expenses	(424)	(416)	+ 1.9%
Recurring operating income	**447**	**588**	**- 24.0%**
Other income and expenses	(83)	(205)	-
Operating income	**364**	**383**	**- 5.0%**
Equity in income of affiliates	1	5	-
Financial result	(74)	(55)	+ 34.5%
Income taxes	(120)	(161)	- 25.5%
Net income	**171**	**172**	**- 0.6%**
Minority interests	4	4	-
Net income – Group share	**167**	**168**	**- 0.6%**
EBITDA	**784**	**902**	**- 13.1%**
Adjusted net income	**239**	**368**	**- 35.1%**

SALES

Sales reached 6.0 billion euros, 1.4% down on 2013 at constant scope of business and foreign exchange rate. In a moderate global growth environment, volumes grew by 2.3% (excluding the impact of the closure of the Chauny activity in France effective 1st quarter 2014), supported by Industrial Specialties and High Performance Materials. The -2.4% price effect mostly reflects unfavourable market conditions in fluorogases and the high basis of comparison in 2013 in polyamide 12. The translation effect was limited over the year (-0.3%), with an average 1.33 euro / US dollar parity over the year, stable compared to last year. The -0.7% scope of business effect reflects (i) the change, in accordance with accounting standards, in the consolidation method used for certain companies, in particular in fluorogases, (ii) the divestment of coating resins companies in South Africa, and (iii) the acquisition of a stake in Sunke in Acrylics in China.

The breakdown of sales by geographic region was balanced and stable overall compared to 2013, Europe representing 41% of the Group's total sales (41% in 2013), North America 35% (34% in 2013), Asia 20% (20% in 2013), and the rest of the world 4% (5% in 2013).

The breakdown of sales by business segment also remained balanced, High Performance Materials accounting for 31% of the Group's total sales (30% in 2013), Industrial Specialties 33% (33% in 2013), and Coating Solutions 36% (37% in 2013).

EBITDA AND RECURRING OPERATING INCOME

In a volatile economic environment marked by moderate global growth, EBITDA stood at 784 million euros against 902 million euros in 2013. It reflects challenging market conditions in fluorogases, unit margins close to a cyclical low in second half 2014 in acrylic monomers, and specific and temporarily unfavourable factors in polyamide 12. The other product lines reported a good performance, up +8.5% on 2013.

Against this backdrop, EBITDA margin held up well at 13.2% (14.8% in 2013). Hence ARKEMA confirms the overall quality of its portfolio of businesses and, for some of these activities, will pursue its actions to improve profitability.

Operating expenses stood at 4,926 million euros, slightly down on 2013 (4,950 million euros). The cost of raw materials remained high overall throughout the year despite a decrease at year end for a few oil-based raw materials. Productivity efforts, mainly in variable costs, helped offset part of inflation in fixed costs.

Research and development expenses reached 155 million euros, *i.e.* 2.6% of sales, against 144 million euros and 2.4% of sales in 2013. The Group maintained its innovation drive in order to continue developing new applications and sustain its growth plan and its ambition for 2017.

Selling and administrative expenses stood at 424 million euros against 416 million euros in 2013. This increase mostly corresponds to an increase in the sales force for certain fast-growing activities as well as in teams dedicated to the rollout of IT systems designed to optimise the supply chain under the "Ambition" programme.

In line with the change in EBITDA, recurring operating income stood at 447 million euros (588 million euros in 2013) after deduction of 337 million euros depreciation and amortisation, up on last year (314 million euros). The increase was due primarily to the start-up of new production plants in Acrylics in North America and in Thiochemicals in France (investments intended to secure feedstock supply for the Lacq site) and exceptional depreciation totalling 7 million euros.

OPERATING INCOME

Operating income stood at 364 million euros against 383 million euros in 2013. This includes other income and expenses amounting to -83 million euros against -205 million euros in 2013.

In 2014, other income and expenses mainly corresponded to:

- 53 million euros restructuring charges, including 12 million euros for write-off of assets. These charges were accounted for as part of restructuring plans that will contribute to the profitability improvement in Coating Resins with the announcement of the shutdown of coating resins production at the Stallingborough site (United Kingdom) effective July 2014 and in fluorogases with the proposed closure of production at the Zaramillo site (Spain), for which discussions with the social partners in Spain are currently being finalised at the date of this reference document; and
- various charges related to divestment and acquisition operations totalling 21 million euros. These charges relate in particular to the acquisition of BOSTIK and of a stake in Sunke in Acrylics in China, and to the divestment of coating resins in South Africa and of the stake in Canada Fluorspar Inc.

In 2013, other income and expenses mainly corresponded to the recognition of a 148 million euros net charge for the definitive exit of the vinyl activities as a whole, restructuring charges, and various expenses related to divestment and acquisition operations and to claims.

EQUITY IN INCOME OF AFFILIATES

Equity in income of affiliates came to 1 million euros against 5 million euros in 2013, reflecting primarily the divestment in 4th quarter 2013 of the 13% interest in Qatar Vinyl Company.

FINANCIAL RESULT

The financial result stood at -74 million euros against -55 million euros in 2013. It includes the cost of the debt, with an average debt up over the period and a 3% average interest rate stable compared to 2013, a 6 million euros charge relating to actuarial losses on certain provisions for employee benefits (long-service awards), a 8 million euros unrealised currency loss relating to the financing in US dollar of the investments made in Malaysia in Thiochemicals, and non-recurring items related to the renegotiation of the syndicate credit facility.

INCOME TAXES

Income taxes amounted to 120 million euros against 161 million euros in 2013, representing 26.8% of the recurring operating income, slightly down on 2013 (27.4%). This rate continues to reflect the geographical breakdown of the results, and in particular the weight of North America in the Group's results. The lower rate towards the end of the year was due primarily to the recognition of deferred tax assets outside France amounting to 9 million euros. At end 2014, unrecognised deferred tax assets amounted to 663 million euros.

NET INCOME GROUP SHARE AND ADJUSTED NET INCOME

Net income Group share stood at 167 million euros in 2014, stable compared to last year (168 million euros).

Excluding the after-tax impact of non-recurring items, adjusted net income amounted to 239 million euros in 2014, against 368 million euros in 2013.

4.1.6 ANALYSIS OF RESULTS BY SEGMENT

4.1.6.1 HIGH PERFORMANCE MATERIALS SEGMENT

(In millions of euros)	2014	2013	Variation
Sales	**1,826**	**1,842**	**- 0.9%**
Recurring operating income	**175**	**212**	**- 17.5%**
Other income and expenses	(13)	(11)	-
Operating income	**162**	**201**	**- 19.4%**
EBITDA	**284**	**316**	**- 10.1%**
EBITDA margin	**15.6%**	**17.2%**	**-**

High Performance Materials sales amounted to 1,826 million euros, 0.4% down on 2013 at constant scope of business and foreign exchange rate. Volumes improved in all Business Units (+2.0% overall), in particular in fluoropolymers which benefited from new developments and in Organic Peroxides which benefited from a strong presence in North America and in Asia. They offset to a large extent the -2.4% price effect mostly due to lower prices than last year in polyamide 12. The translation effect was limited to -0.5%.

EBITDA stood at 284 million euros against 316 million euros in 2013, affected by the performance of polyamides which reflects the high basis of comparison in 2013 in polyamide 12 and the impact of the maintenance turnaround in Mont, France, in 2nd quarter. Since mid-2014, market conditions have stabilised in this product line compared to the conditions prevailing in 2nd quarter 2014. The performance of the other product lines was up on last year, supported in particular by the innovation momentum and new developments in fluoropolymers and in Filtration and Adsorption. EBITDA margin remained at a good level at 15.6%.

Recurring operating income amounted to 175 million euros against 212 million euros in 2013, in line with the EBITDA variation, and a 5 million euros increase in the segment's depreciation and amortisation (109 million euros), including 2 million euros exceptional depreciation.

Operating income stood at 162 million euros in 2014. It includes other income and expenses for a net total of -13 million euros (-11 million euros in 2013), mostly related to the impact of claims and to charges related to portfolio management operations.

4.1.6.2 INDUSTRIAL SPECIALTIES SEGMENT

(In millions of euros)	2014	2013	Variation
Sales	**1,972**	**1,993**	**- 1.1%**
Recurring operating income	**172**	**225**	**- 23.6%**
Other income and expenses	(41)	(2)	-
Operating income	**131**	**223**	**- 41.3%**
EBITDA	**300**	**340**	**- 11.8%**
EBITDA margin	**15.2%**	**17.1%**	**-**

Industrial Specialties sales reached 1,972 million euros, virtually stable at constant scope of business and foreign exchange rate (-0.2%) compared to 2013. Volumes grew by 3.6% supported by Thiochemicals affected end 2013 by exceptional technical problems encountered on the Lacq (France) and Beaumont (United States) sites, and fluorogases which benefited in particular from more favourable weather conditions in 2nd quarter than in the previous year. The -3.8% price effect essentially reflects lower prices and an unfavourable product mix in fluorogases, in particular in 1st half 2014. The -0.6% scope effect is due to a change, in accordance with accounting standards, in the consolidation method used for certain joint ventures.

EBITDA stood at 300 million euros, and EBITDA margin at 15.2%. Despite a strong performance in 4th quarter, results were down over the twelve months compared to 2013 mostly due to challenging market conditions in fluorogases. These conditions have stabilised overall since mid-2014. Thiochemicals again delivered a sound performance. PMMA benefited from highly favourable market conditions that should normalise in 2015. Market conditions in Hydrogen Peroxide remained contrasted.

Recurring operating income amounted to 172 million euros against 225 million euros in 2013, in line with the EBITDA variation and a 13 million euros increase in the segment's depreciation and amortisation to 128 million euros due primarily to the start-up of investments in particular in Lacq (France) in Thiochemicals and in Jarrie (France) in Hydrogen Peroxide, as well as 4 million euros exceptional depreciation.

Operating income stood at 131 million euros and includes other income and expenses for a net total of -41 million euros, mostly related to restructuring charges in connection with the proposed shutdown of fluorogas production in Zaramillo (Spain) [(1)] and to a 6 million euros capital loss recognised following the finalization of a take-over bid for the entire share capital of Canada Fluorspar Inc. in which ARKEMA owned a 19% stake.

4.1.6.3 COATING SOLUTIONS SEGMENT

(In millions of euros)	2014	2013	Variation
Sales	**2,131**	**2,224**	**- 4.2%**
Recurring operating income	**147**	**199**	**- 26.1%**
Other income and expenses	(13)	(40)	-
Operating income	**134**	**159**	**- 15.7%**
EBITDA	**245**	**292**	**- 16.1%**
EBITDA margin	**11.5%**	**13.1%**	**-**

Coating Solutions sales amounted to 2,131 million euros, 1.0% up at constant scope of business and foreign exchange rate and excluding the impact of the shutdown of the Chauny site in France, effective 1st quarter 2014. Excluding Chauny, volumes grew by 2.2% despite rather disappointing demand in decorative paint in Europe as well as destocking at year end in the superabsorbent market. They offset a -1.2% price effect primarily linked to changes in prices in the acrylic value chain. The -1.2% scope effect corresponds to the exit from the consolidation scope of the coating resins companies in South Africa and the acquisition, end of October 2014, of a stake in Sunke in Acrylics in China. The translation effect was limited to -0.3%.

EBITDA reached 245 million euros against 292 million euros in 2013, and EBITDA margin was down to 11.5%, corresponding to conditions on average just above low cycle. Following a strong start to the year, the performance of the segment was impacted by lower unit margins in acrylic monomers following the start-up of new capacities in China. As a result, unit margins in this business, which represents around 15% of the Group's sales, decreased from close to mid-cycle levels early in the year down to low cycle levels at year end. The current situation should persist throughout 2015 with unit margins expected to remain at a cyclical low. Despite disappointing volumes overall, in line with 2nd quarter 2014, the performance of downstream activities was stable overall, supported by the actions taken to improve the profitability of Coating Resins, and by the new developments at Coatex.

Recurring operating income reached 147 million euros against 199 million euros in 2013 after deduction of 98 million euros depreciation and amortisation, 5 million euros up on 2013, mostly due to the start-up of new acrylic monomer plants in North America, including the methyl acrylate plant in Clear Lake started late June 2014, and the acquisition of a stake in Sunke in Acrylics in China late October 2014.

Operating income stood at 134 million euros against 159 million euros in 2013 and includes other expenses and income amounting to -13 million euros corresponding mainly to restructuring charges related to the shutdown of coating resins production on the Stallingborough site in the United Kingdom effective July 2014 and to the consequences of the disposal of the coating resins companies in South Africa. In 2013, other expenses and income amounting to -40 million euros corresponded mostly to restructuring charges related in particular to the announcement of the closure of the Chauny site (France) effective 1st quarter 2014 and to various restructuring operations in the Coating Resins business in Europe, North America and Asia.

(1) Discussions with the social partners in Spain are currently being finalised.

4.1.7 BALANCE SHEET ANALYSIS

(In millions of euros)	31/12/2014	31/12/2013	Variation
Non-current assets [(1)]	3,607	3,162	+ 14.1%
Working capital	958	908	+ 5.5%
Capital employed	**4,565**	**4,070**	**+ 12.2%**
Provisions for pensions and employee benefits	456	361	+ 26.3%
Other provisions	361	397	- 9.1%
Total provisions	**817**	**758**	**+ 7.8%**
Long-term assets covering some provisions	66	60	+ 10.0%
Total provisions net of non-current assets	**751**	**698**	**+ 7.6%**
Net debt	154	923	- 83.3%
Shareholders' equity	3,573	2,349	+ 52.1%

(1) Excluding deferred tax and including pension assets.

Between 2013 and 2014, non-current assets increased by 445 million euros. This variation was due primarily to:

- a 450 million euros increase in net tangible and intangible assets related primarily to:
  - 470 million euros capital expenditure (481 million euros in 2013). Capital expenditure in 2014 included 346 million euros recurring capital expenditure and 124 million euros exceptional capital expenditure related mostly to the construction of the Thiochemicals platform in Malaysia. In 2014, capital expenditure in Asia and in the rest of the world accounted for 35% of the Group's capital expenditure, while capital expenditure in North America and in Europe represented 20% and 45% respectively,
  - net depreciation and amortisation amounting to 351 million euros including 21 million euros impairment of assets following the announcement of restructuring projects in Stallingborough (United Kingdom) in coating resins and in Zaramillo (Spain) in fluorogases [(1)],
  - the impact of the change in the scope of consolidation totalling 190 million euros due primarily to the addition of the acrylic assets of Sunke in China, a joint venture owned by ARKEMA and Jurong Chemical and consolidated on a 50% basis in the Group's accounts, and
  - a 145 million euros positive currency translation effect related to the strengthening of the US dollar versus the euro at year end;
- a 5 million euros reduction in other non-current assets.

Working capital increased by 50 million euros between 2013 and 2014, including +52 million euros relating to the translation effect given the significant strengthening of the US dollar versus the euro at 31 December 2014 compared to 31 December 2013. Furthermore, the use of an average euro/US dollar exchange rate to convert sales mechanically resulted in a higher working-capital-to-annual-sales ratio, which reached 16.1% against 14.9% in 2013. The Group pursued its efforts to control working capital and continue implementing the strict operational discipline introduced at the time of Arkema's spin-off.

Between 2013 and 2014, ARKEMA's capital employed increased by 495 million euros to 4,565 million euros. In 2014, the breakdown of capital employed (excluding Corporate) was as follows: 32% for High Performance Materials (35% in 2013), 33% for Industrial Specialties (33% in 2013), and 35% for Coating Solutions (32% in 2013). The geographical breakdown of capital employed was as follows: the share of Asia and the rest of the world stood at 26% (20% in 2013), the share of North America remained stable at 26%, and the share of Europe stood at 48% against 54% in 2013.

At 31 December 2014, gross provisions amounted to 817 million euros. Some of these provisions, accounting for a total of 66 million euros at 31 December 2014, are mostly covered by the guarantee facility granted by Total and described in note 30.2 of the notes to the consolidated financial statements at 31 December 2014 (paragraph 4.3.3 of this reference document) and therefore by long term assets recognised on the balance sheet. These consist mainly of provisions related to former industrial sites in the United States. Accordingly, at 31 December 2014, provisions net of these non-current assets amounted to 751 million euros against 698 million euros at 31 December 2013.

The breakdown of net provisions by type was as follows: pension liabilities of 348 million euros (264 million euros in 2013), other employee benefit obligations of 107 million euros (92 million euros in 2013), environmental contingencies of 125 million euros (122 million euros in 2013), restructuring provisions of 55 million euros (50 million euros in 2013), and other provisions of 116 million euros (170 million euros in 2013).

(1) Discussions with the social partners in Spain are currently being finalised.

Between 2013 and 2014, net provisions for pension liabilities and other employee benefit obligations (mainly healthcare costs, welfare costs, long-service awards) increased by 99 million euros due essentially to lower discount rates over the period. The other net provisions decreased by 46 million euros over the same period due primarily to the cash-out in line with forecasts of provisions relating to the divestment of the vinyl activities.

Net debt amounted to 154 million euros at 31 December 2014 (against 923 million euros at 31 December 2013), *i.e.* 0.2 times EBITDA for the year and 4% of shareholders' equity. These very low levels reflect the completion in 2014, as part of the BOSTIK acquisition finalised on 2 February 2015, of a hybrid bond issue considered as equity, and of a share capital increase. This variation in net debt can be explained by cash flows, as detailed in paragraph 4.1.9 of this reference document.

Shareholders' equity amounted to 3,573 million euros against 2,349 million euros at end 2013. The 1,224 million euros increase primarily includes (i) the financing operations completed as part of the acquisition of BOSTIK totalling 1,028 million euros with a net 689 million euros hybrid bond issue in October 2014 and a net 339 million euros share capital increase with preferential subscription rights finalised in December 2014, (ii) the payment of a dividend of 1.85 euros per share totalling 117 million euros, (iii) a 32 million euros share capital increase reserved for employees, (iv) the 171 million euros net income for the year, (v) 171 million euros net positive currency translation adjustments, and (vi) a -67 million euros variation in actuarial differences for pension provisions recognised through equity.

4.1.8 FINANCING RESOURCES

4.1.8.1 BORROWING TERMS AND CONDITIONS AND FINANCING STRUCTURE OF THE GROUP

The Group has diversified financing resources including bond issues, multicurrency credit facilities, a securitisation program, and a commercial paper programme, as detailed below. At the date of this reference document, these resources amounted to some 2,800 million euros; this does not take into account the issue of perpetual hybrid bonds completed on 29 October 2014 and classified as equity, but does include the 700 million euros bond issue carried out on 20 January 2015.

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 four bond issues:

- on 25 October 2010, an initial bond issue for 500 million euros over seven years and with a 4% annual interest rate;
- on 26 April 2012, a bond issue for 230 million euros over eight years and with a 3.85% interest rate and 5 October 2012, the issue of an additional 250 million euros tranche, bringing the total of the bond issue to 480 million euros;
- on 6 December 2013, a bond issue for 150 million euros over ten years with a 3.125% interest rate.

The documentation for the first two bond issues was filed with the AMF (*Autorité des marchés financiers*) on 22 October 2010, under n° 10-380, and, on 5 October 2012, under n° 12-478 respectively.

The 2013 bond issue was part of the Euro Medium Term Notes ("EMTN") programme put in place by the Group in 2013 in order to gain easier access to the bond markets. The documentation for this programme was filed with the AMF under n° 13-535 on 9 October 2013.

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 upon thresholds being exceeded or the expiry of grace periods.

Furthermore, all three 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 thereof if it was "non investment grade" prior to the change of control.

Finally, the documentation for the 2010 and 2012 bond issues includes an interest rate adjustment clause in the event of a downgrading of the Group's credit rating to "non investment grade".

The Company also conducted the following operations for the purpose of financing the acquisition of BOSTIK:

- the issuance on 29 October 2014 of perpetual hybrid bonds for 700 million euros. These bonds entail an initial early repayment call option on 29 October 2020 and carry an annual coupon of 4.75% until that date. The coupon will then be reset every 5 years. These bonds are subordinated to any senior debt and are recognized in equity in accordance with IFRS rules. They are treated as equity for 50% of their amount by rating agencies Standard and Poor's and Moody's, which have rated them BB+ and Ba1 respectively. The prospectus for this issue was filed with the AMF on 27 October 2014 under n° 14- 574;

- a 700 million euros bond issue, on 20 January 2015, with a 1.5% coupon. This issue was conducted as part of the Euro Medium Term Notes ("EMTN") programme put in place by the Group in 2013 and renewed on 19 December 2014. The prospectus for this programme was filed with AMF under n° 14-664.

Further details may be found in the EMTN programme base prospectus and in the three above-mentioned prospectuses, all four being available on the Company's website (www.finance.arkema.com) in the "Financials / Debt" section.

Revolving multi-currency credit facility for 900 million euros

On 29 October 2014, the Company and Arkema France (the ***Borrowers***) and a syndicate of banks signed a revolving multi-currency credit facility in the maximum amount of 900 million euros which can be used in renewable drawings. This credit facility is for an initial period of 5 years and may be extended for a further one or two years at the banks' option (the ***Facility***). This line of credit superseded the multi-currency credit facility set up on 26 July 2011.

The purpose of the Facility is to finance, in the form of drawings and bank guarantees, the Group's general corporate purposes, and serves as a back-up facility for the commercial paper programme. This line of credit was not used as at 31 December 2014.

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 early repayment 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 early repayment 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 of these representations have to be reiterated at the time of each utilisation 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 3.5.

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 programme

Arkema France has a non-unconsolidating securitisation program for its trade receivables in the maximum amount of 120 million euros. The programme's documentation features early repayment clauses, including, under certain conditions, non-compliance with the usual financial performance ratios of the receivable portfolio (dilution, late or non-payment ratios), payment cross-acceleration, or a change of control of Arkema France or the Company.

At 31 December 2014, the amount financed as part of this securitisation programme was 2 million euros.

Bridge loan agreement (the "Bridge")

To secure the financing for the acquisition of BOSTIK, a bridge loan agreement (1,500,000,000 euros Bridge Term Loan Facility Agreement) for a maximum amount of 1,500 million euros, over a one-year period, with an optional six-month extension for Arkema was signed with Natixis, acting as global coordinator, underwriter, principal arranger, book runner and agent. The Bridge included a guarantee of the availability of funds which is usual for this type of financing. In addition, it includes early repayment clauses similar to those of the Company's 900 million euros revolving multi-currency credit facility, among which the Company's commitment to maintain a ratio of consolidated net debt to EBITDA of less than 3 with the possibility of increasing this ratio to 3.5 over a consecutive period of 12 months in the event of acquisition.

At 31 December 2014, the amount of the Bridge was reduced to 471 million euros as a result of the issue of super-subordinated hybrid bonds in an amount of 700 million euros as described above and the 350 million euros share capital increase with preferential subscription rights for existing shareholders completed on 15 December 2014.

On the date of this reference document, the Bridge was repaid in full as a result of the bond issue completed on 20 January 2015.

Commercial paper programme

ARKEMA put in place in April 2013 a commercial paper programme with a ceiling of 1 billion euros. This programme was not used as at 31 December 2014.

4.1.8.2 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 facility described above, there are no restrictions on the use of capital that may significantly influence, either directly or indirectly, ARKEMA's business.

4.1.8.3 ANTICIPATED SOURCES OF FINANCING FOR FUTURE INVESTMENTS

Given the Group's cash position as at 31 December 2014 and its financing resources described in paragraph 4.1.8.1 of this reference document, the Group believes that it is in a position to finance the BOSTIK acquisition and its future investments, in particular those described in section 1.3 of this reference document.

4.1.9 GROUP CASH FLOW ANALYSIS

(In millions of euros)	2014	2013
Cash flow from operating activities	**507**	**467**
Cash flow from investing activities	**(670)**	**(389)**
Net cash flow	**(163)**	**78**
Of which:		
Non-recurring items including non-recurring capital expenditure	*(184)*	*(193)*
Net cash flow from portfolio management (1)	*(184)*	*(51)*
Recurring cash flow (2)	**205**	**322**
Free cash flow (3)	**21**	**129**
Cash flow from financing activities	**928**	**(60)**
Variation in cash and cash equivalents	**765**	**18**

(1) Including, for 2013, cash flows related to the consequences of the exit of the vinyl activities included in the cash flow from investing and operating activities.
(2) Net cash flow excluding impact of portfolio management and non-recurring items.
(3) Net cash flow excluding impact of portfolio management.

CASH FLOW FROM OPERATING ACTIVITIES

Operating cash flow improved by 40 million euros, the EBITDA variation being largely offset by lower non-recurring items (including for 2013 cash-out related to Kem One) and the change in working capital variation.

In 2014, cash flow from operating activities amounted to 507 million euros. It includes (i) current income taxes of -120 million euros, (ii) cash items in the financial result of -56 million euros, (iii) non-recurring items of -60 million euros mostly corresponding to restructuring expenses and the cash-out of most of the provisions recognised at 31 December 2013 related to the exit of the vinyl activities, and (iv) a -13 million euros variation in working capital excluding cash flows related to non-recurring items.

In 2013, cash flow from operating activities stood at 467 million euros. It included (i) current income taxes of -139 million euros, (ii) cash items in the financial result of -41 million euros, (iii) non-recurring items of -47 million euros mostly corresponding to restructuring expenses of -26 million euros and to various litigation cash-out, (iv) a -57 million euros variation in working capital excluding flows related to the exit of the vinyl activities and to non-recurring items, and (v) cash flow related to the consequences of the receivership of Kem One SAS for a net amount of -123 million euros.

CASH FLOW FROM INVESTING ACTIVITIES

Cash flow from investing activities amounted to -670 million euros in 2014. It includes primarily:

- 346 million euros capital expenditure in tangible and intangible assets corresponding to (i) growth projects such as the Acrylics investment programme finalised in 2014 in Clear Lake (United States), and (ii) investments made as part of the "Ambition" project to implement the SAP global IT system for ARKEMA's supply chain, and (iii) maintenance, safety and environment investments;
- exceptional capital expenditure included in non-recurring items with a net total amount of 124 million euros, corresponding mainly to the last phase of the investments made as part of the construction of a Thiochemicals platform in Malaysia, which represented total investments of some 200 million euros;
- the impact of portfolio management operations for a net amount of -184 million euros corresponding mainly to the acquisition of a stake in Sunke in Acrylics in China and the divestment of coating resins activities in South Africa.

In 2013, cash flow from investing activities stood at -389 million euros. It included mainly (i) recurring capital expenditure of 329 million euros, (ii) exceptional capital expenditure of 152 million euros, and (iii) the net impact of acquisitions and divestments finalised in 2013 for a total amount of +72 million euros, including the divestment of the interest held in Qatar Vinyl Company.

RECURRING CASH FLOW AND FREE CASH FLOW

Excluding non-recurring items and portfolio management operations, recurring cash flow stood at 205 million euros in 2014 against 322 million euros in 2013. It represents 26% of 2014 EBITDA (36% in 2013).

Free cash flow, which corresponds to net cash flow excluding the impact of portfolio management, stood at 21 million euros in 2014 against 129 million euros in 2013.

NET GROUP CASH FLOW

After taking account of the impact of portfolio management, the Group's net cash flow stood at -163 million euros in 2014. In 2013, net cash flow stood at 78 million euros.

CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities amounted to 928 million euros in 2014 against -60 million euros in 2013. This includes the financing operations completed as part of BOSTIK acquisition with a net 689 million euros hybrid bond issue in October 2014 and a net 339 million euros share capital increase with preferential subscription rights finalised in December 2014. It also includes the payment of a dividend of 1.85 euros per share totalling 117 million euros and a 32 million euros share capital increase reserved for employees.

4.2 TRENDS AND OUTLOOK

4.2.1 TRENDS

4.2.1.1 MAIN TRENDS

The business environment in which the Group operates is characterised, at the date of this reference document, by (i) oil prices which have dropped significantly since the beginning of 4th quarter 2014, natural gas prices that are much lower in the United States than in the rest of the world thanks to the development of shale gas, prices of petrochemicals raw materials gradually reflecting with a delayed effect the drop in oil prices and which are significantly lower in Asia than in Europe and in North America, (ii) the sharp increase of the US dollar versus the euro since the end of 2014, and high volatility in exchange rates of currencies of emerging countries, (iii) a mixed macro-economic environment from one region to another marked by market conditions stabilised at low levels in Europe and steady growth in North America, (iv) continuing growth in China and in emerging countries albeit at a more moderate pace than previously with production capacities built locally based on expectations of much higher growth rates than what is currently the case, thereby increasing the risk of exports of certain products to Europe and North America in particular in acrylic esters and fluorogases, (v) additional opportunities related to the major sustainable development trends, e.g. lightweight materials, access to drinking water, development of new energies, use of renewable raw materials, (vi) the tightening of regulations (e.g. REACH regulations in Europe), and (vii) the ongoing productivity drive and the repositioning of the Group's main competitors.

In 1st quarter 2015, results of Acrylics in low-cycle conditions should be down on 1st quarter 2014 given market conditions which were still close to mid-cycle at that time, and PMMA should already see more normalised market conditions than in 2014. The contributions of the new Thiochemicals platform in Malaysia and of Sunke in China should still be very limited taking into account the ramp-up timetable. Given the trend in the euro / US dollar parity, the translation effect will be positive albeit mitigated by partial hedging at a euro / US dollar exchange rate of 1.25. Finally, the result will include the contribution of BOSTIK consolidated as from 2 February 2015. The basis of comparison of 1st quarter 2014 has been restated to take account of the IFRIC 21 interpretation relating to the recognition of certain taxes.

At the date of this reference document, there is nothing to indicate that the long-term prospects of the Group's main markets as described in chapter 1 of this reference document might be significantly and durably affected even if the uncertainties weighing on the evolution of the economy in general, the markets in which the Group is present, the cost of raw materials and energy, the currency movements, and the continuous developments in the regulatory environment cannot guarantee that these trends will endure.

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, one consequence of which might be that 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; and
- potential complaints, costs, commitments or other obligations relating to the environment.

4.2.2 OUTLOOK

The Group aims to become a world leader in specialty chemicals and advanced materials and has set itself ambitious medium- and long-term targets.

In 2015, market conditions should remain volatile and mixed, with different dynamics depending on geographic regions and product lines. The changes in foreign exchange rates, primarily for the US dollar versus the euro, should make a positive contribution, which should help offset low-cycle unit margins in acrylic monomers as well as market conditions that should normalise in PMMA after an excellent 2014. The trend observed recently in oil prices should globally have a limited impact on the Group's results. Over the year as a whole, the Group will benefit from BOSTIK's contribution over eleven months, from investments in Thiochemicals in Malaysia, and from its stake in Sunke in Acrylics in China. The Group will also actively pursue the implementation of its operational excellence programme and of its plan to gradually improve its fluorogas business. The Group's capital expenditure, including BOSTIK, should represent some 450 million euros. With these drivers which will support the growth of the Group in 2015, ARKEMA confirms its mid- and long-term targets.

For 2017, the Group aims to achieve 1,310 million euros EBITDA. This target is based on the assumption that market conditions will return to normalised conditions in fluorogases and acrylic monomers. It includes (i) the contribution of BOSTIK acquired beginning February 2015, (ii) the full-year contribution in normalised market conditions of two acrylic acid lines representing 320,000 tonne overall production capacity in China, (iii) organic growth supported in particular by innovation in the High Performance Materials segment, and (iv) the increase of the programme to divest non-strategic activities announced on 19 September 2014 which, combined with the finalisation of the initial programme, should result in the divestment of activities representing overall sales of some 700 million euros by end 2017. Finally, it includes the benefits from the speeding-up of the operational excellence programme which should generate fixed and variable cost savings representing 100 million euros in total by end 2017, thereby offsetting a significant part of the fixed cost inflation. Furthermore, in order to maintain a sound balance sheet, the Group has set itself a target to return to gearing close to 40% by end 2017.

Finally, in the long term, the Group aims to achieve by 2020 10 billion euros sales and an EBITDA margin under normalised conditions close to 17%, while maintaining gearing not exceeding 40%.

In the light of the recent major changes to its portfolio, the Group will detail its prospects and strategy by segment at the Capital Markets Day scheduled on 29 June 2015 in Paris.

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 materialisation of certain risks described in paragraph 1.7.2 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, 2014

Statutory auditors' report on the consolidated financials 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, 2014, 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 about 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, 2014 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 our 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, your group tests its property, plant and equipment and intangible assets for impairment following the methodology described in note 6 of chapter B « Accounting policies » 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 your group. We also verified that the disclosures made in note 6 of chapter B of the notes to the financial statements « Accounting policies », as well as notes 4, 10 and 11 of chapter C « Notes to the consolidated financial statements » to the consolidated financial statements provide an appropriate level of information.
- Your group books contingencies and loss provisions to notably cover environmental risks, litigations in respect of competition law, restructuring costs and costs related to divested activities, following the principles disclosed in note 10 of chapter B « Accounting policies » to the consolidated financial statements. 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 your 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 chapter A « Highlights », in note 4 regarding other income and expenses, in notes 20.2, 20.3, 20.4 and 20.5 regarding provisions, in notes 21.1, 21.2.2 and 21.2.4 regarding contingent liabilities, and in notes 30.1, 30.2.1 and 30.2.2 regarding commitments granted and received, of chapter C « Notes to the consolidated financial statements » provide an appropriate level of information, in particular regarding the consequences of takeover of Kem One by a third party and the request for arbitration filed by Klesch.
- Your group books provisions to cover its employee pensions and other post-employment benefit liabilities using the method described in note 9 of chapter B « Accounting policies » 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 note 9 of chapter B « Accounting policies » and note 19, regarding provisions for pensions and other employee benefits, of chapter C « Notes to the consolidated financial statements » provide an appropriate level of information.

These assessments were made as part of our audit of the consolidated 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 verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense, March 4, 2015

The statutory auditors

French original signed by

KPMG Audit *Département de KPMG S.A.*		ERNST & YOUNG Audit
Jacques-François Lethu	François Quédiniac	Valérie Quint

4.3.2 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	Notes	2014	2013
Sales	(C1&C2)	**5,952**	**6,098**
Operating expenses		(4,926)	(4,950)
Research and development expenses	(C3)	(155)	(144)
Selling and administrative expenses		(424)	(416)
Recurring operating income*	(C1)	**447**	**588**
Other income and expenses*	(C4)	(83)	(205)
Operating income*	(C1)	**364**	**383**
Equity in income of affiliates	(C12)	1	5
Financial result	(C5)	(74)	(55)
Income taxes	(C7)	(120)	(161)
Net income		**171**	**172**
Of which: non-controlling interests		4	4
Net income - Group share	(C6)	**167**	**168**
*Earnings per share** (amount in euros)*	(C9)	*2.53*	*2.59*
Diluted earnings per share (amount in euros)	(C9)	*2.51*	*2.56*
Depreciation and amortization	(C1)	(337)	(314)
EBITDA *	(C1)	784	902
Adjusted net income *	(C6)	239	368
*Adjusted earnings per share** (amount in euros)*	(C9)	*3.62*	*5.67*
Diluted adjusted earnings per share (amount in euros)	(C9)	*3.60*	*5.60*

* *see note B17 "Main accounting and financial indicators".*

** *Following the capital increase of 15 December 2014, elements for the calculation of earnings per share and adjusted earnings per share have been adjusted by the dilution factor resulting from the issuance of preferential subscription rights.*

The accounting policies applied in preparing the consolidated financial statements at 31 December 2014 are identical to those used in the consolidated financial statements at 31 December 2013, except for the policies described at the start of note B "Accounting policies".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	Notes	2014	2013
Net income		**171**	**172**
Hedging adjustments	(C24)	(6)	(4)
Other items		(4)	2
Deferred taxes on hedging adjustments and other items		1	-
Change in translation adjustments		172	(78)
Other recyclable comprehensive income		**163**	**(80)**
Actuarial gains and losses	(C19)	(89)	62
Deferred taxes on actuarial gains and losses		21	(22)
Other non-recyclable comprehensive income		**(68)**	**40**
TOTAL INCOME AND EXPENSES RECOGNIZED DIRECTLY THROUGH EQUITY		**95**	**(40)**
Comprehensive income		**266**	**132**
Of which: non-controlling interests		5	2
Comprehensive income – Group share		**261**	**130**

CONSOLIDATED BALANCE SHEET

(In millions of euros)	Notes	31 December 2014	31 December 2013
ASSETS			
Intangible assets, net	(C10)	1,094	973
Property, plant and equipment, net	(C11)	2,272	1,943
Equity affiliates: investments and loans	(C12)	18	17
Other investments	(C13)	33	52
Deferred tax assets	(C7)	76	66
Other non-current assets	(C14)	190	177
TOTAL NON-CURRENT ASSETS		**3,683**	**3,228**
Inventories	(C15)	977	896
Accounts receivable	(C16)	839	824
Other receivables and prepaid expenses	(C16)	137	125
Income taxes recoverable	(C7)	27	24
Other current financial assets	(C24)	2	2
Cash and cash equivalents	(C17)	1,149	377
TOTAL CURRENT ASSETS		**3,131**	**2,248**
TOTAL ASSETS		**6,814**	**5,476**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		728	630
Paid-in surplus and retained earnings		2,626	1,687
Treasury shares		(3)	(12)
Translation adjustments		178	7
SHAREHOLDERS' EQUITY – GROUP SHARE	(C18)	**3,529**	**2,312**
Non-controlling interests		44	37
TOTAL SHAREHOLDERS' EQUITY		**3,573**	**2,349**
Deferred tax liabilities	(C7)	57	64
Provisions for pensions and other employee benefits	(C19)	456	361
Other provisions and non-current liabilities	(C20)	401	439
Non-current debt	(C22)	1,196	1,207
TOTAL NON-CURRENT LIABILITIES		**2,110**	**2,071**
Accounts payable	(C25)	704	687
Other creditors and accrued liabilities	(C25)	274	256
Income taxes payable	(C7)	33	19
Other current financial liabilities	(C24)	13	1
Current debt	(C22)	107	93
TOTAL CURRENT LIABILITIES		**1,131**	**1,056**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**6,814**	**5,476**

4

CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)	Notes	2014	2013
Net income		171	172
Depreciation, amortization and impairment of assets		351	324
Provisions, valuation allowances and deferred taxes		(54)	20
(Gains)/losses on sales of assets		4	(31)
Undistributed affiliate equity earnings		6	4
Change in working capital	(C29)	21	(30)
Other changes		8	8
Cash flow from operating activities		**507**	**467**
Intangible assets and property, plant, and equipment additions		(470)	(481)
Change in fixed asset payables		(16)	30
Acquisitions of operations, net of cash acquired		(189)	(14)
Increase in long-term loans		(53)	(45)
Total expenditures		(728)	(510)
Proceeds from sale of intangible assets and property, plant, and equipment		8	10
Change in fixed asset receivables		-	-
Proceeds from sale of operations, net of cash sold		-	-
Proceeds from sale of unconsolidated investments		15	90
Repayment of long-term loans		35	21
Total divestitures		58	121
Cash flow from investing activities		**(670)**	**(389)**
Issuance (repayment) of shares and other equity	(C18.1)	378	11
Issuance of hybrid bonds	(C18.2)	689	-
Purchase of treasury shares		(2)	-
Dividends paid to parent company shareholders	(C18.4)	(117)	(113)
Dividends paid to minority shareholders		(5)	-
Increase / decrease in long-term debt		(15)	142
Increase / decrease in short-term borrowings and bank overdrafts		-	(100)
Cash flow from financing activities		**928**	**(60)**
Net increase/(decrease) in cash and cash equivalents		765	18
Effect of exchange rates and changes in scope		7	(1)
Cash and cash equivalents at beginning of period		377	360
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,149**	**377**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In millions of euros)	Share capital	Paid-in surplus	Hybrid bonds	Retained earnings	Translation adjustments	Treasury shares	Shareholders' equity – Group share	Non-controlling interests	Shareholders' equity
At 1 January 2013	**629**	**977**	**-**	**610**	**82**	**(16)**	**2,282**	**29**	**2,311**
Cash dividend	-	(113)	-	-	-	-	(113)	-	(113)
Issuance of share capital	1	4	-	-	-	-	5	-	5
Grants of treasury shares to employees	-	-	-	(4)	-	4	-	-	-
Share-based payments	-	-	-	8	-	-	8	-	8
Other	-	-	-	-	-	-	-	6	6
Transactions with shareholders	**1**	**(109)**	**-**	**4**	**-**	**4**	**(100)**	**6**	**(94)**
Net income	-	-	-	168	-	-	168	4	172
Total income and expenses recognized directly through equity	-	-	-	37	(75)	-	(38)	(2)	(40)
Comprehensive income	**-**	**-**	**-**	**205**	**(75)**	**-**	**130**	**2**	**132**
At 31 December 2013	**630**	**868**	**-**	**819**	**7**	**(12)**	**2,312**	**37**	**2,349**

(In millions of euros)	Share capital	Paid-in surplus	Hybrid bonds	Retained earnings	Translation adjustments	Treasury shares	Shareholders' equity – Group share	Non-controlling interests	Shareholders' equity
At 1 January 2014	**630**	**868**	**-**	**819**	**7**	**(12)**	**2,312**	**37**	**2,349**
Cash dividend	-	(55)	-	(62)	-	-	(117)	(5)	(122)
Issuance of share capital	98	280	-	-	-	-	378	-	378
Purchase of treasury shares	-	-	-	-	-	(2)	(2)	-	(2)
Grants of treasury shares to employees	-	14	-	(25)	-	11	-	-	-
Share-based payments	-	(14)	-	21	-	-	7	-	7
Other	-	-	689	1	-	-	690	7	697
Transactions with shareholders	**98**	**225**	**689**	**(65)**	**-**	**9**	**956**	**2**	**958**
Net income	-	-	-	167	-	-	167	4	171
Total income and expenses recognized directly through equity	-	-	-	(77)	171	-	94	1	95
Comprehensive income	**-**	**-**	**-**	**90**	**171**	**-**	**261**	**5**	**266**
At 31 December 2014	**728**	**1,093**	**689**	**844**	**178**	**(3)**	**3,529**	**44**	**3,573**

4.3.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. HIGHLIGHTS

1. PORTFOLIO MANAGEMENT

Acquisition of acrylic assets in China

In January 2014 ARKEMA announced the plan to create Taixing Sunke Chemicals (Sunke), a joint venture with Jurong Chemical to hold and operate the acrylic acid and butyl acrylates production lines at the Taixing site in China. In application of the agreements signed at that time, ARKEMA:

- gained access upon the closing of the first stage of the operation to a capacity of 160,000 tonnes per year for an investment of USD 240 million (excluding inventories);
- had an option to access total capacity of 320,000 tonnes per year and increase its investment in Sunke, for an additional investment of USD 235 million: this option is expected to be exercised during the first quarter of 2015;
- had a further option, valid until early 2020, to acquire the remaining third of the acrylic acid production capacities and hold the entire capital of Sunke, for the sum of USD 165 million.

The first stage of this operation was finalised on 20 October 2014.

On 17 February 2015, ARKEMA announced that it had reached a new agreement with Jurong Chemical, extending until January 2016 the exercise period for ARKEMA's option to increase its share in Sunke and access a total acrylic acid production capacity of 320,000 tonnes per year. In the meantime, the joint venture will be operated by the two partners on an equal footing, and production will be adjusted to market conditions. In application of IFRS 11 (other facts and circumstances), this entity is considered as a joint operation and consolidated on a 50% basis in the Group's financial statements at 31 December 2014 (see note C8 "Business combination").

The financial terms of the initial January 2014 agreement have been adjusted to reflect the extension of this option.

All other terms are unchanged.

Acquisition of BOSTIK

On 19 September 2014, ARKEMA announced its plan to acquire BOSTIK, the world number 3 in adhesives, which registered sales of €1.53 billion* in 2014 and has 4,900 employees. This acquisition, based on an enterprise value of €1.74 billion, was financed by a hybrid bond issue in the net amount of €689 million undertaken in October 2014, a €339 million capital increase through preferential subscription rights undertaken in December 2014, and part of the €700 million senior bond issue undertaken in January 2015 (see note C18 "Shareholders' equity").

This acquisition was finalised on 2 February 2015.

Disposals

In August ARKEMA completed the sale of the coatings resins companies in South Africa.

2. IMPROVING COMPETITIVENESS

In the Coating Solutions segment, ARKEMA announced in May 2014 that it was planning to stop production of coatings resins at its Stallingborough site in the United Kingdom from July 2014.

In September 2014, ARKEMA announced its intention to discontinue production of fluorated gases at the Zaramillo site in Spain, subject to the legally-required process of informing and consulting the bodies representing ARKEMA's employees in Spain.

As a result of these announcements, exceptional expenses and asset impairment were recognized in other income and expenses (see note C4 "Other income and expenses").

3. OTHER HIGHLIGHTS

In April 2014 ARKEMA successfully carried out its fourth capital increase reserved for employees. 491,502 shares were subscribed at the price of €64.19 per share, for a total of €32 million (see note C18 "Shareholders' equity").

On 29 May 2014, the US company Golden Gate Capital finalised its takeover of the entire capital of Canada Fluorspar Inc. The transaction price was CAD 0.35 per share, and the operation is reflected in the financial statements of ARKEMA, which previously held 19% of Canada Fluorspar Inc., by recognition of a €6 million loss (see note C4 "Other income and expenses").

On 29 October 2014, ARKEMA put in place a multi-currency bank credit facility of €900 million; the previous one amounted to €700 million. This credit facility is for an initial period of 5 years and may be extended by one or two years at the banks' option. It also includes a covenant regarding the ratio of consolidated net debt to consolidated EBITDA, which must not exceed 3.5 and will be tested twice a year (see note C22 "Debt").

* unaudited

B. ACCOUNTING POLICIES

Arkema 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 have been listed on the Paris stock exchange (Euronext) since 18 May 2006.

The consolidated financial statements of ARKEMA at 31 December 2014 were prepared under the responsibility of the Chairman and CEO of Arkema and were approved by the Board of Directors of Arkema on 4 March 2015. They will be submitted to the approval of the shareholders' general meeting of 2 June 2015.

The consolidated financial statements at 31 December 2014 were prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) as released at 31 December 2014 and the international standards endorsed by the European Union at 31 December 2014.

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 2014 are identical to those used in the consolidated financial statements at 31 December 2013, 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 2014 (and which had not been applied early by the Group), namely:

Amendments to IAS 32	Offsetting financial assets and financial liabilities
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting
Amendments to IFRS 10, IFRS 11 and IFRS 12	Transition guidance for IFRS 10, IFRS 11 and IFRS 12
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IAS 28 (Revised)	Investments in associates and joint ventures

IFRS 10 replaces the rules for consolidated financial statements laid down in IAS 27 "Consolidated and separate financial statements" and interpretation SIC 12 "Consolidation – special purpose entities".

IFRS 10 defines the principle of control based on 3 criteria only:

- the fact of having power over an entity,
- exposure or rights to variable returns of an entity, and
- the ability to use power over an entity to affect the amount of the investor's returns.

An entity must be consolidated by its parent company when these three criteria are fulfilled. Application of this standard had no impact for the Group.

IFRS 11 replaces IAS 31, "Interests in joint ventures" and interpretation SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers".

This new standard defines the accounting treatment of interests in a joint arrangement (jointly-controlled operation):

- a joint venture (joint arrangement where the parties exercising joint control have rights to its net assets) must be accounted for by the equity method;
- a joint operation (joint arrangement where the parties exercising joint control over an arrangement have rights to the assets and obligations for the liabilities) must be consolidated in proportion to the Group's interest in the operation.

The Group must refer to several factors in order to classify a joint arrangement:

- the structure of the joint arrangement,
- when it takes the form of a separate vehicle: the legal form of the vehicle, the terms of the contractual arrangements and other facts and circumstances where relevant.

Application of IFRS 11 had no significant impact on the Group, since:

- assessment of the other facts and circumstances led the Group to classify a certain number of joint arrangements as joint operations;

- these joint operations were previously proportionately consolidated based on the Group's percentage interest.

Two companies, Daikin Arkema Refrigerants Asia Ltd. and Daikin Arkema Refrigerants Trading Ltd., were previously proportionately consolidated and are now accounted for by the equity method.

The impact is non-significant in the Group's financial statements.

IFRS 12 lists the required disclosures concerning the Group's interests in other entities and non-controlling interests representing a significant share of the Group's consolidated financial statements. Notes 12 and 18 have been amended accordingly.

The standards, amendments or interpretations published by the IASB and the IFRS IC (IFRS Interpretations Committee) which were not yet in force for years beginning on or after 1 January 2014 and have not been applied early by the Group, are:

Amendments to IAS 1	Presentation of financial statements	Not adopted by the European Union at 31 December 2014
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortization	Not adopted by the European Union at 31 December 2014
Amendments to IAS 19	Defined benefit plans: employee contributions	Not adopted by the European Union at 31 December 2014
Amendments to IAS 27	Equity method in separate financial statements	Not adopted by the European Union at 31 December 2014
Amendments to IFRS 9 and IFRS 7	Mandatory effective date and transition disclosures	Not adopted by the European Union at 31 December 2014
Amendments to IFRS 9	Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39	Not adopted by the European Union at 31 December 2014
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate/joint venture	Not adopted by the European Union at 31 December 2014
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation exception	Not adopted by the European Union at 31 December 2014
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations	Not adopted by the European Union at 31 December 2014
IFRS 9	Financial instruments	Not adopted by the European Union at 31 December 2014
IFRS 14	Regulatory deferral accounts	Not adopted by the European Union at 31 December 2014
IFRS 15	Revenue from contracts with customers	Not adopted by the European Union at 31 December 2014
IFRIC 21	Levies	Adopted by the European Union on 13 June 2014
	Annual improvements to IFRS cycle 2010-2012	Not adopted by the European Union at 31 December 2014
	Annual improvements to IFRS cycle 2011-2013	Adopted by the European Union on 19 December 2014
	Annual improvements to IFRS cycle 2012-2014	Not adopted by the European Union at 31 December 2014

The Group does not expect any impact to result from application of IFRIC 21 in the annual consolidated financial statements from 1 January 2015. The financial statements for the first quarter will now contain a supplementary expense that was previously spread across the four quarters of the year. This additional expense is estimated at €12 million for the first quarter of 2015.

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 and off balance sheet commitments 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

All material transactions between consolidated companies, and all intercompany profits, have been eliminated.

1.1 Control and joint control

The Group controls an entity when all of the three following conditions are fulfilled:

(i) the Group holds power over the entity (has effective rights conferring a current ability to direct the entity's relevant activities);

(ii) the Group is exposed or entitled to variable returns;

(iii) the Group has the ability to use its power over the investee to influence the amount of the returns received.

Joint control is the contractually agreed sharing of control over an arrangement. It exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

1.2 Full consolidation

Companies controlled directly or indirectly by the Group are fully consolidated.

1.3 Joint arrangements

A joint arrangement is an operation over which two or more parties have joint control.

There are two categories of joint arrangements:

- a joint operation is a joint arrangement in which the parties have rights to the assets and obligations for the liabilities. The Group recognises the assets, liabilities, income and expenses in proportion to its percentage of interest in the capital of the joint operation;
- a joint venture is a joint arrangement in which the parties have rights to the net assets of the arrangement. The Group applies the equity method to this type of joint arrangement.

To determine the type of joint arrangement, the Group must take the following factors into consideration:

- the structure of the joint arrangement (identifying whether it takes the form of a separate vehicle);
- when the joint arrangement takes the form of a separate vehicle: the legal form, the terms of the contractual arrangements and other facts and circumstances.

Assessment of other facts and circumstances has led the Group to classify a certain number of joint arrangements as joint operations.

1.4 Investments in associates

An associate is an entity over which the Group exercises significant influence. If the Group directly or indirectly holds 20% or more of the voting rights in the issuing entity, it is presumed to exercise significant influence. If it holds less than 20%, significant influence must be demonstrated.

Investments in associates are accounted for under the equity method.

1.5 Non-controlling interests

Shares owned in companies which do not meet the criteria set out in 1.1 to 1.4 are included in Other investments and recognized as available-for-sale financial assets in accordance with IAS 39 (see note B7.1, "Other investments").

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 and in "Non-controlling interests" for the share not directly or indirectly attributable to the Group. In exceptional cases the functional currency may differ from the local currency.

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, unless they result from unhedged financing, in which case they are included in the financial result.

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 investments 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 B17 "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 10 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).

4.6 Softwares

Software development expenses for the design, programming and test phases are capitalized.

Training costs, expenses related to change management, data transfer and subsequent maintenance costs are recorded as expenses.

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 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 C1 "Information by business segment". 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 2014, the terminal value was determined on the basis of a perpetuity annual growth rate of 1.5% (the same rate as used in 2013) and mid-cycle cash flow. An after-tax rate of 7% is used to discount future cash flows and the terminal value in 2014 (8% in 2013). 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 2014 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 expenses 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 expenses 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 FOR PENSIONS AND OTHER LONG-TERM BENEFITS

In accordance with IAS 19 (Revised) "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.

Returns on plan assets are in line with discount rates.

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, and are recorded in other non-recyclable comprehensive income of continuing operations.

When a plan is amended or created, the entire past service cost is immediately recognized in the income statement.

A pension asset may 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 IAS 19.64 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 corresponding 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 net interest expense 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.

10. OTHER PROVISIONS AND 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 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.

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 entities 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, 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 analyzing 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. 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.

15. SHARE-BASED PAYMENTS

In application of IFRS 2 "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.

16. 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.

17. 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;
- **Capital expenditure (CAPEX)**: 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

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.

ARKEMA has three business segments: High Performance Materials, Industrial Specialties and Coating Solutions. Two members of the Executive Committee supervise these segments; they 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 (photovoltaics, 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 niche markets 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 (petrochemicals and refining), paper pulp, animal nutrition, electronics and the automotive industry.

Coating Solutions comprises the following Business Units: Acrylics, Coatings Resins, Rheological Additives (Coatex) and Photocure 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.

Operating income and assets of continuing operations are allocated between business segments prior to inter-segment adjustments. Sales prices between segments approximate market prices.

2014 *(In millions of euros)*	**High Performance Materials**	**Industrial Specialties**	**Coating Solutions**	**Corporate**	**Total**
Non-Group sales	**1,826**	**1,972**	**2,131**	**23**	**5,952**
Inter segment sales	13	105	75	-	
Total sales	**1,839**	**2,077**	**2,206**	**23**	
EBITDA	**284**	**300**	**245**	**(45)**	**784**
Depreciation and amortization	(109)	(128)	(98)	(2)	(337)
Recurring operating income	**175**	**172**	**147**	**(47)**	**447**
Other income and expenses	(13)	(41)	(13)	(16)	(83)
Operating income	**162**	**131**	**134**	**(63)**	**364**
Equity in income of affiliates	1	-	-	-	1
Intangible assets and property, plant, and equipment additions	115	256	95	4	470
Including: Recurring capital expenditure*	112	139	91	4	346
Employees at year end	**5,459**	**5,235**	**3,441**		**14,135**
Goodwill, net	276	60	404	7	747
Intangible assets other than goodwill, and property, plant and equipment, net	703	1,079	795	42	2,619
Investments in equity affiliates	8	10	-	-	18
Other investments and Other non-current assets	49	50	21	103	223
Working capital*	385	259	293	21	958
Capital employed*	**1,421**	**1,458**	**1,513**	**173**	**4,565**
Provisions and other non-current liabilities	(219)	(284)	(77)	(277)	(857)

* *See note B17 "Main accounting and financial indicators".*

2013 *(In millions of euros)*	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	**1,842**	**1,993**	**2,224**	**39**	**6,098**
Inter segment sales	11	104	79	-	
Total sales	**1,853**	**2,097**	**2,303**	**39**	
EBITDA	**316**	**340**	**292**	**(46)**	**902**
Depreciation and amortization	(104)	(115)	(93)	(2)	(314)
Recurring operating income	**212**	**225**	**199**	**(48)**	**588**
Other income and expenses	(11)	(2)	(40)	(152)	(205)
Operating income	**201**	**223**	**159**	**(200)**	**383**
Equity in income of affiliates	1	-	-	4	5
Intangible assets and property, plant, and equipment additions	101	255	117	8	481
Including: Recurring capital expenditure*	93	114	114	8	329
Employees at year end	**5,377**	**5,087**	**3,049**		**13,513**
Goodwill, net	268	57	330	6	661
Intangible assets other than goodwill, and property, plant and equipment, net	666	901	647	41	2,255
Investments in equity affiliates	9	8	-	-	17
Other investments and Other non-current assets	44	62	30	93	229
Working capital*	364	272	255	17	908
Capital employed*	**1,351**	**1,300**	**1,262**	**157**	**4,070**
Provisions and other non-current liabilities	(180)	(232)	(87)	(301)	(800)

* *See note B17 "Main accounting and financial indicators".*

Breakdown of non-Group sales by CGU:

	2014	2013
High Performance Materials	**31%**	**30%**
Technical Polymers	13%	13%
Filtration and Adsorption (CECA)	10%	10%
Organic Peroxides	8%	7%
Industrial Specialties	**33%**	**33%**
Thiochemicals	10%	9%
Fluorochemicals	8%	9%
PMMA	11%	11%
Hydrogen Peroxide	4%	4%
Coating Solutions	**36%**	**37%**
Acrylics	15%	15%
Coatings Resins	13%	14%
Rheological Additives (Coatex)	3%	3%
Photocure Resins (Sartomer)	5%	5%

NOTE 2 INFORMATION BY GEOGRAPHICAL AREA

Non-Group sales are presented on the basis of the geographical location of customers. Capital employed, intangible assets and property, plant, and equipment additions, and employees at year end are presented on the basis of the location of the assets.

2014 *(In millions of euros)*	France	Rest of Europe	NAFTA [1]	Asia	Rest of the world	Total
Non-Group sales	653	1,764	2,068	1,206	261	5,952
Capital employed	1,865	306	1,206	1,152	36	4,565
Intangible assets and property, plant, and equipment additions	186	23	96	157	8	470
Employees at year end	6,700	1,729	2,609	2,888	209	14,135

2013 *(In millions of euros)*	France	Rest of Europe	NAFTA [1]	Asia	Rest of the world	Total
Non-Group sales	652	1,866	2,065	1,224	291	6,098
Capital employed	1,828	350	1,075	788	29	4,070
Intangible assets and property, plant, and equipment additions	227	25	87	138	4	481
Employees at year end	6,649	1,815	2,566	2,326	157	13,513

(1) NAFTA: USA, Canada, Mexico.

NOTE 3 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are reported net of subsidies. They amount to €155 million in 2014 (€144 million in 2013) and comprise salaries, purchases, sub-contracting costs, depreciation and amortization.

NOTE 4 OTHER INCOME AND EXPENSES

	2014			2013		
(In millions of euros)	Expenses	Income	Net	Expenses	Income	Net
Restructuring and environment	(55)	-	(55)	(43)	2	(41)
Goodwill impairment	-	-	-	-	-	-
Asset impairment (other than goodwill)	(2)	-	(2)	-	-	-
Litigation and claims	(5)	-	(5)	(9)	-	(9)
Gains (losses) on sales and purchases of assets	(21)	-	(21)	(184)	29	(155)
Other	-	-	-	-	-	-
TOTAL OTHER INCOME AND EXPENSES	**(83)**	**-**	**(83)**	**(236)**	**31**	**(205)**

In 2014, the net restructuring and environmental expense amounts to €55 million. This includes asset impairment and provisions recorded following the announcement that production would be discontinued at the Zaramillo site in Spain and the Stallingborough site in the United Kingdom (€42 million including €12 million of asset impairment).

Gains and losses on sales and purchases of assets mainly comprise expenses related to the BOSTIK acquisition, costs on acquisition of Taixing Sunke Chemicals and losses on disposal of shares in Canada Fluorspar Inc. and Arkema Resins South Africa (the Coatings activity).

In 2013, the net restructuring and environmental expenses mainly correspond to impairment of assets and provisions established following the announcement of the closure of the Chauny plant.

Losses on sales and purchases of assets essentially reflect the consequences of the start of insolvency proceedings concerning Kem One SAS by Lyon commercial court on 27 March 2013, then the recovery plan for the company drawn up by the same court on 20 December 2013, and expenses related to the plan to sell Coatings businesses in South Africa.

Gains on sales include the profit on disposal of the shares in Qatar Vinyl Company Limited Q.S.C.

NOTE 5 FINANCIAL RESULT

Financial result includes the cost of debt adjusted for capitalized financial expenses, and as regards provisions for pensions and 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. It also includes 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, and the foreign exchange gain/loss on unhedged financing.

(In millions of euros)	2014	2013
Cost of debt	(52)	(47)
Financial income/expenses on provisions for pensions and employee benefits	(18)	(13)
Spot/forward exchange rate difference and foreign exchange gain/loss on unhedged financing	(11)	(1)
Capitalized interest	7	6
Other	-	-
FINANCIAL RESULT	**(74)**	**(55)**

The average interest rate for the year on debt was approximately 3% (3% for 2013).

NOTE 6 ADJUSTED NET INCOME

Net income - Group share may be reconciled to adjusted net income as follows:

(In millions of euros)	Notes	2014	2013
NET INCOME - GROUP SHARE		**167**	**168**
Other income and expenses	(C4)	83	205
Taxes on other income and expenses		(11)	(5)
Non-current taxation		-	-
ADJUSTED NET INCOME		**239**	**368**

NOTE 7 INCOME TAXES

7.1 INCOME TAX EXPENSE

The income tax expense is broken down as follows:

(In millions of euros)	2014	2013
Current income taxes	(118)	(137)
Deferred income taxes	(2)	(24)
TOTAL INCOME TAXES	**(120)**	**(161)**

The income tax expense amounts to €120 million for 2014 including €7 million for the CVAE (expense of €9 million in current taxes and income of €2 million in deferred taxes), compared with €161 million for 2013 including €11 million for the CVAE (see B13 "Income taxes").

The income tax expense represents 26.9% 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)	31/12/2013	Changes in scope	Changes recognized in shareholders' equity	Changes recognized in the income statement	Translation adjustments	31/12/2014
Tax loss and tax credit carryforwards	6	-	-	(3)	0	3
Provisions for pensions and similar benefits	98	-	29	(2)	5	130
Other temporarily non-deductible provisions	238	-	2	(78)	7	169
Deferred tax assets	**342**	**-**	**31**	**(83)**	**12**	**302**
Valuation allowance on deferred tax assets	**(121)**	**-**	**(9)**	**68**	**(1)**	**(63)**
Excess tax over book depreciation	134	-	-	(3)	12	143
Other temporary tax deductions	85	-	(1)	(10)	3	77
Deferred tax liabilities	**219**	**-**	**(1)**	**(13)**	**15**	**220**
NET DEFERRED TAX ASSETS (LIABILITIES)	**2**	**-**	**23**	**(2)**	**(4)**	**19**

After offsetting assets and liabilities at fiscal entity level, deferred taxes are presented as follows in the balance sheet:

(In millions of euros)	31/12/2014	31/12/2013
Deferred tax assets	76	66
Deferred tax liabilities	57	64
NET DEFERRED TAX ASSETS (LIABILITIES)	**19**	**2**

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)	2014	2013
Net income	171	172
Income taxes	(120)	(161)
Pre-tax income	291	333
French corporate tax rate	34.43%	34.43%
Theoretical tax expense	(100)	(115)
Difference between French and foreign income tax rates	(4)	(5)
Tax effect of equity in income of affiliates	0	2
Permanent differences	0	(1)
Change in valuation allowance against deferred tax assets ceiling	68	24
Deferred tax assets not recognized (losses)	(84)	(66)
INCOME TAX EXPENSE	**(120)**	**(161)**

The French corporate tax rate includes the standard tax rate (33.33%) and additional taxes introduced before 2011 and 2012. In view of the Group's tax position in France, the additional 10.7% contribution temporarily applicable from 2013 to 2014 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.

7.4 EXPIRY OF TAX LOSS CARRYFORWARDS AND TAX CREDITS

The Group's unrecognized tax loss carryforwards and tax credits can be used up to their year of expiry, indicated in the table below:

	31/12/2014		31/12/2013	
(In millions of euros)	Base	Income taxes	Base	Income taxes
2015	-	-	-	-
2016	4	1	0	0
2017	29	7	6	1
2018	26	6	16	4
2019 and beyond	42	11	50	14
Tax losses that can be carried forward indefinitely	1,681	575	1,439	492
TOTAL	**1,782**	**600**	**1,511**	**511**
Carry back deductible	-	-	-	-

4

NOTE 8 BUSINESS COMBINATION

On 20 October 2014 ARKEMA acquired a 55% investment in Taixing Sunke Chemicals. ARKEMA exercises joint control over this entity with its partner Taixing Jurong Chemicals Co., which owns 45%. In application of IFRS 11 this company is considered as a joint operation and consolidated on a 50% basis in the Group's financial statements (see A – Highlights).

In compliance with IFRS 3 (revised), the Group used the acquisition method for the accounting treatment of this operation.

The fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date breaks down as follows:

(In millions of euros)	**Fair value acquired from Taixing Sunke Chemicals**
Intangible assets	3
Property, plant and equipment	112
Total non-current assets	115
Inventories	12
Total current assets	12
Total Assets	**127**
Debt	-
Total current liabilities	-
Total Liabilities	**-**
Fair value of net assets	**127**
Goodwill	**62**

NOTE 9 EARNINGS PER SHARE

	2014	**2013**
Weighted average number of ordinary shares	65,987,930	64,953,444
Dilutive effect of stock options	319,898	500,214
Dilutive effect of free share grants	97,450	265,874
Weighted average number of potential ordinary shares	66,405,279	65,719,532

Earnings per share is determined below:

	2014	**2013**
Earnings per share (€)	2.53	2.59
Diluted earnings per share (€)	2.51	2.56

Adjusted earnings per share is determined below:

	2014	2013
Adjusted earnings per share (€)	3.62	5.67
Diluted adjusted earnings per share (€)	3.60	5.60

Following the capital increase of 15 December 2014, elements for the calculation of earnings per share and adjusted earnings per share have been adjusted by the dilution factor resulting from the issuance of preferential subscription rights.

NOTE 10 INTANGIBLE ASSETS

10.1 GOODWILL

	31/12/2014			31/12/2013
(In millions of euros)	Gross book value	Accumulated amortization and impairment	Net book value	Net book value
Goodwill	1,205	(458)	747	661

The breakdown by segment, with allocation by CGU for goodwill above €50 million, is as follows:

(In millions of euros)	31/12/2014 Net book value	31/12/2013 Net book value
High Performance Materials	**276**	**268**
Of which: Technical Polymers	224	219
Industrial Specialties	**60**	**57**
Coating Solutions	**404**	**330**
Of which: Acrylics	168	103
Of which: Rheological Additives (Coatex)	96	96
Of which: Photocure Resins	109	101
Corporate	**7**	**6**
TOTAL	**747**	**661**

Changes in the net book value of goodwill are as follows:

(In millions of euros)	2014	2013
NET BOOK VALUE		
At 1 January	**661**	**670**
Acquisitions	-	-
Amortization and impairment	-	-
Disposals	-	-
Changes in scope	64	-
Translation adjustments	22	(9)
Reclassifications	-	-
Assets held for sale	-	-
At 31 December	**747**	**661**

Changes in goodwill in 2014 principally correspond to the acquisition of Taixing Sunke Chemicals (€62 million) (see note C8 "Business combination").

The finalization of the acquisition of Hipro Polymers and Casda Biomaterials in 2013 did not lead to any adjustment to goodwill.

10.2 OTHER INTANGIBLE ASSETS

	31/12/2014			31/12/2013
(In millions of euros)	Gross book value	Accumulated amortization and impairment	Net book value	Net book value
Patents	138	(112)	26	27
Trademarks	26	(2)	24	24
Software and licences	154	(102)	52	19
Capitalized REACH costs	33	(9)	24	24
Other capitalized research expenses	4	(1)	3	2
Capitalized contracts	274	(197)	77	85
Asset rights	49	(6)	43	36
Other intangible assets	22	(12)	10	10
Intangible assets in progress	88	0	88	85
TOTAL	**788**	**(441)**	**347**	**312**

Changes in the net book value of intangible assets are as follows:

(In millions of euros)	2014	2013
NET BOOK VALUE		
At 1 January	**312**	**292**
Acquisitions	45	52
Amortization and impairment	(33)	(31)
Disposals	(1)	-
Changes in scope	11	-
Translation adjustments	8	(4)
Reclassifications	5	3
Assets held for sale	-	-
At 31 December	**347**	**312**

In 2014, the Group did not recognize any impairment on its other intangible assets (impairment of €2 million was recognized in 2013).

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

	31/12/2014			31/12/2013
(In millions of euros)	**Gross book value**	**Accumulated depreciation and impairment**	**Net book value**	**Net book value**
Land and buildings	1,460	(925)	535	457
Complex industrial facilities	3,435	(2,579)	856	643
Other property, plant and equipment	1,854	(1,392)	462	441
Construction in progress	424	(5)	419	402
TOTAL	**7,173**	**(4,901)**	**2,272**	**1,943**

Other property, plant and equipment at 31 December 2014 mainly comprise machinery and tools with a gross value of €1,349 million (€1,308 million at 31 December 2013), and accumulated depreciation and provisions for impairment of €1,055 million (€1,007 million at 31 December 2013).

ARKEMA recorded impairment losses of €21 million on property, plant and equipment (€10 million in 2013).

Changes in the net book value of property, plant and equipment are as follows:

(In millions of euros)	2014	2013
NET BOOK VALUE		
At 1 January	**1,943**	**1,852**
Acquisitions	426	429
Depreciation and impairment	(318)	(293)
Disposals	(4)	(3)
Changes in scope	115	6
Translation adjustments	115	(44)
Reclassifications	(5)	(4)
Assets held for sale	-	-
At 31 December	**2,272**	**1,943**

The figures above include the following amounts in respect of assets held under finance lease arrangements:

	31/12/2014			31/12/2013		
(In millions of euros)	Gross value	Depreciation and impairment	Net value	Gross value	Depreciation and impairment	Net value
Complex industrial facilities and buildings	27	(13)	14	20	(10)	10

They mainly correspond to leases of a hydrogen production unit located at Lacq and a production unit at Carling.

NOTE 12 EQUITY AFFILIATES

The amounts of ARKEMA's commitments to joint ventures and associates are non-significant.

12.1 ASSOCIATES

	% ownership		Equity value		Equity in income (loss)		Sales	
(In millions of euros)	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	2014	2013
Qatar Vinyl Company Ltd. Q.S.C.	-	-	-	-	-	4 (1)		260 (1)
Arkema Yoshitomi Ltd.	49%	49%	3	5	1	1	15	15
Meglas	33%	33%	-	-	-	-	8	8
CJ Bio Malaysia Sdn. Bhd.	14%	14%	9	8	-	-	-	-
Ihsedu Agrochem Private Ltd.	25%	25%	4	4	-	-	119	15 (2)
Investments			**16**	**17**	**1**	**5**		
Loans			**-**	**-**	**-**	**-**	**-**	**-**
TOTAL			**16**	**17**	**1**	**5**	**142**	**298**

(1) These figures concern the period up to the date of sale of the QVC shares, in November 2013.
(2) This figure concerns the period from the date of acquisition of IAPL shares in October 2013.

During 2013, ARKEMA acquired a 24.9% investment in Ihsedu Agrochem Private Ltd. and sold its 12.9% interest in Qatar Vinyl Company Ltd. Q.S.C.

12.2 JOINT VENTURES

(In millions of euros)	% ownership		Equity value		Equity in income (loss)		Sales	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	2014	2013
Daikin Arkema Refrigerants Asia Ltd.	40%	40%	1	5 [1]	-	5 [1]	19	30
Daikin Arkema Refrigerants Trading Ltd.	40%	40%	1	1 [1]	-	1 [1]	47	59
Investments			**2**	**6** [1]	**-**	**6** [1]	**-**	**-**
Loans			**-**	**-**	**-**	**-**		
TOTAL			**2**	**6** [1]	**-**	**6** [1]	**66**	**89**

(1) In application of IFRS 11, Daikin Arkema Refrigerants Asia Ltd. and Daikin Arkema Refrigerants Trading Ltd., which were proportionately consolidated in 2013, are accounted for by the equity method in 2014. As the impact at Group level is non-significant, the 2013 figures have not been restated and the Equity values at 31/12/2013 are provided for information.

NOTE 13 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 2013 and 2014 are as follows:

(In millions of euros)	2014	2013
At 1 January	**52**	**36**
Acquisitions	1	8
Disposals	(22)	(13)
(Increases) / Reversals of impairment	4	(7)
Changes in scope	(2)	28
Translation adjustments	-	-
Other changes	-	-
At 31 December	**33**	**52**

Movements in other investments in 2014 mainly include the sale of 100% of the shares of Canada Fluorspar Inc., Arkema Resins (Pty) Ltd. and Harveys Composites South Africa.

Movements in other investments in 2013 notably include the 10% investment in Changshu 3F Fluorochemical Industry Co. Ltd., the 60% investment in AEC Polymers and the sale of 100% of the shares of Arkema Beijing Chemical Co. Ltd.

NOTE 14 OTHER NON-CURRENT ASSETS

(In millions of euros)	31/12/2014			31/12/2013		
	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Loans and advances	179	(8)	171	168	(8)	160
Security deposits paid	19	-	19	17	-	17
TOTAL	**198**	**(8)**	**190**	**185**	**(8)**	**177**

Loans and advances include amounts receivable from the French tax authorities in respect of the research tax credit (CIR), and from 2013, the tax credit for competitiveness and employment (CICE). 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 C20.3 "Other provisions and other non-current liabilities / Provisions for environmental contingencies").

The CIR for 2010, amounting to €21 million, was reimbursed during the fourth quarter of 2014.

The CIR for 2011, amounting to €20 million, will be reimbursed during 2015.

NOTE 15 INVENTORIES

(In millions of euros)	31/12/2014	31/12/2013
INVENTORIES (COST)	**1,063**	**963**
Valuation allowance	(86)	(67)
INVENTORIES (NET)	**977**	**896**
Of which:		
Raw materials and supplies	*262*	*231*
Finished products	*715*	*665*

NOTE 16 ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAID EXPENSES

At 31 December 2014, accounts receivable are stated net of a bad debt provision of €25 million at 31 December 2014 (€79 million at 31 December 2013); the receivables relating to Kem One, amounting to €51 million and fully covered by provisions at 31 December 2013, were transferred to the company's new owner in 2014 for 1 euro.

Other receivables and prepaid expenses notably include receivables from governments in an amount of €84 million at 31 December 2014 (€71 million at 31 December 2013), including €74 million of VAT. The receivables on Kem One under the warranties provided to Kem One's suppliers, amounting to €60 million and fully covered by provisions at 31 December 2013, were transferred to the company's new owner for 1 euro in 2014.

Details of accounts receivable net of valuation allowances are presented in note C23.4 "Credit risk".

NOTE 17 CASH AND CASH EQUIVALENTS

(In millions of euros)	31/12/2014	31/12/2013
Short-term cash advances	14	11
Monetary mutual funds	1,046	288
Available cash	89	78
CASH AND CASH EQUIVALENTS	**1,149**	**377**

NOTE 18 SHAREHOLDERS' EQUITY

At 31 December 2014, Arkema's share capital amounted to €728 million, divided into 72,822,695 shares with nominal value of €10.

1. CHANGES IN SHARE CAPITAL AND PAID-IN SURPLUS

On 23 April 2014, the Group carried out a capital increase reserved for employees amounting to a total of €32 million: 491,502 shares were subscribed at the price of €64.19 per share, the price set by the Board of Directors at its meeting of 3 March 2014.

Following the exercise of 198,877 stock options, the Company carried out three capital increases with a combined total of €7 million, on 30 June, 7 November and 31 December 2014.

On 15 December 2014, as part of the refinancing for the acquisition of BOSTIK, the Group undertook a capital increase with preferential subscription rights, amounting to €339 million net of €11 million of expenses, leading to the creation of 9,102,624 new shares at the unit price of €38.50.

	2014	2013
Number of shares at 1 January	**63,029,692**	**62,877,215**
Issuance of shares following the capital increase reserved for employees	491,502	-
Issuance of shares following the exercise of subscription options	198,877	152,477
Issuance of shares following the capital increase with preferential subscription rights	9,102,624	-
Number of shares at 31 December	**72,822,695**	**63,029,692**

2. HYBRID BONDS

As part of the refinancing of its proposed acquisition of BOSTIK, the Group issued a perpetual hybrid bond in October 2014 in the total amount of €689 million net of an issuance premium of €7 million and €4 million arrangement costs. These bonds include a first call option on October 29, 2020 and will carry an annual coupon of 4.75 % until that date. The coupon will then be reset every 5 years. At each coupon date, the interest can be paid or carried over at the issuer's convenience. Coupons carried over generate late payment interest and become due in the event of certain contractually defined circumstances under the control of the issuer.

In compliance with IAS 32, when there is an unconditional right to avoid delivering cash or another financial asset in the form of repayment of principal or interest, an instrument is recognized in shareholders' equity. In application of this principle, the hybrid bonds are recorded in shareholders' equity in the Group's consolidated financial statements.

3. TREASURY SHARES

In May 2014, Arkema definitively granted 204,603 free shares to Group employees in application of plans 2010-2, 2011-2 and 2012-1. The Company bought back 32,643 treasury shares at 31 December 2014.

	2014	2013
Number of treasury shares at 1 January	**226,974**	**314,034**
Repurchases of treasury shares	32,643	-
Allocation of treasury shares	(204,603)	(87,060)
Number of treasury shares at 31 December	**55,014**	**226,974**

4. DIVIDENDS

The shareholders' general meeting of 15 May 2014 adopted a resolution proposing to distribute a dividend of €1.85 per share in respect of the 2013 financial year, or a total amount of €117 million. This dividend was paid on 22 May 2014.

5. NON-CONTROLLING INTERESTS

Non-controlling interests do not represent a significant share of the Group's consolidated financial statements.

NOTE 19 PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS

(In millions of euros)	2014	2013
Pension obligations	349	269
Healthcare and similar coverage	56	46
Post-employment benefits	**405**	**315**
Long service awards	47	42
Other long-term benefits	4	4
Other long-term benefits	**51**	**46**
PROVISIONS FOR PENSIONS AND OTHER EMPLOYEE BENEFITS	**456**	**361**

In accordance with the laws and practices of each country, ARKEMA participates in employee benefit plans offering retirement, healthcare and similar coverage, and special termination benefits. These plans provide benefits based on various factors including 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.

Post-employment benefits are detailed in tables in 19.1, 19.2, and 19.3 below.

The main features of the principal defined benefit plans are as follows:

- in the United States, the largest defined benefit plan is the "Employee Pension Plan". This plan is now frozen and no new rights can be earned except in the case of a few employees. Under this plan, beneficiaries receive a lump sum or an annuity when they retire. The assets funding this plan are externally managed and are subject to the minimum funding rules laid down in the federal Pension Protection Act;
- in France, the two top-up pension plans are closed to new members. One of them is managed by an insurance company and funded by plan assets. The beneficiaries of these plans receive an annuity once they retire.

  The top-up health coverage plan for retired employees is also closed and is not funded. Other benefit plans (bonuses, long service awards and retirement gratuities) pay out lump sums; they are open to all employees and are partly-funded;
- in Germany, all defined benefit plans are closed to new members. Plan participants receive a monthly payment once they retire (the normal retirement age is set at 65). These plans are not funded, except for the company's head office plan, which shows a non-significant funding asset;
- in the Netherlands, plans are covered through an insurance company. These plans are still open to new participants and pay out an annual amount once the employees retire;
- in the United Kingdom, the two plans were frozen as of 1 August 2013 and no further rights can be earned from that date. These plans are covered by a pension fund.

19.1 EXPENSE IN THE INCOME STATEMENT

The expense related to defined benefit plans is broken down as follows:

	2014			2013		
(In millions of euros)	Total	Pension obligations	Healthcare and similar coverage	Total	Pension obligations	Healthcare and similar coverage
Current service cost	12	11	1	13	12	1
Past service cost	1	1	0	(2)	(1)	(1)
Settlements	0	0	-	-	-	-
Interest expense	22	21	1	22	21	1
Expected return on plan assets	(12)	(12)	-	(10)	(10)	-
Other	0	0	0	0	0	0
(INCOME) / EXPENSE	**23**	**21**	**2**	**23**	**22**	**1**

19.2 CHANGE IN NET PROVISIONS OVER THE PERIOD

(In millions of euros)	Pension obligations 2014	Pension obligations 2013	Healthcare and similar coverage 2014	Healthcare and similar coverage 2013	Total post-employment benefits 2014	Total post-employment benefits 2013
Net liability / (asset) at beginning of year	**264**	**331**	**46**	**52**	**310**	**383**
Expense for the year	21	22	2	1	23	23
Contributions made to plan assets	(16)	(14)	-	-	(16)	(14)
Net benefits paid by the employer	(10)	(11)	(4)	(4)	(14)	(15)
Other	10	(5)	3	0	13	(5)
Actuarial gains and losses recognized in shareholders' equity	79	(59)	9	(3)	88	(62)
Net liability / (asset) at end of year	**348**	**264**	**56**	**46**	**404**	**310**

19.3 VALUATION OF OBLIGATIONS AND PROVISIONS AT 31 DECEMBER

a) Present value of benefit obligations

(In millions of euros)	Pension obligations 2014	Pension obligations 2013	Healthcare and similar coverage 2014	Healthcare and similar coverage 2013
Present value of benefit obligations at beginning of year	**530**	**602**	**46**	**52**
Current service cost	11	12	1	1
Net interest expense	21	21	1	1
Past service cost (including curtailments)	1	(1)	-	(1)
Settlements	(3)	(1)	-	-
Plan participants' contributions	0	0	-	-
Benefits paid	(25)	(38)	(4)	(4)
Actuarial (gains) and losses	107	(52)	9	(3)
Changes in scope	-	-	-	-
Translation adjustment and other	36	(13)	3	-
Present value of benefit obligations at end of year	**678**	**530**	**56**	**46**

b) Change in fair value of plan assets

Plan assets are mainly located in the United States, France, the Netherlands and the United Kingdom.

(In millions of euros)	Pension obligations 2014	Pension obligations 2013
Fair value of plan assets at beginning of year	**(266)**	**(271)**
Interest income	(12)	(10)
Settlements	3	1
Plan participants' contributions	0	0
Employer contributions	(16)	(14)
Benefits paid from plan assets	15	27
Actuarial (gains) and losses	(28)	(7)
Changes in scope	-	-
Translation adjustment and other	(26)	8
Fair value of plan assets at end of year	**(330)**	**(266)**

c) Provisions in the balance sheet

	Pension obligations		Healthcare and similar coverage	
(In millions of euros)	**2014**	**2013**	**2014**	**2013**
Present value of unfunded obligations	234	188	56	46
Present value of funded obligations	444	342	-	-
Fair value of plan assets	(330)	(266)	-	-
(Surplus) / Deficit of assets relative to benefit obligations	**348**	**264**	**56**	**46**
Asset ceiling	-	-	-	-
Net balance sheet provision	**348**	**264**	**56**	**46**
Provision recognized in liabilities	349	269	56	46
Amount recognized in assets	(1)	(5)	-	-

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)	**2014**	**2013**	**2012**	**2011**
Obligations for pensions, healthcare and similar coverage	734	576	654	547
Plan assets	(330)	(266)	(271)	(243)
Net obligations	**404**	**310**	**383**	**304**
Actuarial (gains) and losses on accumulated rights				
• experience adjustments	(18)	(3)	6	10
• effects of changes in financial assumptions	117	(51)	101	23
• effects of changes in demographic assumptions	17	(1)	-	(5)

d) Pre-tax amount recognized through equity (SORIE) during the valuation period

	Pension obligations		Healthcare and similar coverage	
(In millions of euros)	**2014**	**2013**	**2014**	**2013**
Actuarial (gains) and losses generated in the period (A)	79	(59)	9	(3)
Effect of the surplus cap and the asset ceiling (B)	-	-	-	-
Total amount recognized in equity (A+B)	**79**	**(59)**	**9**	**(3)**
Cumulative actuarial (gains) and losses recognized in equity	**191**	**112**	**(15)**	**(24)**

e) Composition of the investment portfolio

	Pension obligations							
	At 31 December 2014				At 31 December 2013			
	France	UK	Rest of Europe	USA	France	UK	Rest of Europe	USA
Shares	3%	26%	-	55%	1%	67%	22%	57%
Bonds	31%	29%	-	33%	14%	32%	66%	33%
Property	-	-	-	11%	-	-	-	10%
Monetary/Cash assets	4%	1%	-	-	2%	1%	1%	-
Investment funds	-	44%	-	-	-	-	-	-
Funds held by an insurance company	62%	-	100%	-	83%	-	9%	-
Other	-	-	-	1%	-	-	2%	-

Pension assets are mainly invested in listed financial instruments.

f) Actuarial assumptions

The main assumptions for pension benefit commitments and healthcare and similar obligations are as follows:

	2014				2013			
	France	UK	Rest of Europe	USA	France	UK	Rest of Europe	USA
Discount rate	1.50	3.50	1.50	4.00	3.20	4.50	3.20	4.85
Rate of increase in salaries	2.10-2.50	N/A	2.60-2.80	4.00	2.80-3.00	N/A	2.80-3.00	4.00

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 rate of increase of healthcare costs has a negligible impact in the United States as a ceiling has been applied since mid-2006, and in Europe since 2008 the impact has been limited to the rate of inflation during the period over which rights vest.

A change of plus or minus 0.50 points in the discount rate has the following effects on the present value of accumulated benefit obligations at 31 December:

Pension obligations, healthcare and similar coverage *(In millions of euros)*	2014	
	Europe	USA
Increase of 0.50	(33)	(20)
Decrease of 0.50	38	21

A change of plus or minus 0.50 points in the salary increase rate has the following effects on the present value of accumulated benefit obligations at 31 December:

Pension obligations, healthcare and similar coverage *(In millions of euros)*	2014	
	Europe	USA
Increase of 0.50	10	4
Decrease of 0.50	(10)	(3)

g) Provisions by geographical area

2014	France	Germany	Rest of Europe	USA	Rest of the world	Total
Pension obligations	136	83	17	107	6	**349**
Healthcare and similar coverage	41	-	-	15	-	**56**

2013	France	Germany	Rest of Europe	USA	Rest of the world	Total
Pension obligations	126	63	11	64	5	**269**
Healthcare and similar coverage	33	-	-	13	-	**46**

h) Cash flows

The contributions to be paid by the Group in 2015 for funded benefits are estimated at €13 million.

The benefits to be paid by the Group in 2015 in application of defined benefit plans are valued at €14 million for pension obligations, and €4 million for healthcare and similar coverage.

NOTE 20 OTHER PROVISIONS AND OTHER NON-CURRENT LIABILITIES

20.1 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities amount to €40 million at 31 December 2014 as against €42 million at 31 December 2013.

20.2 OTHER PROVISIONS

(In millions of euros)	Environmental contingencies	Restructuring	Other	Total
At 1 January 2014	**171**	**50**	**176**	**397**
Increases in provisions	12	29	23	64
Reversals from provisions on use	(11)	(24)	(67)	(102)
Reversals of unused provisions	-	-	(13)	(13)
Changes in scope	-	-	-	-
Translation adjustments	9	-	5	14
Other	-	-	1	1
At 31 December 2014	**181**	**55**	**125**	**361**
Of which less than one year	16	29	24	69
Of which more than one year	165	26	101	292

In addition, certain provisions are covered by non-current assets (receivables, deposits):

(In millions of euros)	Environmental contingencies	Restructuring	Other	Total
Total provisions at 31 December 2014	**181**	**55**	**125**	**361**
Portion of provisions covered by receivables or deposits	**35**	**-**	**9**	**44**
Deferred tax asset related to amounts covered by the Total indemnity	21	-	0	21
Provisions at 31 December 2014 net of non-current assets	**125**	**55**	**116**	**296**

(In millions of euros)	Environmental contingencies	Restructuring	Other	Total
At 1 January 2013	**179**	**50**	**171**	**400**
Increases in provisions	15	22	131	168
Reversals from provisions on use	(19)	(21)	(111)	(151)
Reversals of unused provisions	(1)	(1)	(18)	(20)
Changes in scope	-	-	-	-
Translation adjustments	(3)	-	(2)	(5)
Other	-	-	5	5
At 31 December 2013	**171**	**50**	**176**	**397**
Of which less than one year	17	24	68	109
Of which more than one year	154	26	108	288

In addition, certain provisions are covered by non-current assets (receivables, deposits):

(In millions of euros)	Environmental contingencies	Restructuring	Other	Total
Total provisions at 31 December 2013	**171**	**50**	**176**	**397**
Portion of provisions covered by receivables or deposits	**31**	**-**	**6**	**37**
Deferred tax asset related to amounts covered by the Total indemnity	18	-	-	18
Provisions at 31 December 2013 net of non-current assets	**122**	**50**	**170**	**342**

20.3 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 €81 million (€84 million at 31 December 2013);
- in the United States for €75 million (€67 million at 31 December 2013), 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).

20.4 RESTRUCTURING PROVISIONS

Restructuring provisions are mainly in respect of restructuring measures in France for €29 million (€46 million at 31 December 2013), in Europe outside France for €24 million (€2 million at 31 December 2013) and in the United States for €1 million (€2 million at 31 December 2013).

Increases in such provisions in the year correspond to the restructuring plans described in note C4 "Other income and expenses".

20.5 OTHER PROVISIONS

Other provisions amount to €125 million and mainly comprise:

- provisions for labour litigation for €39 million (€39 million at 31 December 2013);
- provisions for commercial litigation and warranties for €24 million (€40 million at 31 December 2013);
- provisions for tax litigation for €20 million (€20 million at 31 December 2013);
- provisions for other risks for €42 million (€77 million at 31 December 2013).

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 industrial 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 ARKEMA 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 ARKEMA 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), Porto Marghera (Italy) and Zaramillo (Spain) and could adversely affect the Group's business, results and financial condition.

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 still 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 is expected to issue its ruling in 2015. 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 Wetteren site in Belgium belonging to Resil 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 Products segment to the Klesch group in early 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 agreements for the sale stipulate that Arkema France remains liable for legacy pollution to the site.

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 to the zone known as T112. Both the Lyon Administrative Court, in its ruling of 29 September 2011, and the Lyon Administrative Appeal Court in a decision of 11 April 2013, rejected Arkema France's petition against the initial decision. Arkema France has filed an appeal before the Council of State against the Lyon Administrative Appeal Court's decision. 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 (T112 and other pollutants) 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.

Should Arkema France lose its petition, rehabilitation of the site affected by the legacy pollution would be the company's responsibility. A provision has been established in ARKEMA's financial statements in connection with this matter.

Following the legal action instigated by Arkema France against Rhodia Chimie, the previous operator of this site, the Bobigny Commercial Court declared Arkema France's action inadmissible in 2012. This ruling was upheld by the Paris Appeal Court on 27 May 2014.

Arkema France lodged an appeal before the French Supreme Court (*Cour de cassation*) on 26 August 2014.

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 n° 96-97 and 96-98 of 7 February 1996 and Decree n° 96-1133 of 24 December 1996). The Group made an inventory of building materials within its premises that contained asbestos, 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 and certain current 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 French Supreme Court (*Cour de 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. It also decided that the compensation awarded for a prejudice of anxiety covers all psychological distress associated with the risk of an illness arising at any time during an indefinite period, including the prejudice of upheaval in living conditions that had been argued.

It is possible that other former employees of Arkema France who may have been exposed to asbestos during their employment on sites listed after 2010 may also bring action before an employee claims court to claim compensation for the prejudice of anxiety. Around 1,000 compensation claims for the prejudice of anxiety due to exposure to asbestos are currently in process before the employee claims courts.

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.

21.2.2 Commercial litigation and warranties

Antitrust litigation

There are no longer any antitrust litigations or proceedings against any Group entity in Europe, the United States or Canada, but the Group is still involved in proceedings in Asia.

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 and Arkema Amériques SAS, the main terms of which are described in note C30 "Off-balance sheet commitments".

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 of legal action cannot be ruled out.

Class action concerning Pension Liabilities (Arkema Inc.) – the COLA litigation

This class action lawsuit was filed in United States District Court in New Jersey on 7 February 2012, and arises out of the purchase by Arkema Inc. from Rohm & Haas of certain assets upon the dissolution in 1998 of Arkema Inc.'s Atohaas joint venture with Rohm and Haas. At that time, Arkema Inc. accepted Rohm and Haas U.S. employees into its U.S. pension plan, and incorporated the terms of the Rohm & Haas pension plan for the benefit of those employees. The Rohm & Haas pension plan permits participants to receive their pension benefit in the form of either an annuity or a lump sum. Those participants electing an annuity receive a cost of living adjustment (COLA) to their benefit each year. The plan specifically prohibits the granting of a COLA to participants who elect a lump sum. Lightfoot and Hone, who retired from Arkema Inc. in 2009, received lump sum retirement benefits under the Rohm & Haas pension formula. Neither received the value of the COLA in their lump sum distribution. Both contended that their lump sum distributions should have included the value of the COLA. They brought claims on behalf of themselves and others similarly situated, which they estimated at being 200. The judge certified a class of both retirees and active employees, based on the parties' agreement. After the parties filed cross motions for summary judgment in November 2012, on 1 July 2013, the judge granted summary judgment in favour of the plaintiffs and held that Arkema Inc. is required to include the present value of future COLAs in the calculation of lump sum disbursements. A settlement was signed by the parties in January 2014. After the corresponding documents had been sent to the members of the class action and the settlement fairness hearing had been held on 5 June 2014, certain inaccuracies were discovered in those documents by the lawyers for the class action members. Once the corrected documents were sent in July 2014, the court received no objection to the settlement and approved the final judgement on 23 September 2014, terminating the litigation.

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 SAS, 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 €6 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 Quimica 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 million remains concerned by an appeal before the courts, which ARKEMA considers has reasonable chances of success. An initial decision could be made in 2015. No provision has been established in the financial statements.

Arkema Srl

In 2013 the Lombardy Regional Tax office (Italy) conducted a tax inspection of Arkema Srl for the 2008, 2009 and 2010 financial years after which among other observations, it contested the purchase prices of products for resale and the level of commission paid to the company in intragroup transactions, applied a withholding tax on intragroup financing, and refused the deductibility of purchases from companies located in countries that were on a "blacklist" drawn up by the Italian government. After discussions, the tax office cancelled most of the reassessments on payments to countries on the blacklist, but upheld the reassessments concerning the transfer prices and withholding taxes on financing. The reassessments notified for 2008, 2009 and 2010 amount to €9 million including interest and penalties. An amicable procedure will begin in early 2015 between Italy and France to avoid double taxation and a local tax dispute. A provision considered adequate by the Group has been established in the financial statements.

21.2.4 Other litigation

TGAP (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. Total then brought the case before the French Supreme Court (*Cour de cassation*). The possibility cannot be ruled out that, at the end of this further appeal, Total may still be required to pay all or part of the TGAP assessed, of which ARKEMA could be liable for a portion. No provision has been recorded in the financial statements in connection with this matter.

Asbestos risk (Arkema Inc.)

In the United States, Arkema Inc. is involved in a substantial number of asbestos-related proceedings in various State 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 claims are not covered by insurance policies, provisions have been made for such claims 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 with effect from 1 July 2012.

On 27 March 2013, insolvency proceedings were opened against the company Kem One SAS. In a ruling of 20 December 2013, the Lyon Commercial Court designated the new owner of Kem One SAS, and put to an end the insolvency proceedings concerning the company.

An arbitration procedure was initiated against Arkema by Klesch in March 2013 and is still in progress. After exchanges of claims and final responses (first and second submissions) and a hearing in December 2014, the arbitration ruling should be issued during the first half of 2015. Although it is impossible to predict the outcome of this procedure with certainty, ARKEMA considers it is unfounded and is confident of its ability to demonstrate that fact. No provision has been booked in the financial statements.

Meanwhile, the works council of Kem One SAS' Fos-sur-Mer site brought an action on 9 July 2013 before the Lyon District Court against Arkema, certain Kem One entities and the Klesch group, for alleged fraudulent collusion. As part of the takeover of Kem One SAS described above, the new owner stated that it would handle withdrawal of this action by the works council. This withdrawal is not yet effective. No provision has been booked in the financial statements.

Also, on 29 April 2014, Kem One employees brought action before the Lyon District Court against Arkema and certain Klesch group entities, claiming damages on the grounds of the allegedly fraudulent nature of the agreements signed between Arkema and Klesch in connection with the sale of the vinyls activities. No provision has been booked in the financial statements.

Coem (Arkema France)

As there were no product supplies by Kem One SAS 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. Since then, a composition has been signed with Coem's creditors and approved by Bologna Court on 18 December 2013, and Coem was put into liquidation on 21 March 2014. No provision has been recognized in the financial statements.

21.2.5 Training

The French law of 5 March 2014 replaces the statutory training entitlement (DIF) with a personal training credit system (*Compte Personnel de Formation* or CPF) as of 1 January 2015. DIF entitlements at 31 December 2014 will be transferred to the new system, under which each individual is credited with up to a maximum 150 hours each year.

ARKEMA's investment in training will represent, in 2015, approximately 3.5% of payroll costs.

NOTE 22 DEBT

Group net debt amounted to €154 million at 31 December 2014, taking account of cash and cash equivalents of €1,149 million. It is mainly denominated in euros.

22.1 ANALYSIS OF NET DEBT BY CATEGORY

(In millions of euros)	31/12/2014	31/12/2013
Bonds	1,137	1,138
Finance lease obligations	2	2
Bank loans	42	53
Other non-current debt	15	14
Non-current debt	**1,196**	**1,207**
Finance lease obligations	0	0
Syndicated credit facility	-	-
Commercial paper	-	-
Other bank loans	85	65
Other current debt	22	28
Current debt	**107**	**93**
Debt	**1,303**	**1,300**
Cash and cash equivalents	1,149	377
NET DEBT*	**154**	**923**

* *See note B17 "Main accounting and financial indicators"*

Bonds

- 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 2014 the fair value of this bond is €548 million.
- 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 2014 the fair value of this bond is €555 million.
- In December 2013, the Group issued a €150 million bond that will mature on 6 December 2023, with a fixed coupon of 3.125%. This was part of the Group's €2 billion Euro Medium Term Notes (EMTN) programme introduced in October 2013.

  At 31 December 2014 the fair value of this bond is €168 million.

Commercial paper

In April 2013 the Group introduced a French Commercial paper (*billet de trésorerie*) programme with a ceiling of €1 billion.

Issues outstanding as part of this programme amount to nil at 31 December 2014.

Syndicated credit facility

On 29 October 2014, the Group put in place a multi-currency syndicated credit facility of €900 million, with an initial duration of five years maturing on 29 October 2019, and the possibility of two one-year extensions subject to approval by the lenders, exercisable at the end of the first and the second year. This credit facility is intended to finance the Group's general requirements as a substitute line for the commercial paper programme, 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 by ARKEMA to maintain the ratio of consolidated net debt to consolidated EBITDA (tested twice a year) at 3.5 or less.

This credit facility replaces the credit facility of 26 July 2011, which has been cancelled.

Bridge Term Loan Facility

To secure financing for the acquisition of BOSTIK, Arkema signed a bridge loan agreement for a maximum amount of €1,500 million, for a one-year term with an optional six-month extension at Arkema's option. This bridge term loan facility includes a guarantee of availability of funds which is usual for this type of financing. In addition, it includes a commitment by the Company to maintain a ratio of consolidated net debt to EBITDA of less than 3, with the possibility of increasing this ratio to 3.5 over a period of 12 consecutive months in the event of an acquisition. It also includes early redemption clauses, including in the event of a change in control of ARKEMA.

At 31 December 2014, the amount of the bridge term loan facility was reduced to €471 million due to the €700 million hybrid bond issue that took place on 23 October 2014, and a capital increase of approximately €350 million undertaken on 15 December 2014. On 20 January 2015, the balance of the bridge term loan facility was cancelled following issuance of a bond with nominal value of €700 million.

Securitization of sales receivables

The Group also has a securitization programme for sales receivables with no deconsolidating effect, representing a maximum financing of €120 million.

This programme was used for an amount of €2 million at 31 December 2014.

22.2 ANALYSIS OF DEBT BY CURRENCY

ARKEMA's debt is mainly denominated in euros.

(In millions of euros)	31/12/2014	31/12/2013
Euros	1,178	1,195
US Dollars	8	7
Chinese Yuan	100	81
Other	17	17
TOTAL	**1,303**	**1,300**

22.3 ANALYSIS OF DEBT BY MATURITY

The breakdown of debt, including interest costs, by maturity is as follows:

(In millions of euros)	31/12/2014	31/12/2013
Less than 1 year	135	120
Between 1 and 2 years	65	55
Between 2 and 3 years	562	55
Between 3 and 4 years	32	557
Between 4 and 5 years	24	46
More than 5 years	679	701
TOTAL	**1,497**	**1,534**

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 equities), 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 a liability of €8 million.

The amount of foreign exchange gains and losses recognized in recurring operating income in 2014 is a negative €1 million (positive €4 million in 2013).

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 2014 (negative €1 million at 31 December 2013).

At 31 December 2014, the Group's balance sheet exposure in transaction currencies other than the euro was as follows:

Group exposure to operating foreign currency risk

(In millions of euros)	USD	CNY	Other currencies
Accounts receivable	338	45	49
Accounts payable	(180)	(45)	(23)
Bank balances and loans/borrowings	(10)	(81)	28
Off-balance sheet commitments (forward currency hedging)	(321)	-	(55)
Net exposure	**(173)**	**(81)**	**(1)**

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 2014.

An increase (decrease) of 1% (100 basis points) in interest rates would have the effect of decreasing (increasing) the interest on net debt by €5 million.

At 31 December 2014, 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	(156)	(509)	(638)	(1,303)
Cash and cash equivalents	1,149	-	-	1,149
Net exposure before hedging	993	(509)	(638)	154
Hedging instruments	-	-	-	-
Off-balance sheet items	-	-	-	-
Net exposure after hedging	**993**	**(509)**	**(638)**	**154**

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 €150 million bond maturing on 6 December 2023;
- 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 €900 million syndicated credit facility maturing on 29 October 2019 with the possibility of two one-year extensions subject to approval by the lenders, exercisable at the end of the first and the second year. This credit facility is used particularly as a substitute line for the commercial paper programme;
- a securitization programme for sales receivables representing a maximum financing of €120 million.

These financing arrangements are intended to cover all the Group's financing requirements and give 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 exceeds 3.5.

At 31 December 2014, the Group's debt maturing in more than one year is rated BBB/negative outlook by Standard & Poor's and Baa2/negative outlook by Moody's.

Commercial paper issues are rated A-2 by Standard & Poor's.

The Group's net debt at 31 December 2014 amounts to €154 million and represents 0.2 times the consolidated EBITDA for the last 12 months.

At 31 December 2014, the amount of the unused syndicated credit facility is €900 million and the amount of cash and cash equivalents is €1,149 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 2.5% of Group sales in 2014. 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 2014, accounts receivable net of provisions are distributed as follows:

(In millions of euros)	31/12/2014	31/12/2013
Accounts receivable net of provisions	**839**	**824**
Net receivables by maturity:		
Receivables not yet due	799	784
Receivables overdue by 1-15 days	28	29
Receivables overdue by 16-30 days	10	10
Receivables overdue by more than 30 days	2	1
TOTAL NET RECEIVABLES	**839**	**824**

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 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 no impact on the income statement at 31 December 2014 (also no impact at 31 December 2013).

23.6 EQUITY RISK

At 31 December 2014 the Company held 55,014 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 net assets.

In 2011, the Group acquired a 19.9% investment in the listed company Canada Fluorspar Inc. for CAD 15.5 million. Following this company’s takeover by the US company Golden Gate Capital, this investment was sold on 29 May 2014 (see note C13 “Other investments”).

Group companies hold no other investments in listed companies.

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 CATEGORY

2014

IAS 39 category: Class of instrument *(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	(C13)	-	-	-	33	33
Other non-current assets (loans and advances, security deposits paid)	(C14)	-	-	97	-	97
Accounts receivable	(C16)	-	-	839	-	839
Cash and cash equivalents	(C17)	1,149	-	-	-	1,149
Derivatives *	(C24.2)	2	-	-	-	2
FINANCIAL ASSETS		**1,151**	**-**	**936**	**33**	**2,120**
Current and non-current debt	(C22)	-	-	1,303	-	1,303
Accounts payable		-	-	704	-	704
Derivatives *	(C24.2)	6	7	-	-	13
FINANCIAL LIABILITIES		**6**	**7**	**2,007**	**-**	**2,020**

* *Derivatives are carried in the balance sheet in the captions "Other current financial assets" and "Other current financial liabilities".*

2013

IAS 39 category: Class of instrument *(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	(C13)	-	-	-	52	52
Other non-current assets (loans and advances, security deposits paid)	(C14)	-	-	84	-	84
Accounts receivable	(C16)	-	-	824	-	824
Cash and cash equivalents	(C17)	377	-	-	-	377
Derivatives *	(C24.2)	2	-	-	-	2
FINANCIAL ASSETS		**379**	**0**	**908**	**52**	**1,339**
Current and non-current debt	(C22)	-	-	1,300	-	1,300
Accounts payable		-	-	687	-	687
Derivatives *	(C24.2)	1	-	-	-	1
FINANCIAL LIABILITIES		**1**	**0**	**1,987**	**0**	**1,988**

* *Derivatives are carried in the balance sheet in the captions "Other current financial assets" and "Other current financial liabilities".*

At 31 December 2014 as at 31 December 2013, 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 31/12/2014			Notional amount of contracts at 31/12/2013			Fair value of contracts	
	< 1 year	<5 years and > 1 year	> 5 years	< 1 year	<5 years and > 1 year	> 5 years	31/12/2014	31/12/2013
Forward foreign currency contracts	458	-	-	209	-	-	(8)	1
Commodities and energy swaps	15	13	-	8	-	-	(2)	0
TOTAL	**473**	**13**	**-**	**217**	**-**	**-**	**(10)**	**1**

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)	2014	2013
Total interest income (expenses) on financial assets and liabilities (*)	(56)	(42)
Impact on the income statement of valuation of derivatives at fair value	5	1
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	6	(3)

* *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 2014 represents an expense of €1 million (income of €4 million in 2013).

24.4 IMPACT OF FINANCIAL INSTRUMENTS ON SHAREHOLDERS' EQUITY

At 31 December 2014, the impact of financial instruments net of deferred taxes on the Group's shareholders' equity is a negative €5 million (impact of below €1 million at 31 December 2013), essentially reflecting the net-of-tax fair value of foreign currency hedges of future cash flows and commodities.

NOTE 25 ACCOUNTS PAYABLE, OTHER CREDITORS AND ACCRUED LIABILITIES

Accounts payable amount to €704 million at 31 December 2014 (€687 million at 31 December 2013).

Other creditors and accrued liabilities mainly comprise employee-related liabilities for €168 million at 31 December 2014 (€165 million at 31 December 2013) and amounts owing to governments for €42 million at 31 December 2014 (€38 million at 31 December 2013), including €14 million of VAT.

NOTE 26 PERSONNEL EXPENSES

Personnel expenses, including stock options and free share grants (see note C28 "Share-based payments"), amount to €946 million in 2014 (€931 million in 2013).

They comprise €685 million of wages and salaries and IFRS 2 expenses (€676 million in 2013) and €261 million of social charges (€255 million in 2013).

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).

4

The compensation recognized in expenses by ARKEMA is as follows:

(In millions of euros)	2014	2013
Salaries and other short-term benefits	5	4
Pensions, other post-employment benefits and contract termination benefits	1	1
Other long-term benefits	-	-
Share-based payments	3	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

The Board of Directors has decided to discontinue stock subscription and purchase options.

Following the capital increase with preferential subscription rights undertaken on 15 December 2014, the exercise price and number of options outstanding at 7 November 2014 have been adjusted.

At 31 December 2014 the main characteristics of the stock option plans are as follows:

	2006 Plan	2007 Plan	2008 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2
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	4 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
Adjusted exercise price	N/A	42.96	34.85	29.33	29.33	65.92	65.92
Total number of options granted	**540,000**	**600,000**	**460,000**	**225,000**	**225,000**	**105,000**	**105,000**
Adjustments to options in circulation at 7 November 2014	-	3,074	5,437	5,044	8,513	4,082	4,082
Total number of options granted after adjustments	**540,000**	**603,074**	**465,437**	**230,044**	**233,513**	**109,082**	**109,082**
to corporate officers: Thierry Le Hénaff	55,000	70,389	52,676	36,361	36,361	30,386	30,386
to the 10 largest beneficiaries*	181,000	218,128	172,130	105,505	107,851	78,696	78,696
Total number of options exercised	**524,100**	**498,352**	**303,982**	**88,875**	**-**	**-**	**-**
by corporate officers	55,000	60,000	48,000	-	-	-	-
by the 10 largest beneficiaries *	181,000	188,000	86,200	60,325	-	-	-
Total number of options cancelled	15,900	22,800	18,877	7,000	7,000	-	-
NUMBER OF OPTIONS							
In circulation at 1 January 2012	120,950	408,100	427,043	220,000	220,000	105,000	105,000
Granted	-	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-	-
Exercised	77,092	206,802	165,216	28,515	-	-	-
In circulation at 31 December 2012	**43,858**	**201,298**	**261,827**	**191,485**	**220,000**	**105,000**	**105,000**
In circulation at 1 January 2013	43,858	201,298	261,827	191,485	220,000	105,000	105,000
Granted	-	-	-	-	-	-	-
Cancelled	-	-	-	2,000	2,000	-	-
Exercised	21,058	48,100	67,349	15,970	-	-	-
In circulation at 31 December 2013	**22,800**	**153,198**	**194,478**	**173,515**	**218,000**	**105,000**	**105,000**
In circulation at 1 January 2014	22,800	153,198	194,478	173,515	218,000	105,000	105,000
Granted	-	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-	-
Exercised	22,800	74,350	55,640	44,390	-	-	-
In circulation at 7 November 2014	**0**	**78,848**	**138,838**	**129,125**	**218,000**	**105,000**	**105,000**
Adjustments	-	3,074	5,437	5,044	8,513	4,082	4,082
Granted	-	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-	-
Exercised	-	-	1,697	-	-	-	-
In circulation at 31 December 2014	**-**	**81,922**	**142,578**	**134,169**	**226,513**	**109,082**	**109,082**

* *Employees who are not corporate officers of Arkema 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 or weighted 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 IFRS 2 expense recognized in respect of stock options at 31 December 2014 was lower than €1 million (€1 million at 31 December 2013).

28.2 FREE SHARE GRANTS

On 6 May 2014, the Board of Directors decided to put in place a 750-share free share award scheme for the benefit of Group employees who had not been able to participate in the capital increase reserved for employees undertaken on 23 April 2014.

Under this plan, the definitive grant of these shares, which is only conditional on the beneficiary remaining with the Group, will be subject to a vesting period of 4 years with effect from the Board of Directors' grant.

On 13 November 2014, the Board of Directors also decided to put in place a performance share award scheme for the benefit of employees, particularly employees with responsibilities whose exercise influences the Group's results.

Under this plan, 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 performance criteria concerning:

- ARKEMA's EBITDA for 2017, provided the net debt to equity ratio is no higher than 40%;
- ARKEMA's EBITDA margin for 2017 compared to the average margin of a selection of competitors: the list has been revised to reflect changes in the competitive landscape; and
- ARKEMA's Total Shareholder Return (TSR) over the period 2015 to 2017 compared to the TSR of a selection of other chemicals manufacturers chosen for assessment of the previous criterion.

TSR is defined as follows:

TSR = (share price at end of period – share price at start of period + sum of dividends paid during the period) / share price at start of period.

The main characteristics of the free share grant plans in force at 31 December 2014 are as follows:

	2010 Plan 2	2011 Plan 2	2011 Plan 3	2012 Plan 1	2012 Plan 2	2012 Plan 3	2013 Plan	2014 Plan 1	2014 Plan 2
Date of annual general meeting	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	4 June 13	4 June 13	4 June 13
Date of Board of Directors' meeting	10 May 10	4 May 11	4 May 11	9 May 12	9 May 12	9 May 12	6 Nov 13	6 May 14	13 Nov 14
Vesting period	4 years	3 years	4 years	2 years	3 years	4 years	4 years	4 years	4 years
Conservation period	-	2 years	-	2 years	2 years	-	-	-	-
Fair value *(in euros per share)*	27.69	54.26	55.36	48.18	42.27	45.27	51.60	53.63	33.41
Performance condition	Yes [2]	Yes [3]	Yes [3]	Yes [3]	Yes [3]	Yes [3]	Yes [4]	No	Yes [4]
Total number of free shares granted	**50,795**	**59,380**	**52,315**	**101,860**	**74,805**	**65,335**	**250,000**	**750**	**275,000**
to corporate officers: Thierry Le Hénaff	-	8,200	-	13,000	13,000	-	26,000	-	26,000
to the 10 largest beneficiaries [1]	8,100	24,450	14,850	36,100	36,100	16,400	75,400	50	71,600
NUMBER OF FREE SHARES EXERCISED									
In circulation at 1 January 2012	49,157	58,925	52,190	-	-	-	-	-	-
Granted	-	-	-	101,860	74,805	65,335	-	-	-
Cancelled	1,434	-	1,195	125	-	590	-	-	-
Definitively granted	-	100	-	-	-	-	-	-	-
In circulation at 31 December 2012	**47,723**	**58,825**	**50,995**	**101,735**	**74,805**	**64,745**	**-**	**-**	**-**
In circulation at 1 January 2013	47,723	58,825	50,995	101,735	74,805	64,745	-	-	-
Granted	-	-	-	-	-	-	250,000	-	-
Cancelled	104	1,000	70	1,230	1,230	105	-	-	-
Definitively granted	-	-	-	-	-	-	-	-	-
In circulation at 31 December 2013	**47,619**	**57,825**	**50,925**	**100,505**	**73,575**	**64,640**	**250,000**	**-**	**-**
In circulation at 1 January 2014	47,619	57,825	50,925	100,505	73,575	64,640	250,000	-	-
Granted	-	-	-	-	-	-	-	750	275,000
Cancelled	1,071	-	1,845	275	125	1,735	3,130	335	-
Definitively granted	46,548	57,825	-	100,230	-	-	-	-	-
In circulation at 31 December 2014	**0**	**0**	**49,080**	**0**	**73,450**	**62,905**	**246,870**	**415**	**275,000**

(1) Employees who are not corporate officers of Arkema 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 are subject to performance criteria.
(4) Performance conditions apply only to the portion of rights in excess of 100, except for Comex members, all of whose rights are subject to performance criteria.

The amount of the IFRS 2 expense recognized in respect of free shares at 31 December 2014 is €7 million (€7 million at 31 December 2013).

28.3 CAPITAL INCREASE RESERVED FOR EMPLOYEES

In application of the Group's employee share ownership policy, ARKEMA offered its employees the opportunity to subscribe to a capital increase reserved for employees at the subscription price of €64.19 per share. This price corresponds to the Arkema share's average opening price on the Paris stock exchange over the 20 trading days preceding the Board of Directors' meeting of 3 March 2014, less a 20% discount.

The shares subscribed must be retained for a period of 5 years, except in the United States where the required retention period is 3 years.

The employees subscribed a total 491,502 shares, and the capital increase was recorded on 18 April 2014 and became definitive on 23 April 2014.

As part of the same operation, Arkema shares were offered to Group employees located outside France through a free share grant plan awarding one free share for every five shares subscribed, up to a maximum 20 free shares.

At its meeting of 6 May 2014, the Board of Directors recorded grants of 3,619 free shares to employees in Italy and Spain, and 12,749 free shares to employees in all other countries outside France. These grants will only be definitive after a vesting period of 3 and 4 years respectively.

Valuation method

In compliance with the method recommended by France's national accounting standards authority (*Autorité des Normes Comptables*), the valuation of the cost of not being able to sell the shares 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 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 for a 5-year consumer loan (or a 3-year loan for an employee located in the United States).

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:

Country of subscription	France	United States	Italy and Spain	All other countries
Date of the Board meeting which decided on the capital increase	3 March 14	3 March 14	3 March 14	3 March 14
Share price at the date of the Board meeting *(€)*	78.04	78.04	78.04	78.04
Risk-free interest rate (at 3 March 2014)*	0.96%	0.70%	2.24%	1.42%
Interest rate on borrowings**	6.50%	11.00%	10.50%	8.00%
Cost of not being able to sell the shares	22.57%	26.81%	32.67%	27.04%

* *Risk-free interest rate on 5-year borrowings, except for the United States (3 years)*
** *5-year borrowings, except for the United States (3 years)*

On the basis of the share price at the date of the Board meeting, the benefit granted represents a value of €8 million. As the cost of not being able to sell the shares, calculated using the above parameters, is roughly equivalent to this amount, no expense has been recognized in the income statement.

4

NOTE 29 INFORMATION ON CASH FLOWS

Additional information on amounts received and paid as operating cash flows:

(In millions of euros)	31/12/2014	31/12/2013
Interest paid	55	46
Interest received	2	2
Income taxes paid	107	159

Details of the change in working capital are as follows:

(In millions of euros)	31/12/2014	31/12/2013
Inventories	(21)	(18)
Accounts receivable	16	62
Other receivables including income taxes	(12)	24
Accounts payable	9	(14)
Other liabilities including income taxes	29	(84)
Change in working capital	**21**	**(30)**

NOTE 30 OFF-BALANCE SHEET COMMITMENTS

30.1 COMMITMENTS GIVEN

30.1.1 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)	31/12/2014	31/12/2013
Guarantees granted	80	81
Comfort letter	-	-
Contractual guarantees	6	15
Customs and excise guarantees	12	14
TOTAL	**98**	**110**

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.

30.1.2 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 30 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 €427 million at 31 December 2014 (see maturity schedule below).

(In millions of euros)	31/12/2014	31/12/2013
2014	-	213
2015	176	79
2016	70	72
2017	53	58
2018 until expiry of the contracts	128	129
TOTAL	**427**	**551**

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).

	31/12/2014		31/12/2013	
(In millions of euros)	Capitalized leases	Non- capitalized leases	Capitalized leases	Non- capitalized leases
2014	-	-	0	20
2015	0	19	0	19
2016	0	17	0	17
2017	0	14	1	10
2018 and beyond	1	51	1	16
NOMINAL VALUE OF FUTURE LEASE PAYMENTS	**2**	**101**	**2**	**82**
Finance cost	0	NA	0	NA
PRESENT VALUE	**2**	**NA**	**2**	**NA**

30.1.3 Off-balance sheet commitments related to changes in the scope of consolidation

Warranties related to sales of businesses

When selling businesses, ARKEMA has sometimes granted the purchaser warranties in respect of unrecorded liabilities. 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 expenses or litigation. In the majority of cases, they cover risks of occurrence of environmentally related expenses or litigation.

The cumulative residual amount of capped warranties in respect of unrecorded liabilities granted by ARKEMA amounts to €95 million at 31 December 2014 (€96 million at 31 December 2013). These amounts are stated net of provisions recognized in the balance sheet in respect of such warranties.

30.1.4 Off-balance sheet commitments related to Group financing

These commitments are described in note C22 "Debt".

30.1.5 Off-balance sheet commitments related to BOSTIK

On 18 September 2014 Arkema made an offer to Total SA to acquire BOSTIK for an enterprise value of €1.74 billion. The acquisition contract was signed on 3 December 2014 following completion of the consultation procedure with bodies representing the employees of Total and BOSTIK. The operation was finalised on 2 February 2015.

30.2 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.

30.2.1 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 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 for 90% of (i) any payment due by Arkema 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 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 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 for 90% of (i) any payment due by Arkema 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 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 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 2014, the residual amount covered by this indemnity amounts to $873.7 million.

Finally, Total S.A. extended to Arkema 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 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 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 €138.5 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 and Arkema Inc.

Arkema 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 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 and Arkema Inc. is triggered, Arkema 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 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 (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 shares in a public transaction targeting all Arkema 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 loses control of Arkema France.

The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity will terminate if Arkema 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.

30.2.2 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 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 Services 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 $82 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.

30.2.3 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, 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 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 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 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 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 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 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's 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 or, as the case may be, Arkema France, if Arkema is merged into Arkema France.

30.2.4 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 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 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 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 has undertaken to indemnify Total S.A. and hold it harmless for the consequences of any ARKEMA Claim against any Total Entity. Arkema 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 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 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 31 STATUTORY AUDITORS' FEES

	KPMG		Ernst & Young	
	Amount *(In millions of euros)*		Amount *(In millions of euros)*	
	2014	2013	2014	2013
AUDIT				
Auditing, certification, review of individual and consolidated financial statements	**2**	**2**	**2.1**	**2.1**
>Issuer	0.5	0.5	0.5	0.5
>Fully consolidated subsidiaries	1.5	1.5	1.6	1.6
Other due diligence work and services directly related to the auditors' mission	**0.2**	**0.1**	**0.1**	**-**
>Issuer	0.1	-	0.1	-
>Fully consolidated subsidiaries	0.1	0.1	-	-
SUB-TOTAL	**2.2**	**2.1**	**2.2**	**2.1**
Other services provided by the networks to fully consolidated subsidiaries	**-**	**-**	**0.2**	**-**
TOTAL	**2.2**	**2.1**	**2.4**	**2.1**

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 32 SUBSEQUENT EVENTS

On 13 January 2015, ARKEMA completed a €700 million bond issue with a 10-year maturity and a 1.50% annual coupon. This operation was the last phase in the financing of the plan to acquire BOSTIK.

On 30 January 2015, ARKEMA announced the successful start-up of its Thiochemicals platform in Malaysia. This new world-scale unit, which represents an investment of some €200 million, consolidates ARKEMA's position as world leader in high value-added sulphur intermediates, and will contribute to its development in a zone of significant growth, particularly on the animal feed, petrochemicals and refining markets.

On 2 February 2015 ARKEMA finalised the acquisition of BOSTIK. The impact of consolidation of BOSTIK from 1 January 2014 is estimated at €1,533 million on sales and €158 million on EBITDA. In a steadily-growing adhesives market, BOSTIK's development dynamic and the synergies identified between the two groups will enable ARKEMA to continue strengthening its profile and its resistance to changes in the economic environment (for more details, see paragraph 1 of the Highlights).

On 17 February 2015, ARKEMA announced that it had reached a new agreement with Jurong Chemical, extending until January 2016 the exercise period for ARKEMA's option to increase its share in Sunke and access a total acrylic acid production capacity of 320,000 tonnes per year (for more details, see paragraph 1 of the Highlights).

ARKEMA is continuing to consolidate its High Performance Materials segment with the acquisition of the Italian company Oxido, to be finalised on 2 March 2015. Oxido specializes in the manufacturing of organic peroxides for crosslinking synthetic rubbers, and registers annual sales of some €20 million. This acquisition, which involves significant synergies, and the current capacity increase plan in China due to start in early 2016, will reinforce ARKEMA's leading position in organic peroxides.

D. SCOPE OF CONSOLIDATION AT 31 DECEMBER 2014

(a) Companies absorbed in 2014

(b) Companies consolidated for the first time in 2014

(c) Companies acquired in 2014

(d) Companies formed in 2014

The percentage of control indicated below also corresponds to the Group's ownership interest.

Altuglas International Denmark A/S	Denmark	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	JO
American Acryl NA LLC	United States	50.00	JO
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 BV	Netherlands	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 Coating Resins Malaysia Sdn. Bhd.	Malaysia	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	JO
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., Shanghai	China	66.67	FC
Arkema Inc.	United States	100.00	FC
Arkema Insurance Ltd. *(ex Arkema Re)*	Ireland	100.00	FC
Arkema KK	Japan	100.00	FC
Arkema Ltd.	United Kingdom	100.00	FC
Arkema Mexico SA de CV	Mexico	100.00	FC

NB: FC: full consolidation
JO: joint operation - consolidated based on shares of assets, liabilities, income and expenses
JV: joint venture - consolidation by the equity method
SI: significant influence - consolidation by the equity method

Arkema Mexico Servicios SA de CV		Mexico	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	(a)	Spain	99.92	FC
Arkema Quimica SA *(formerly Arkema Coatings Resins SAU)*		Spain	99.92	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 Taixing Chemicals	(d)	China	100.00	FC
Arkema Thiochemicals Sdn. Bhd.		Malaysia	86.00	FC
Arkema Yoshitomi Ltd.		Japan	49.00	SI
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
CJ Bio Malaysia Sdn. Bhd.		Malaysia	14.00	SI
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 e Comercio Ltda		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	JV
Daikin Arkema Refrigerants Trading (Shanghai) Co. Ltd.		China	40.00	JV
Delaware Chemicals Corporation		United States	100.00	FC
Febex SA		Switzerland	96.77	FC
Hebei Casda Biomaterials Co. Ltd.		China	100.00	FC
Ihsedu Agrochem Private Ltd.		India	24.90	SI
Maquiladora General de Matamoros SA de CV		Mexico	100.00	FC
Meglas		Italy	33.00	SI
Michelet Finance Inc.		United States	100.00	FC
MLPC International		France	100.00	FC
Newspar		Canada	50.00	JO
Noble Synthetics Private Limited	(a)	India	100.00	FC
ODOR-TECH LLC		United States	100.00	FC

NB: FC: full consolidation
JO: joint operation - consolidated based on shares of assets, liabilities, income and expenses
JV: joint venture - consolidation by the equity method
SI: significant influence - consolidation by the equity method

Oxochimie		France	50.00	JO
Ozark Mahoning Company		United States	100.00	FC
Sartomer Asia Limited		Hong Kong	100.00	FC
Sartomer Guangzhou Chemical Co. Ltd.		China	100.00	FC
Sartomer Shanghai Distribution Company Limited		China	100.00	FC
Sartomer USA LLC	(a)	United States	100.00	FC
Seki Arkema		South Korea	51.00	FC
Shanghai Arkema Gaoyuan Chemicals Co. Ltd.		China	100.00	FC
Sunclear SA Espana		Spain	99.92	FC
Sunclear		France	100.00	FC
Sunclear Srl		Italy	100.00	FC
Suzhou Hipro Polymers Co. Ltd.		China	100.00	FC
Taixing Sunke Chemicals	(c)	China	55.00	JO
Tamer Endustriyel Madencilik Anonim Sirketi	(b)	Turkey	50.00	FC
Turkish Products Inc.		United States	100.00	FC
Vetek	(b)	Argentina	60.00	FC
Viking chemical company		United States	100.00	FC

NB: FC: full consolidation
JO: joint operation - consolidated based on shares of assets, liabilities, income and expenses
JV: joint venture - consolidation by the equity method
SI: significant influence - consolidation by the equity method

4.4 PRO FORMA FINANCIAL INFORMATION RELATED TO THE ACQUISITION OF BOSTIK

4.4.1 BASIS FOR PREPARATION – INTRODUCTION

The condensed pro forma consolidated balance sheet at 31 December 2014 and the condensed pro forma consolidated income statement for the year to 31 December 2014 (hereafter referred to as the "Condensed Pro Forma Consolidated Financial Information") presented below are expressed in millions of euros. They reflect ARKEMA's acquisition of BOSTIK for an enterprise value of €1.74 billion, and the financing terms of this acquisition as described in paragraph 4.3.3.A of this reference document.

The Condensed Pro Forma Consolidated Financial Information has been established in application of European Commission regulation EC n° 809/2004, using the acquisition method in compliance with IFRS.

The Condensed Pro Forma Consolidated Financial Information has been prepared on the basis of:

- ARKEMA's annual consolidated financial statements under IFRS at 31 December 2014;
- BOSTIK's combined income statement at 31 December 2014, prepared as described in paragraph 4.3.3 of this reference document based on information provided by Total.

ARKEMA's annual consolidated financial statements under IFRS as endorsed by the European Union at 31 December 2014 have been audited by the Company's statutory auditors. Their report, entitled "Statutory auditors' report on the consolidated financial statements for the year ended 31 December 2014", is presented in section 4.3.1 of this reference document. It does not contain any observations.

BOSTIK's combined balance sheet and income statement at 31 December 2014 have not been audited or subjected to a limited review.

Based on the financial statements and the combined income statement and balance sheet described above, a certain number of restatements, reclassification, rescoping and pro forma adjustments (described in paragraphs 4.4.3.5, 4.4.3.6 and 4.4.3.7 of this reference document) have been applied. The result of this work forms the "Condensed Pro Forma Consolidated Financial Information". The statutory auditors have issued a report on this information, presented in paragraph 4.4.4.

The condensed pro forma consolidated income statement is presented as if the operation took place on 1 January 2014. The condensed pro forma consolidated balance sheet is presented as if the operation took place on 31 December 2014.

The Condensed Pro Forma Consolidated Financial Information does not include any economy of scale that might result from implementation of synergies or cost reductions, nor does it include any other special elements such as integration or restructuring costs that could be borne after the acquisition.

The Condensed Pro Forma Consolidated Financial Information is based on the available information, estimates and preliminary assumptions that ARKEMA considers reasonable.

The difference between the acquisition price for BOSTIK and the fair value of the identifiable assets acquired and liabilities assumed has been included in intangible assets as goodwill. Allocation of the acquisition price will be finalised after the operation's completion date.

The Condensed Pro Forma Consolidated Financial Information at 31 December 2014 is provided purely for information purposes, and by nature relates to a hypothetical situation. It can in no way be considered indicative of the results of the operational activities or financial position of the new consolidated group that would have been registered if the operation had taken place at 31 December 2014 for the balance sheet and 1 January 2014 for the income statement.

Moreover, this Condensed Pro Forma Consolidated Financial Information does not necessarily represent the figures that would have been reported in the Group's consolidated financial statements if the intended acquisition of BOSTIK had in fact taken place at an earlier date. In no way does it aim to present, nor can it be used to presume, future developments in the Group's consolidated financial statements.

4.4.2 CONDENSED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

CONDENSED PRO FORMA CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2014

	ARKEMA	BOSTIK	Pro forma adjustments	Pro forma balance sheet
(In millions of euros)	Note 4.4.3.3	Notes 4.4.3.3, 4.4.3.4 and 4.4.3.5	Notes 4.4.3.6 and 4.4.3.7	
ASSETS				
Intangible assets, net	1,094	367	793	2,254
Other non-current assets	2,589	339	-	2,928
TOTAL NON-CURRENT ASSETS	**3,683**	**706**	**793**	**5,182**
Cash and short-term investment securities	1,151	362	(1,028)	485
Other current assets	1,980	513	-	2,493
TOTAL CURRENT ASSETS	**3,131**	**875**	**(1,028)**	**2,978**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity - Group share	3,529	836	(836)	3,529
Non-controlling interests (minority interests)	44	2	-	46
TOTAL SHAREHOLDERS' EQUITY	**3,573**	**838**	**(836)**	**3,575**
Non-current debt	1,196	180	601	1,977
Other non-current liabilities	914	189	-	1,103
TOTAL NON-CURRENT LIABILITIES	**2,110**	**369**	**601**	**3,080**
Current debt	120	94	-	214
Other current liabilities	1,011	280	-	1,291
TOTAL CURRENT LIABILITIES	**1,131**	**374**	**-**	**1,505**

CONDENSED PRO FORMA CONSOLIDATED INCOME STATEMENT FOR 2014

	ARKEMA	BOSTIK	Pro forma adjustments	Pro forma consolidated income statement under IFRS at 31/12/2014
(In millions of euros)	Note 4.4.3.3	Notes 4.4.3.3, 4.4.3.4 and 4.4.3.5	Note 4.4.3.6 and 4.4.3.7	
Sales	**5,952**	**1,534**	**(16)**	**7,470**
EBITDA	**784**	**158**	**-**	**942**
Recurring operating income	**447**	**117**	**-**	**564**
Other income and expenses	(83)	(15)	(5)	(103)
Operating income	**364**	**102**	**(5)**	**461**
Equity in income of affiliates	1	-	-	1
Financial result	(74)	(13)	(11)	(98)
Income taxes	(120)	(39)	5	(154)
Net income	**171**	**50**	**(11)**	**210**
Of which: non-controlling interests	4	-	-	4
Net income - Group share	**167**	**50**	**(11)**	**206**

4.4.3 NOTES EXPLAINING THE PRO FORMA FINANCIAL INFORMATION

4.4.3.1 ACCOUNTING POLICIES

The Condensed Pro Forma Consolidated Financial Information has been prepared and presented in compliance with ARKEMA's accounting policies, which are described in its consolidated financial statements at 31 December 2014.

The entities of BOSTIK are consolidated as part of the Total group, whose accounting policies are presented in its consolidated financial statements at 31 December 2014. There is no significant divergence from the accounting policies used by ARKEMA. As a result, no material adjustment to the accounting policies has been applied to the combined financial information concerning BOSTIK for the purpose of preparing the pro forma consolidated financial information.

It should be noted that the income statement presentation used by Total has been modified for harmonisation with the presentation applied by ARKEMA. Additional changes could be made once the acquisition is finalised.

4.4.3.2 DESCRIPTION OF THE OPERATION

The acquisition and its financing are described in paragraphs 1.1.2.2 and 1.1.2.3 of this reference document.

4.4.3.3 BASIS FOR PRESENTATION AND TRANSLATION

- ARKEMA's historical income statement as published for the year ended 31 December 2014 is taken from the audited consolidated financial statements of the Group, in millions of euros.
- BOSTIK's combined income statement and balance sheet at 31 December 2014 are presented in millions of euros, and are taken from the income statement and balance sheet released by Total which are expressed in thousands of US dollars. They are converted respectively at the average rate of €1 = US$1.3285 and the closing rate of €1 = US$1.2141.

4.4.3.4 PRINCIPLES FOR TOTAL'S PREPARATION OF BOSTIK FINANCIAL INFORMATION

In preparation for the sale of BOSTIK, Total released financial information for the businesses being sold. This information consists of a combined balance sheet at 31 December 2014, and a combined income statement for the year ended 31 December 2014.

Total has published consolidated financial statements for the year ended 31 December 2014, established under IFRS and the associated interpretations published by the IASB as adopted by the European Union.

The financial information for BOSTIK was prepared by Total based on its consolidated financial statements as follows:

- line-by-line consolidation of the assets/liabilities and income/expenses of the businesses sold;
- recognition of adjustments in order to present the businesses sold as if those businesses had been operated independently of Total; and
- elimination of transactions between entities within the scope of the businesses sold.

4.4.3.5 ADJUSTMENTS, RECLASSIFICATIONS AND RESCOPING APPLIED TO THE BOSTIK COMBINED FINANCIAL STATEMENTS

Adjustments and reclassifications have been applied to the BOSTIK combined financial statements to harmonise them with ARKEMA's balance sheet and income statement presentation.

A. Balance sheet

Balance sheet rescoping concerns:

- one Bostik Group entity that is not taken over in the operation; and
- an estimate of the provision for employee benefits that is not transferred in the operation: this concerns some of Bostik Ltd.'s obligations that have been retained by Total.

The adjustments concern:

- recognition of depreciation and amortisation related to BOSTIK's business and the tax effect for the 4th quarter of 2014, since in application of IFRS 5, Total no longer recognised depreciation and amortisation on property, plant and equipment and intangible assets belonging to BOSTIK's business in its consolidated financial statements from the 4th quarter of 2014;
- incorporation of Total's reimbursement of the entire amount of the research tax credit (CIR) and the tax credit for competitiveness and employment (CICE) *i.e.* €8.1 million which took place before the closing of ARKEMA's acquisition of BOSTIK;
- updating employee benefits in line with ARKEMA's assumptions concerning the discount rates used at 31 December 2014.

B. Income statement

Reclassifications have been applied to BOSTIK's income statement, to harmonise it with ARKEMA's income statement presentation (e.g. reclassification of the payment discount as a reduction in sales, reclassification of the contribution based on companies' value added, *Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE, as a tax).

The rescoping in the income statement concerns the income and expenses of one Bostik Group entity that is not acquired in the operation.

The adjustments mainly concern:

- recognition of depreciation and amortisation related to BOSTIK's business for the 4th quarter of 2014 (with a tax effect), as Total has no longer recognised depreciation and amortisation on property, plant and equipment and intangible assets belonging to BOSTIK's business in its consolidated financial statements since 1 October 2014;
- recognition of an income tax charge which did not exist in Total's German tax consolidated group.

4

4.4.3.6 INTERGROUP OPERATIONS

ARKEMA's sales to BOSTIK were eliminated for an amount of €16 million in the income statement for the year 2014. The associated margin is not material and has not been adjusted.

4.4.3.7 PRO FORMA ADJUSTMENTS RELATED TO ALLOCATION OF THE ACQUISITION PRICE AND FINANCING

A. Pro forma adjustments related to allocation of the acquisition price

Figures are estimates in millions of euros.

Net book value of shareholders' equity – Group share acquired at 31 December 2014: 836

Acquisition price: 1,629

Preliminary goodwill: 793

The acquisition price of €1,629 million was determined on the basis of the enterprise value of €1.74 billion which is equal to 11 times EBITDA. This value was adjusted in compliance with the terms of the Acquisition Bid.

Due to the timing of the acquisition, the assets acquired and liabilities assumed from BOSTIK are included in the pro forma condensed consolidated balance sheet at 31 December 2014 at their historical value as presented in BOSTIK's combined financial information at 31 December 2014; the goodwill value is thus provisional. In accordance with IFRS 3 (Revised), the Group has one year from the acquisition date to allocate the excess of the acquisition price over book value, and thus finalise the amount of goodwill: certain identifiable depreciable assets acquired may be revalued. The Group's future operating results could therefore be affected by depreciation charges relating to these identifiable assets acquired.

B. Pro forma adjustments to the condensed consolidated balance sheet under IFRS

B.1 Pro forma adjustments related to financing

The operation has been financed as follows:

- Hybrid financing, recorded in equity, was set up in October 2014 in the net amount of €689 million.
- A capital increase with preferential subscription rights took place in December 2014, amounting to a net value of €339 million.
- The balance was raised through a senior bond issue finalised in January 2015, in the net amount of €691 million, of which €614 million are used to finance the acquisition of BOSTIK.

B.2 Effect on cash

The effect of this acquisition on cash in the pro forma condensed consolidated balance sheet is as follows (in millions of euros):

- Acquisition price paid: (1,629)
- Acquisition expenses (including financial expenses related to arrangement of the bridge term loan facility): (13)
- Total: (1,642)

Financing:

- Capital increase, net of expenses: 339
- Hybrid financing net of the issuance premium and arrangement costs: 689
- Senior bond issue: 614
- Total: 1,642

NET TOTAL: 0

Certain acquisition expenses were already recognised in ARKEMA's financial statements at 31 December 2014.

C. Pro forma adjustments to the pro forma condensed consolidated income statement under IFRS

C.1 Pro forma adjustments related to acquisition expenses

The residual acquisition expenses are estimated at €5 million.

C.2 Pro forma adjustments related to financial expenses

Financial expenses on the amount drawn from the senior bond issued to finance the acquisition have been recorded in the pro forma income statement at 31 December 2014 at the amount of €11 million (excluding the tax effect).

C.3 Tax effect

ARKEMA's average rate of taxation (30.00%) was used to calculate the tax effect of pro forma adjustments.

4.4.4. STATUTORY AUDITORS' REPORT ON THE PRO FORMA FINANCIAL INFORMATION

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Arkema S.A.

Registered office: 420, rue d'Estienne d'Orves, 92700 Colombes - FRANCE

Share capital: €728,226,950

Auditors' report on the condensed pro forma consolidated financial information

To the Chairman and Chief Executive Officer

In our capacity as statutory auditors and in accordance with Commission Regulation (EC) n°809/2004, we have prepared this report on the condensed pro forma consolidated balance sheet as of 31 December 2014 and the condensed pro forma consolidated income statement for the year ended 31 December 2014 of Arkema S.A. (the "Pro Forma Consolidated Financial Information"), included in part 4.4 of the 2014 reference document dated 30 March 2015. This Condensed Pro Forma Consolidated Financial Information has been prepared for the sole purpose of illustrating the effect of the acquisition of Bostik entities by Arkema S.A. and the financing terms of this acquisition (together, the "Transactions") would have had on the consolidated balance sheet as of 31 December 2014 and the consolidated income statement for the year ended 31 December 2014 of Arkema S.A. if the Transactions had taken effect on 31 December 2014 for the condensed pro forma consolidated balance sheet and on 1 January 2014 for the condensed pro forma consolidated income statement. By its nature, this information describes a hypothetical situation and does not necessarily represent the financial position or performance that could have been reported if the Transactions occurred at a date prior its actual or contemplated occurrence.

This Condensed Pro Forma Consolidated Financial Information was prepared under your responsibility in accordance with the requirements of Commission Regulation (EC) n°809/2004 (and the ESMA's recommendations) on pro forma information.

Our role is to express, in accordance with the terms required by Annex II, paragraph 7 of Commission Regulation (EC) n°809/2004, our conclusion on the appropriateness of the preparation of this Condensed Pro Forma Consolidated Financial Information.

We conducted our work in accordance with professional auditing standards generally accepted in France. Our work, which does not include an examination of the Condensed Pro Forma Consolidated Financial Information underlying the preparation of the Condensed Pro Forma Consolidated Financial Information, consisted mainly of verifying that basis from which the Condensed Pro Forma Consolidated Financial Information has been prepared are consistent with the source documents as described in the notes to the Condensed Pro Forma Consolidated Financial Information, considering evidences supporting the pro forma restatement and discussing with the Management of Arkema S.A. in order to collect information and explanations we deemed necessary.

We conclude that:

- the Condensed Pro Forma Consolidated Financial Information has been properly prepared on the basis indicated;
- this basis is consistent with the accounting policies of the issuer.

This report is intended for the sole purpose of filing the reference document with the French Stock Exchange Regulatory Body (AMF) and may not be used for any other purpose.

Paris La Défense, 30 March 2015

The statutory auditors

French original signed by

KPMG Audit *Département de KPMG S.A.*		ERNST & YOUNG Audit
Jacques-François Lethu	François Quédiniac	Valérie Quint
Partner	Partner	Partner

4.5 COMPANY'S ANNUAL FINANCIAL STATEMENTS

4.5.1 STATUTORY AUDITORS' REPORT ON THE 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, 2014

Statutory auditors' repport on the 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, 2014, on:

- the audit of the accompanying financial statements of Arkema;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the board of directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the 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 whether the 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 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, 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our 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-mentioned 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.8 "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.5 "Provisions" to the financial statements provides an appropriate level of information.

These assessments were made as part of our audit of the 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 French law.

We have no matters to report as to the fair presentation and the consistency with the 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 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 favor, 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 French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

Paris-La Défense, March 4, 2015

The statutory auditors

French original signed by

KPMG Audit
Département de KPMG S.A.

Jacques-François Lethu | François Quédiniac

ERNST & YOUNG Audit

Valérie Quint

4.5.2 COMPANY'S FINANCIAL STATEMENTS AT 31 DECEMBER 2014

BALANCE SHEET

In millions of euros		31/12/2014			31/12/2013
ASSETS	Note	Gross	Depreciation and impairment	Net	Net
Investments	D 1	3,356	1,665	1,691	1,594
Other financial assets	D 1	1,852	-	1,852	1,145
TOTAL FIXED ASSETS		**5,208**	**1,665**	**3,543**	**2,739**
Advances		0	-	0	0
Trade receivables	D 2	13	-	13	11
Other receivables	D 2	128	-	128	119
Subsidiary current accounts	D 2	423	-	423	76
Treasury shares	D 2	3	-	3	12
Cash and cash equivalents		-	-	0	-
TOTAL CURRENT ASSETS		**567**	**-**	**567**	**218**
Bond premium and issuing costs	D 2	13	-	13	4
Prepaid expenses		0	-	0	0
TOTAL ASSETS		**5,788**	**1,665**	**4,123**	**2,961**

LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/2014	31/12/2013
Share capital		728	630
Paid-in surplus		1,093	869
Legal reserve		63	61
Retained earnings		0	(148)
Net income for the year		189	212
TOTAL SHAREHOLDERS' EQUITY	D 3	**2,073**	**1,624**
ADDITIONAL EQUITY	D 4	**700**	**0**
PROVISIONS	D 5	**51**	**46**
Bonds and other financial debt	D 6	1,162	1,158
Subsidiary current accounts	D 8	0	0
Trade payables	D 8	14	8
Tax and employee-related liabilities	D 8	6	6
Other payables	D 8	117	119
TOTAL LIABILITIES		**1,299**	**1,291**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,123**	**2,961**

INCOME STATEMENT

In millions of euros	2014	2013*
Services billed to related companies	15	13
Other purchases and external expenses	(11)	(9)
Taxes other than income taxes	(2)	(3)
Personnel expenses	(11)	(9)
Other operating expenses	0	0
Increases and reversals from provisions	(12)	2
Operating income	**(21)**	**(2)**
Dividends from investments	81	203
Interest income	51	39
Interest expenses	(51)	(39)
Net foreign exchange gains (losses)	0	0
Impairment of investments	98	(16)
Increases and reversals of provisions for financial risks	0	(0)
Financial result	**178**	**187**
Income before tax and exceptional items	**157**	**181**
Increases and reversals from exceptional provisions	6	(6)
Other exceptional income	0	0
Income and (expenses) on capital transactions	(2)	11
Exceptional items	**4**	**5**
Income taxes	28	26
Net income	**189**	**212**

** The 2 million euros expense on delivery of definitvely granted shares to Arkema SA personnel under performance share plans has been reclassified from exceptional items to operating income, in compliance with the recommendations of accounting standardisation bodies.*

CASH FLOW STATEMENT

In millions of euros	2014	2013
Net income	189	212
Changes in provisions	6	4
Changes in impairment	(98)	16
(Gains)/losses on sales of assets	0	0
Gross operating cash flow	97	232
Change in working capital	(8)	11
Cash flow from operating activities	**88**	**243**
Cost of acquisition of investments	0	0
Change in loans	(706)	(153)
Sale of investments	0	0
Cash flow from investing activities	**(706)**	**(153)**
Increase in bonds	4	149
Increase in Additional equity	700	0
Change in share capital and other equity	378	6
Dividends paid to shareholders	(117)	(113)
Cash flow from financing activities	**965**	**42**
Change in net cash	347	132
Net cash at beginning of period*	76	(56)
Net cash at end of period *	423	76

* *Including subsidiary current accounts*

TABLE OF SUBSIDIARIES AND INVESTMENTS AT 31/12/2014

Subsidiaries and investments	Share capital	Share–holders' equity other than capital, excluding net income	Gross value of shares owned	Net carrying amount of shares owned in €m	Number of shares owned	Ownership interest (%)	Loans, advances & current accounts - gross value	Gua–rantees given by the company	Sales (excl taxes) for 2014 (1)	Net income for 2014 (1) en €m	Dividends received by the company
French subsidiaries											
Arkema France 420, rue d'Estienne d'Orves 92 705 Colombes Cedex	270	-120	2,023	377	1,584,253	99.99	2,253	900	2,586	6	-
Arkema Amériques SAS 420, rue d'Estienne d'Orves 92 705 Colombes Cedex	1,049	620	1,044	1,044	104,354,000	99.46	-	-	-	145	68
Arkema Europe SA 420, rue d'Estienne d'Orves 92 705 Colombes Cedex	548	53	188	188	12,370,920	34.32	-	-	-	10	-
Arkema Asie SAS 420, rue d'Estienne d'Orves 92 705 Colombes Cedex	120	133	71	71	39,420	59.40	-	-	-	(4)	13
Arkema Afrique SAS 420, rue d'Estienne d'Orves 92 705 Colombes Cedex	30	(16)	30	12	300,370	100.00	-	-	-	(2)	-
TOTAL INVESTMENTS			**3,356**	**1,691**			**2,253**	**900**	**2,586**	**154**	**81**

(1) Financial statements not yet approved by the shareholders at the general meeting.

4.5.3 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS AT 31 DECEMBER 2014

4

A. HIGHLIGHTS

- On 19 September 2014, ARKEMA announced its plan to acquire BOSTIK, the world number 3 in adhesives, which registered sales of €1.53 billion in 2014 and has 4,900 employees. This acquisition, based on an enterprise value of €1.74 billion, was financed by Arkema S.A. through a hybrid bond issue in the gross amount of €700 million undertaken in October 2014, a share capital increase of €350 million gross through preferential subscription rights undertaken in December 2014, and part of the €700 million senior bond issue undertaken in January 2015.

  This acquisition was finalised on 2 February 2015.
- In April 2014 Arkema S.A. successfully carried out its fourth share capital increase reserved for employees at the price of €64.19 per share. 491,502 shares were subscribed for a total of €31 million net of costs (see note 3).
- On 29 October 2014, ARKEMA put in place a multi-currency bank credit facility of €900 million; the previous one amounted to €700 million. This credit facility is for an initial period of 5 years and may be extended by one or two years at the banks' option (see note 14.1).

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 4 March 2015.
- 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 conservatism 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

Receivables are recognized at their book value. A bad debt provision is recognized when the net realizable 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 held 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 the 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 share grants to employees are reclassified as financial fixed assets in 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. BONDS

Bonds are recognized at nominal value in the balance sheet liabilities.

Bond issuing costs and bond premiums (arising when the bond is issued at a price below its nominal value) 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 under the heading *Bond*.

Issuing costs comprise bank charges for setting up the bond and legal fees. They are spread over the duration of the bond under the effective interest rate method, with the corresponding expense recognized in operating income.

The bond premium is also spread over the duration of the bond under the effective interest rate method, with the corresponding expense recognized in financial result. If the bond is issued at a price higher than the nominal value, the same method is applied to the difference between the issue price and the nominal value, with the corresponding income recognized in financial result.

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. PERPETUAL HYBRID BONDS

Perpetual bonds whose redemption remains under the exclusive control of the issuer are recorded as "Additional equity".

Costs and the premium related to issuance of such instruments are recorded in the balance sheet assets as prepaid expenses, and will be spread over the duration of the relevant tranche.

The expense resulting from spreading issuing costs is recognized in the operating income by a direct credit to the bond issuing cost account (only the net amount is shown in the balance sheet).

The expense resulting from spreading issue premiums is recognized in financial expenses by a direct credit to the bond issue premium account (only the net amount of the premiums is shown in the balance sheet).

Accrued interest not yet due is included in Debt.

The annual interest expense on these instruments is included in financial expenses in the income statement.

7. STOCK OPTIONS AND FREE SHARE GRANTS

7.1 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. Any difference between the subscription price and the nominal value of the shares created represents an issue premium.

7.2 Free share grants

Arkema S.A. shares will be definitively granted to beneficiaries at the end of a vesting period subject to the beneficiary remaining with the Company and any performance conditions set by the Board of Directors.

7.2.1 Issue of new shares

When a 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 defined vesting period.

7.2.2 Buybacks of existing shares

When a 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. The amount of this provision is equal to the probable purchase price, valued on the basis of the closing share price if the shares have not yet been purchased, or 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 exceptional expenses and the provision previously recorded is reversed. However, the expense related to delivery of definitively granted shares to Arkema S.A. personnel under performance share plans is reclassified from exceptional items to operating income.

The provision is recognized on a time-proportion basis over the vesting period and takes into account, where relevant, the probability of remaining with the Company and fulfilling the performance conditions set by the Board of Directors.

7.3 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.

For stock options, the contribution is calculated, at the Company's choice, on the basis of either (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' decision to grant them.

For free share grants, the contribution is calculated, at the Company's choice, on the basis of either (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' decision to grant them.

The choice of the basis to be used is made for the entire financial year.

8. 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 actuarial 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 (1.5% at 31/12/2014 compare to 3.2% at 31/12/2013);
- 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.

9. 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 tax consolidated subsidiary must recognize in its own financial statements, during the entire period of its inclusion in the tax consolidation group, a tax expense (or income) corresponding to income tax and additional levies, 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 due 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 also state 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 (even in the said subsidiaries leave the tax consolidation group). On these basis, in accordance with opinion 2005-G of the urgent issues committee of the French National Accounting Board (CNC), Arkema S.A. does not recognize any provision for taxes.

C. SUBSEQUENT EVENTS

On 13 January 2015, ARKEMA completed a €700 million bond issue with a 10-year maturity and a 1.5% annual coupon. This operation was the last phase in the financing of the acquisition of BOSTIK, which was finalised on 2 February 2015.

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).

NOTE 1 INVESTMENTS AND OTHER FINANCIAL ASSETS

1.1 INVESTMENTS

In millions of euros	31/12/2013	Increase	Decrease	31/12/2014
Gross value	3,356	-	-	3,356
Impairment	(1,762)	(3)	100	(1,665)
NET VALUE	**1,594**	**(3)**	**100**	**1,691**

Changes in investments result from:

- a €3 million increase in impairment in respect of the investment in Arkema Afrique;
- reversal of €100 million from impairment recorded on the shares of Arkema France.

1.2 OTHER FINANCIAL ASSETS

Arkema S.A. has transferred to its subsidiary Arkema France the cash received from the various bond issues (see notes D4 and D6), in the form of loans with the same maturity and same effective interest rates.

The corresponding loans totalled €1,830 million (excluding accrued interest) at 31 December 2014.

NOTE 2 CURRENT ASSETS

2.1 BREAKDOWN OF RECEIVABLES

The breakdown by maturity of the Company's receivables at 31 December 2014 is as follows:

In millions of euros	Gross amount	Maturing within 1 year	Maturing after 1 year
Operating receivables and VAT	16	16	-
Cash advances to subsidiaries (1)	423	423	-
Other receivables (2)	128	54	74
TOTAL	**567**	**493**	**74**

(1) Arkema France current account.
(2) Mainly income tax receivables.

2.2 TREASURY SHARES

At 31 December 2014, Arkema S.A. owns 55,014 treasury shares which are recorded at the total value of €3 million. These shares are allocated to the free share grant plans (see note D13).

No impairment was therefore recognized in the financial statements at 31 December 2014.

2.3 BOND PREMIUMS AND ISSUING COSTS

The following amounts are recognized in this item:

	31/12/2013	Increase	Decrease	31/12/2014
Bonds				
Issue premiums	2.0		0.4 (1)	1.6
Issuing costs	2.3		0.5 (1)	1.8
SUBTOTAL	**4.3**	**0**	**0.9**	**3.4**
Perpetual hybrid bonds				
Issue premiums		7.1 (2)	0.2 (1)	6.9
Issuing costs		2.8 (2)	0.1 (1)	2.7
SUBTOTAL	**0.0**	**9.9**	**0.3**	**9.6**
TOTAL	**4.3**	**9.9**	**1.2**	**13.0**

(1) Amount charged to expenses for the period.
(2) Premiums and issuing costs related to the perpetual hybrid bond issue totalling €700 million gross.

NOTE 3 SHAREHOLDERS' EQUITY

At 31 December 2014, the share capital is composed of 72,822,695 shares with a nominal value of 10 euros.

Changes in shareholders' equity are as follows:

In millions of euros	Opening balance at 01/01/2014	Appropriation of 2013 net income and distribution of dividends (1)	Capital increase reserved for employees (2)	Capital increase by subscriptions (3)	Capital increase (4)	2014 net income	31/12/2014 before appropriation
Share capital	630.3		4.9	2.0	91.0		728.2
Issue premium	62.8		26.1	5.4	248.3		342.6
Paid-in surplus	680.7	(54.8)					625.9
Merger surplus	124.8						124.8
Legal reserve	61.5	1.5					63.0
Other reserves	-						-
Retained earnings	(148.2)	148.2					-
2014 net income	212.4	(212.4)				188.6	188.6
TOTAL SHARE-HOLDERS' EQUITY	**1,624.3**	**(117.5)**	**31.0**	**7.4**	**339.3**	**188.6**	**2,073.1**

(1) The shareholders' general meeting adopted a resolution proposing to distribute a dividend of €1.85 per share, or a total amount of €117.5 million, in respect of the 2013 financial year.

(2) On 23 April 2014, the Company carried out a capital increase reserved for employees: 491,502 shares were subscribed at the price of €64.19 per share. This price was set by the Board of Directors and corresponds to the Arkema share's average opening price on the Paris stock exchange over the 20 trading days preceding the Board of Directors' meeting of 3 March 2014, less a 20% discount. Following this operation Arkema S.A. recorded a capital increase of €4.9 million and an issue premium of €26.1 million net of expenses.

(3) Capital increases resulting from the exercise of stock options between 1 January and 31 December 2014:

On 30 June 2014, the Company undertook a capital increase of €1.8 million with a €4.9 million increase in the issue premium, following exercise of stock options between 1 January and 30 June 2014.

On 7 November 2014, the Company undertook a capital increase of €0.2 million with a €0.5 million increase in the issue premium, following exercise of stock options between 1 July and 7 November 2014.

On 31 December 2014, the Company undertook a capital increase of €0.01 million with a €0.04 million increase in the issue premium following exercise of stock options between 1 December and 31 December 2014.

(4) Capital increase as part of the financing for the acquisition of BOSTIK. On 15 December 2014, the Company undertook a €91 million capital increase with a €248 million increase in the issue premium, for the financing of its acquisition of BOSTIK.

Following completion of these operations, the share capital of Arkema S.A. was increased to €728.2 million divided into 72,822,695 shares.

NOTE 4 ADDITIONAL EQUITY

In millions of euros	Gross amount	Maturing within 1 year	Maturing after 1 year
Issuance of perpetual hybrid bonds	700		700

As part of the refinancing of its proposed acquisition of BOSTIK, Arkema S.A. issued a perpetual hybrid bond in October 2014 in the total amount of €700 million with an issue premium and issuing costs (see note 2.3). These bonds include a first call option on October 29, 2020 and will carry an annual coupon of 4.75 % until that date. The coupon will then be reset every 5 years. At each coupon date, the interest can be paid or carried over at the issuer's convenience. Coupons carried over generate late payment interest and become due in the event of certain contractually defined circumstances under the control of the issuer.

NOTE 5 PROVISIONS

Changes in provisions recognized in the Company's balance sheet are set out in the table below:

In millions of euros	31/12/2013	Increase	Decrease	31/12/2014
Provisions for pensions and similar benefits	27.7	11	-	38.7
Provisions for long service awards	0.5	0.1	(0.1)	0.5
Provision for free share grants [(1)]	17.2	11.8 [(3)]	(17.2) [(2)]	11.8
Provisions for risks related to subsidiaries	-	-	-	-
Provisions for other risks	-	0.1	-	0.1
Provision for income tax	0.8	-	(0.8) [(4)]	-
TOTAL	**46.2**	**23**	**(18.1)**	**51.1**

These movements break down as follows:

Recognized in operating income	11.1	(0.1)
Recognized in financial result	0	0
Recognized in exceptional items	11.9	(18)
TOTAL	**23**	**(18.1)**

(1) Increases and reversals from these provisions are recorded in exceptional items

(2) Reversal corresponding to an effective expense relating to delivery in May of performance shares under plans 2010-2, 2011-2 and 2012-1 and reversal of the remaining provisions recorded as non-deductible in previous years.

(3) From 2014 increases to provisions for free share grants are treated as deductible.

(4) Withholding tax and penalties on Management Fees following the tax reassessment for 2008-2010.

NOTE 6 BONDS AND OTHER FINANCIAL DEBT

This heading covers:

- the €500 million bond issued in October 2010 with fixed coupon of 4.00%, that will mature on 25 October 2017;
- the bond issued in April 2012 with a 30 April 2020 maturity and fixed coupon of 3.85% as well as the additional tranche placed in October 2012 bringing its total amount to €480 million;
- the €150 million bond issued in December 2013 with fixed coupon of 3.125% that will mature on 6 December 2023, issued as part of the €2 billion Euro Medium Term Notes (EMTN) programme set up in October 2013;
- the difference between the issue price and the nominal value of the 2012 bond, initially recognized in liabilities at the amount of €13.7 million (net of issuing costs); after a €1.7 million charge to the period, the balance of this difference amounts to €10.0 million at 31 December 2014;
- the accrued interest on bonds, amounting to €16.5 million;
- the accrued interest on the perpetual hybrid bond, amounting to €5.8 million.

Arkema S.A. also issued a €700 million bond in January 2015 as part of its EMTN programme. This bond has a fixed coupon of 1.50% and matures on 20 January 2025.

NOTE 7 COMMERCIAL PAPER

In April 2013 the Company introduced a French Commercial paper ("*billet de trésorerie*") programme with a ceiling of €1 billion. Issues outstanding as part of this programme amount to nil at 31 December 2014.

4

NOTE 8 DEBT

The breakdown by maturity of the Company's debt at 31 December 2014 is as follows:

In millions of euros	Gross amount	Maturing within 1 year	Maturing in 1 to 5 years	Maturing after 5 years
Bonds and other financial debt	1,162	32 (4)	500 (1)	630 (1)
Trade payables	14	14 (2)	-	-
Tax and employee-related liabilities	6	6	-	-
Other payables	117 (3)	50	67	-
TOTAL	**1,299**	**102**	**567**	**630**

(1) Long-term bonds issued by Arkema S.A. (see note D6 Bonds and other financial debt, above)
(2) This amount mostly consists of accruals for invoices not received at year-end
(3) Income tax payables owed to companies in the tax consolidation group
(4) Including €5.8 million of accrued interest on the perpetual hybrid bond

NOTE 9 DETAILS OF ITEMS CONCERNING RELATED COMPANIES

	In millions of euros
Investments	
Investments in other companies	1,691
Receivables related to subsidiaries	1,852
Receivables	
Trade receivables	13
Other receivables (incl. current accounts)	423
Other amounts receivable	31
Liabilities	
Financial debt	-
Trade payables	12
Other payables	116
Sales	
Services billed to related companies	15
Financial income and expenses	
Dividends from investments	81
Interest income and expenses	-
Income on loans and current accounts	49

NOTE 10 FINANCIAL RESULT

Arkema S.A. received dividends for a total amount of €81 million of which €67.8 million were from Arkema Amériques SAS and €13.2 million from Arkema Asie SAS in respect of the 2013 net income.

Interest income corresponds to the remuneration of the amounts made available to Arkema France in the context of the Group's cash pooling system.

NOTE 11 INCOME TAXES

In 2014, application of the French tax consolidation system resulted in tax income (negative expense) of €31.4 million for Arkema S.A. This amount corresponds to the income taxes of the profitable companies.

Arkema S.A has expensed and paid the 3% additional contribution on distributed income in respect of the 2013 net income, amounting to €3.5 million.

NOTE 12 DEFERRED TAX POSITION

Temporarily non-deductible expenses relating to provisions for pensions and similar benefits at 31 December 2014 amount to €38.7 million, *i.e.* an increase of €8.3 million compared to 31 December 2013.

The tax loss carry-forward of the Company's tax consolidation group at 31 December 2014 amounts to €1,479 million.

NOTE 13 STOCK OPTION PLANS AND FREE SHARE GRANTS

STOCK OPTIONS

The Board of Directors has decided to discontinue stock subscription and purchase options.

Following the capital increase with preferential subscription rights undertaken on 15 December 2014, the exercise price and number of options outstanding at 7 November 2014 have been adjusted.

The main characteristics of the stock option plans granted in previous years and still outstanding at 31 December 2014 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	4 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	
Adjusted exercise price	Not applicable	42.96	34.85	29.33	29.33	65.92	65.92	
Total number of options granted	**540,000**	**600,000**	**460,000**	**225,000**	**225,000**	**105,000**	**105,000**	**2,260,000**
Adjustments to options in circulation at 7 November 2014	-	3,074	5,437	5,044	8,513	4,082	4,082	30,232
Total number of options granted after adjustments	**540,000**	**603,074**	**465,437**	**230,044**	**233,513**	**109,082**	**109,082**	**2,290,232**
to corporate officers: Thierry Le Hénaff	55,000	70,389	52,676	36,361	36,361	30,386	30,386	311,559
to the 10 largest beneficiaries*	181,000	218,128	172,130	105,505	107,851	78,696	78,696	942,006
Total number of options exercised	**524,100**	**498,352**	**303,982**	**88,875**	**-**	**-**	**-**	**1,415,309**
by corporate officers	55,000	60,000	48,000	-	-	-	-	163,000
by the 10 largest beneficiaries *	181,000	188,000	86,200	60,325	-	-	-	515,525
Total number of options cancelled	15,900	22,800	18,877	7,000	7,000	-	-	71,577
Number of options								
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**
In circulation at 1 January 2013	43,858	201,298	261,827	191,485	220,000	105,000	105,000	1,128,468
Granted								
Cancelled				2,000	2,000			4,000
Exercised	21,058	48,100	67,349	15,970				152,477

4

	2006 Plan	2007 Plan	2008 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2	Total
In circulation at 31 December 2013	**22,800**	**153,198**	**194,478**	**173,515**	**218,000**	**105,000**	**105,000**	**971,991**
In circulation at 1 January 2014	22,800	153,198	194,478	173,515	218,000	105,000	105,000	971,991
Granted								
Cancelled	-	-	-	-	-	-	-	-
Exercised	22,800	74,350	55,640	44,390	-	-	-	197,180
In circulation at 7 November 2014	**0**	**78,848**	**138,838**	**129,125**	**218,000**	**105,000**	**105,000**	**774,811**
Adjustments	-	3,074	5,437	5,044	8,513	4,082	4,082	30,232
Granted	-	-	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-	-	-
Exercised	-	-	1,697	-	-	-	-	1,697
In circulation at 31 December 2014	**0**	**81,922**	**142,578**	**134,169**	**226,513**	**109,082**	**109,082**	**803,346**

* *Employees who are not corporate officers of Arkema or any other Group company*

FREE SHARE GRANTS

On 6 May 2014, the Board of Directors decided to put in place a 750-share free share award scheme for the benefit of Group employees who had not been able to participate in the capital increase reserved for employees undertaken on 23 April 2014.

Under this plan, the definitive grant of these shares, which is only conditional on the beneficiary remaining with the Company, will be subject to a vesting period of 4 years with effect from the Board of Directors' grant.

On 13 November 2014, the Board of Directors decided to put in place a performance share award scheme for the benefit of employees, particularly employees with responsibilities whose exercise influences the Group's results.

Under this plan, 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 performance criteria concerning:

- ARKEMA's EBITDA for 2017 [1] and the net debt to equity ratio;
- ARKEMA's EBITDA margin for 2017 compared to the average margin of a selection of other chemicals manufacturers the same year; and
- ARKEMA's Total Shareholder Return (TSR) over the period 2015 to 2017 compared to the TSR of the chemicals manufacturers selected for assessment of the previous criterion.

TSR is defined as follows:

TSR = (share price at end of period – share price at start of period + sum of dividends paid during the period) / share price at start of period.

(1) The terms «Group» or «ARKEMA» mean the group composed of Arkema and all the subsidiaries and shareholdings it holds directly or indirectly.

The main characteristics of the free share grant plans in force at 31 December 2014 are as follows:

	2010 Plan 2	2011 Plan 2	2011 Plan 3	2012 Plan 1	2012 Plan 2	2012 Plan 3	2013 Plan	2014 Plan 1	2014 Plan 2	Total [5]
Date of Annual General Meeting	15 June 2009	15 June 2009	15 June 2009	15 June 2009	15 June 2009	15 June 2009	4 June 2013	4 June 2013	4 June 2013	
Date of Board of Directors' meeting	10 May 2010	4 May 2011	4 May 2011	9 May 2012	9 May 2012	9 May 2012	6 Nov 2013	6 May 2014	13 Nov 2014	
Vesting period	4 years	3 years	4 years	2 years	3 years	4 years	4 years	4 years	4 years	
Conservation period	-	2 years	-	2 years	2 years	-	-	-	-	
Fair value (in euros per share)	27.69	54.26	55.36	48.18	42.27	45.27	51.60	53.63	33.41	
Performance condition	Yes [2]	Yes [3]	Yes [3]	Yes [3]	Yes [3]	Yes [3]	Yes [4]	No	Yes [4]	
Total number of free shares granted	**50,795**	**59,380**	**52,315**	**101,860**	**74,805**	**65,335**	**250,000**	**750**	**275,000**	
to corporate officers: Thierry Le Hénaff	-	8,200	-	13,000	13,000	-	26,000	-	26,000	127,200
to the 10 largest beneficiaries [1]	8,100	24,450	14,850	36,100	36,100	16,400	75,400	50	71,600	403,700
Number of free shares exercised										
In circulation at 1 January 2012	49,157	58,925	52,190	-	-	-	-	-	-	398,137
Granted	-	-	-	101,860	74,805	65,335	-	-	-	242,000
Cancelled	1,434	-	1,195	125	-	590	-	-	-	4,114
Definitively granted	-	100	-	-	-	-	-	-	-	150,035
In circulation at 31 December 2012	**47,723**	**58,825**	**50,995**	**101,735**	**74,805**	**64,745**	**-**	**-**	**-**	**485,988**
In circulation at 1 January 2013	47,723	58,825	50,995	101,735	74,805	64,745	-	-	-	485,988
Granted	-	-	-	-	-	-	250,000	-	-	250,000
Cancelled	104	1,000	70	1,230	1,230	105	-	-	-	3,839
Definitively granted	-	-	-	-	-	-	-	-	-	87,060
In circulation at 31 December 2013	**47,619**	**57,825**	**50,925**	**100,505**	**73,575**	**64,640**	**250,000**	**-**	**-**	**645,089**
In circulation at 1 January 2014	47,619	57,825	50,925	100,505	73,575	64,640	250,000	-	-	645,089
Granted	-	-	-	-	-	-	-	750	275,000	275,750
Cancelled	1,071	0	1,845	275	125	1,735	3,130	335	-	8,516
Definitively granted	46,548	57,825	-	100,230,	-	-	-	-	-	204,603
In circulation at 31 December 2014	**0**	**0**	**49,080**	**0**	**73,450**	**62,905**	**246,870**	**415**	**275,000**	**707,720**

(1) Employees who are not corporate officers of Arkema or any other Group company.

(2) Performance conditions do not apply to beneficiaries of fewer 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 are subject to performance criteria.

(4) Performance conditions apply only to the portion of rights in excess of 100, except for Comex members, all of whose rights are subject to performance criteria.

(5) The total includes plans dating from before 2010.

4

Free share grants under performance share plans are issued through acquisition of existing shares.

The definitive grant of shares relating to plans 2010-2, 2011-2 and 2012-1 took place in May 2014.

INCOME AND EXPENSES IN THE FINANCIAL YEAR IN RESPECT OF THE 2010 TO 2014 PLANS

The deliveries of shares in respect of plans 2010-2, 2011-2 and 2012-1 led to recognition in the 2014 exceptional items of a net expense of €1.8 million (€10.9 million exceptional expense offset by a €9.1 million reversal from provisions).

The provision for free share grants was increased by €3.7 million (of which €0.6 million relates to the 2014 plan) bringing the amount recognized in the 31 December 2014 accounts in respect of all plans to €11.8 million.

NOTE 14 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.

14.1 COMMITMENTS GIVEN

Syndicated credit facility

On 29 October 2014, the Group put in place a multi-currency syndicated credit facility of €900 million, with an initial duration of five years maturing on 29 October 2019, and the possibility of two one-year extensions subject to approval by the lenders, exercisable at the end of the first and the second year. This credit facility, which can be used by Arkema S.A. or Arkema France as borrowers under the credit agreement, is intended to finance the Group's general requirements as a substitute line for the commercial paper programme, and contains early repayment clauses 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 by ARKEMA to maintain the ratio of consolidated net debt to consolidated EBITDA (tested twice a year) at 3.5 or less.

This credit facility replaces the credit facility of 26 July 2011, which has been cancelled.

Bridge Term Loan Facility

To secure financing for the acquisition of BOSTIK, Arkema S.A. signed a bridge loan agreement for a maximum amount of €1,500 million, for a one-year term with an optional six-month extension at Arkema S.A.'s option. This bridge term loan facility includes a guarantee of availability of funds which is usual for this type of financing. In addition, it includes a commitment by ARKEMA to maintain a ratio of consolidated net debt to EBITDA of less than 3, with the possibility of increasing this ratio to 3.5 over a period of 12 consecutive months in the event of the acquisition. It also includes early redemption clauses, including in the event of a change in control of ARKEMA.

At 31 December 2014, the amount of the bridge term loan facility was reduced to €471 million due to the €700 million perpetual hybrid bond issue that took place on 23 October 2014, and a capital increase of approximately €350 million undertaken on 15 December 2014. On 20 January 2015, the balance of the bridge term loan facility was cancelled following issuance of a bond with nominal value of €700 million.

Commitments related to the acquisition of BOSTIK

On 18 September 2014 Arkema S.A. made an offer to Total S.A. to acquire BOSTIK for an enterprise value of €1.74 billion.

The acquisition contract was signed on 3 December 2014 following completion of the consultation procedure with bodies representing the employees of Total and BOSTIK.

The operation was finalised on 2 February 2015.

14.2 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

14.2.1 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. 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 2014, the residual amount covered by this indemnity amounts to US$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 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 €138.5 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.

14.2.2 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.

14.2.3 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".

NOTE 15 EMPLOYEES

The average number of employees by category of personnel is as follows:

Engineers and managerial	8
Supervisors and technicians	0
TOTAL	**8**

NOTE 16 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)	**2014**	**2013**
Salaries and other short-term benefits	5	4
Pensions, other post-employment benefits and contract termination benefits (1)	1	1
Other long-term benefits	-	-
Share-based payments (2)	3	3

(1) Excluding actuarial gains or losses.
(2) Portion of rights vested during the year.

Salaries and other short-term benefits 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.

Other transactions with related parties involve subsidiaries directly or indirectly wholly-owned by Arkema S.A. and do not fall within the scope of the article 1 of regulation n° 2010-02 of 2 September 2010 of the French National Accounting Authority (*Autorité des normes comptables*).

4.5.4 RESULTS OF THE COMPANY IN THE LAST 5 YEARS (ARTICLES R225-81, R.225-83 AND R.225-102 OF THE FRENCH COMMERCIAL CODE)

In millions of euros (unless otherwise indicated)	2010	2011	2012	2013	2014
I - Financial position at year end					
a) Share capital	615	619	629	630	728
b) Number of shares issued	61,493,794	61,864,577	62,877,215	63,029,692	72,822,695
II - Operations and results					
a) Sales (excluding VAT)	10	12	14	13	15
b) Income before tax, depreciation, impairment and provisions	8	5	2	206	70
c) Income taxes	40	31	36	26	28
d) Employee profit sharing	-				
e) Income after tax, depreciation impairment and provisions	42	(289)	26	212	189
f) Amount of dividends distributed	61	81	113	117	NC
III - Earnings per share *(in euros)*					
a) Income after tax but before depreciation, impairment and provisions	0.78	0.58	0.61	3.69	1.34
b) Income after tax, depreciation, impairment and provisions	0.68	(4.68)	0.42	3.37	2.59
c) Net dividend per share	1.00	1.30	1.80	1.85	NC
IV - Employee data					
a) Number of employees	8	8	7	7	7
b) Total payroll	5	5	7	4	5
c) Amounts paid to employee benefit bodies in the year	2	2	3	3	3

5

INFORMATION ABOUT THE COMPANY AND ITS SHARE CAPITAL

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

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, as mentioned below, have enabled ARKEMA to strengthen its portfolio of businesses and to refocus its business on specialty chemical 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 Total's coating resins (Cray Valley and Cook Composites and Polymers) and 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;
- acquisition in Acrylics in China, the first stage of which was finalised on 20 October 2014 (creation of the Sunke joint-venture with Jurong Chemical); and
- acquisition on 2 February 2015 of the Bostik Group held by Total and number 3 worldwide in adhesives.

Arkema is a French *société anonyme* with a share capital of 728,226,950 euros and its registered office at 420, rue d'Estienne-d'Orves, 92700 Colombes (phone: +33 1 49 00 80 80). It is governed by French law and therefore in particular 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 department. Furthermore, historical financial information, regulated information, reference documents, annual and sustainable performance reports and others are available on the Company's website: www.arkema.com.

5.1.2 SUBSIDIARIES AND SHAREHOLDINGS OF THE COMPANY

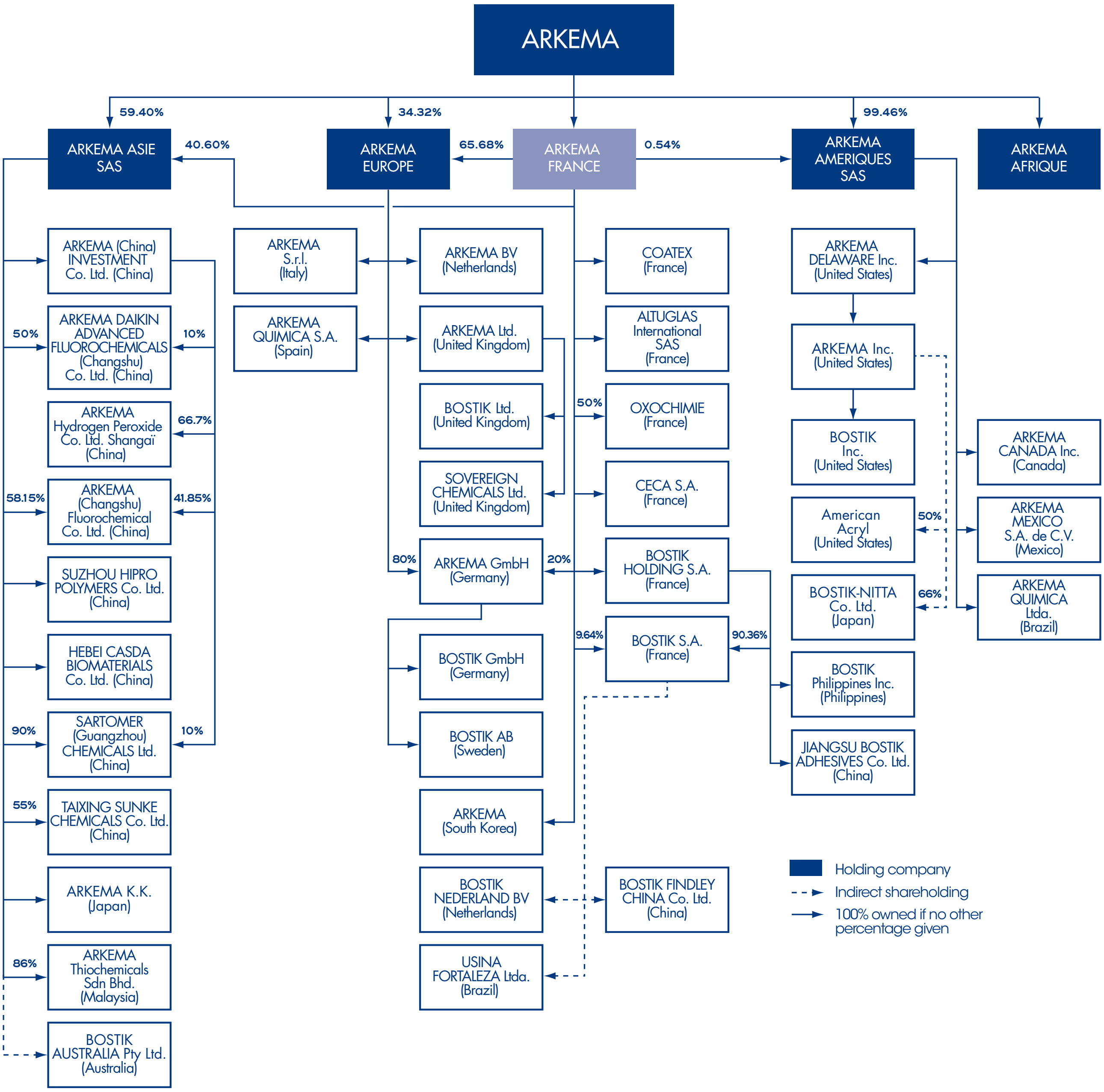
Arkema is the Group's ultimate parent company. It is also the head of the French tax group put in place between companies subject to French corporation tax.

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 various geographical 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.



5

In 2014, the Company's subsidiaries acquired interests in the following companies:

- 55% of the share capital of the joint-venture Taixing Sunke Chemicals Co. Ltd., a company created with Jurong Chemical;
- 51% of the share capital of the joint-venture CECA WATAN Saudi Arabia Co. Ltd., a company created with Watan Industrial Investment.

A comprehensive list of all of the Group's consolidated subsidiaries and their geographical location is given in the consolidated financial statements in paragraph 4.3.3 of this reference document.

Detailed information on the Company's main subsidiaries is also given in paragraph 4.5.2 of this reference document.

For further information on the Group's economic organisation, see sections 1.1 and 1.2 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

Arkema is the Group's holding company and an administrative service provider dedicated to group companies. These service agreements are not material and are entered into under ordinary conditions comparable to those applicable to similar transactions with third parties.

Some of the Group's non-consolidated companies sell products or provide services to Group consolidated companies. 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 of the notes 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

As at 31 December 2014, the Company's share capital was 728,226,950 euros divided into 72,822,695 fully paid-up shares of a single category, with a nominal value of 10 euros per share, compared to 63,029,692 shares at 1 January 2014, 55,014 of which are treasury shares.

In 2014, the number of shares increased by 9,793,003: 491,502 shares subscribed as part of a share capital increase reserved for employees under a Group Savings Plan, 9,102,624 shares subscribed as part of a share capital increase with preferential subscription rights and 198,877 shares resulting from the exercise of the same number 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
18 April 2012	€623,995,900	62,399,590	Share capital increase reserved for employees: capital increase of €5,350,130, with a share premium of €23,813,428.63, with the issue of 535,013 new shares.
30 June 2012	€625,388,180	62,538,818	Exercise of stock options: capital increase of €1,392,280, with a share premium of €4,004,504.62, with the issue of 139,228 new shares.
31 December 2012	€628,772,150	62,877,215	Exercise of stock options: capital increase of €3,383,970, with a share premium of €9,486, 471.17, with the issue of 338,397 new shares.
30 June 2013	€629,481,730	62,948,173	Exercise of stock options: capital increase of €709,580, with a share premium of €1,956,359.68, with the issue of 70,958 new shares.
31 December 2013	€630,296,920	63,029,692	Exercise of stock options: capital increase of €815,190, with a share premium of €2,188,091.39, with the issue of 81,519 new shares.
23 April 2014	€635,211,940	63,521,194	Share capital increase reserved for employees: capital increase of €4,915,020, with a share premium of €26,634,493.38, with the issue of 491,502 new shares.
30 June 2014	€636,968,620	€63,696,862	Exercise of stock options: capital increase of €1,756,680, with a share premium of €4,911,000.56, with the issue of 175,668 new shares.
7 November 2014	€637,183,740	63,718,374	Exercise of stock options: capital increase of €215,120 with a share premium of €449,335.64, with the issue of 21,512 new shares.
15 December 2014	€728,209,980	72,820,998	Share capital increase with preferential subscription rights: capital increase of €91,026,240, with a share premium of €259,424,784, with the issue of 9,102,624 new shares.
31 December 2014	€728,226,950	72,822,695	Exercise of stock options: capital increase of €16,970, with a share premium of €42,170.45, with the issue of 1,697 new shares.

5.2.3 PLEDGES, GUARANTEES, SECURITIES

At 31 December 2014, existing pledges on the Company's pure registered shares and administered registered shares respectively concerned 359 shares held by 5 shareholders, and 125 shares held by one shareholder, 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 2014, the Company directly held 55,014 treasury shares.

This paragraph describes (i) a review of the share buy-back programme authorised in 2014, and (ii) the information that must be given in the description of the share buy-back programme in accordance with article 241-2 of the *Autorité des marchés financiers* (AMF) General Regulation (*Réglement général*) as well as information required under article L. 225-211 of the French Commercial Code (*Code de commerce*).

REVIEW OF SHARE BUY-BACK PROGRAMME AUTHORISED ON 15 MAY 2014 (2014 SHARE BUY-BACK PROGRAMME)

The combined annual general meeting of 15 May 2014 authorised the Board of Directors to implement a share buy-back programme capped at 10% of the share capital and subject to a maximum purchase price per share of 110 euros. This authorisation, which supersedes for its unused portion the authorisation granted by the annual general meeting of 4 June 2013, was granted for an 18-month period from the combined annual general meeting of 15 May 2014, *i.e.* until 15 November 2015. It is therefore still in force at the date of this reference document.

The maximum amount of funds allocated to the implementation of the share buy-back programme may not exceed 100 million euros.

Under this 2014 share buy-back programme, the shares may be purchased for any purpose permitted by law, notably the following:

- implementing market practices allowed by the French financial markets authority such as (a) purchasing shares in the Company in order to hold them and subsequently tender them in exchange or as payment as part of any potential external growth transactions, it being specified that the shares acquired for this purpose may not exceed 5% of the Company's share capital at the time of the acquisition or (b) purchasing or selling shares within the scope of a liquidity contract entered into with an investment services provider and compliant with the code of conduct approved by the French financial markets authority, as well as (c) any market practice permitted by the French financial markets authority or by law;
- putting in place and complying with obligations and in particular to deliver shares upon the exercise of rights attached to negotiable securities giving access by any means, whether immediately or in future, to shares of the Company, as well as carrying out any hedging transactions in respect of the Company's obligations related to such negotiable securities, under the conditions provided for by the market authorities and at the times determined by the Board of Directors or the person acting on a delegation of authority from the Board of Directors;
- covering share purchase option plans granted to employees or officers of the Company or its Group;
- granting free shares of the Company to employees or executive officers of the Company or its Group, particularly under the conditions provided for in articles L. 225-197-1 *et seq.* of the French Commercial Code (*Code de commerce*);
- proposing employees to acquire shares, whether directly or via a company savings plan (*Plan d'Épargne Entreprise*) under the conditions provided for by law, and notably articles L.3332-1 *et seq.* of the French Labour Code (*Code du travail*);
- cancelling all or part of the purchased shares in order to reduce the Company's share capital.

At its meeting on 3 March 2014, the Board of Directors decided to implement the share buy-back programme subject to the authorisation of the combined general meeting of 15 May 2014.

OPERATIONS COMPLETED AS PART OF THE 2014 SHARE BUY-BACK PROGRAMME

As at 15 May 2014, when the annual general meeting approved the 2014 share buy-back programme, the Company held, directly or indirectly, 22,371 treasury shares.

The following tables give a summary of the operations carried out as part of the 2014 share buy-back programme:

Summary statement as at 31 January 2015	
Number of shares comprising the Company's capital at 15 May 2014	63,635,607
Treasury shares held directly or indirectly at 15 May 2014	22,371
Number of shares purchased between 15 May 2014 and 31 January 2015	58,257
Weighted average gross price of shares purchased *(in euros)*	53.37
Number of treasury shares at 31 January 2015	80,628
Number of shares cancelled in the last 24 months	None
Accounting value of portfolio *(in euros)*	4,215,745.20
Market value of portfolio *(in euros)* based on closing price at 30 January 2015, *i.e.* 63.50 euros	5,119,878.00

Summary of transactions carried out through the programme between 15 May 2014 and 31 January 2015	**Aggregate gross movements**		**Open positions at 31 January 2015**	
	Purchases	**Sales/Transfers**	**Open buying positions**	**Open selling positions**
Number of shares	58,257	None	-	-
Average price of transaction *(in euros)*	53.37	N/A	-	-
Amounts *(in euros)*	3,109,393.97	N/A	-	-

BREAKDOWN OF THE COMPANY'S TREASURY SHARES BY OBJECTIVES

As at 31 January 2015, the Company's 80,628 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 PROGRAMME SUBMITTED TO THE ANNUAL GENERAL MEETING OF 2 JUNE 2015 (2015 SHARE BUY-BACK PROGRAMME)

The Company's Board of Directors wishes the Company to further have at its disposal a share buy-back programme.

To this end, the Board of Directors recommends to the combined general meeting of 2 June 2015 to cancel the 13th resolution voted by the combined general meeting of 15 May 2014, for its unused portion, and to authorise the implementation of a new share buy-back programme 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 AMF General Regulation, the following paragraphs give a description of the share buy-back programme to be subject to the authorisation of the Company's next general meeting mentioned above.

Objectives of the 2015 share buy-back programme

As part of the 2015 share buy-back programme that is submitted to the combined general meeting of 2 June 2015, 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:

- implementing market practices permitted by the AMF such as (i) purchasing shares in the Company to keep and subsequently tender as consideration for possible external growth operations, it being specified that shares purchased for consideration of mergers, spin-offs or contribution may not exceed 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 AMF, entered into with an investment services provider, and (iii) any market practice permitted by the AMF or by law;
- putting in place and complying with obligations and more particularly to grant the shares upon the exercise of rights attached to negotiable securities giving access by any means, whether immediately or in future, to shares of the Company and to carry out any hedging transactions in respect of the Company's obligations (or of one of its subsidiaries) relating to these negotiable securities, under the conditions permitted by the market authorities and at the times the Board of Directors or its delegated representative deems appropriate;
- covering stock option plans granted to employees or executive officers of the Company or its Group;
- granting free shares of the Company to the employees or executive officers of the Company or its Group under the terms of articles L. 225-197-1 *et seq.* of the French Commercial Code (*Code de commerce*).
- proposing to employees to purchase shares, directly or via a company savings plan, under the terms provided for by law, namely articles L. 3332-1 *et seq.* of the French Commercial Code (*Code de commerce*).
- cancelling all or part of the purchased shares in order to reduce the Company's share capital.

As the authorisation granted to the Board of Directors by the annual general meeting of 4 June 2013 enabling to cancel purchased shares expires on 4 June 2015, it is proposed to the combined annual general meeting on 2 June 2015 to renew this authorisation for a further period of 24 months.

Maximum portion of share capital to be repurchased and maximum number of shares that may be acquired under the 2015 share buy-back programme

The maximum portion of the share capital which can be repurchased under the 2015 share buy-back programme shall be 10% of the total number of shares constituting the Company's share capital (*i.e.* 72,822,695 shares as at 31 January 2015).

In accordance with article L. 225-210 of the French Commercial Code (*Code de commerce*), the number of shares held by the Company at any given date may not be greater than 10% of the shares constituting the Company's share capital on that date.

The securities that the Company is considering acquiring are shares.

Maximum unit purchase price authorised

The maximum purchase price would be 95 euros 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 capitalisation 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.

The maximum amount of cash dedicated to the 2015 share buy-back programme would be 100 million euros.

Terms and conditions for the 2015 share buy-back programme

The shares may be purchased or transferred at any time, except for periods of public offers on the Company's shares 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 2015 share buy-back programme

In accordance with the resolution to be submitted for the approval of the combined general meeting of 2 June 2015, the 2015 share buy-back programme would be authorised for a period of 18 months from the date of its approval, *i.e.* until 2 December 2016.

5.2.5 SUMMARY OF AUTHORISATIONS AND USES

As at 31 December 2014 there were no securities other than the Company's shares giving access to the Company's capital.

A summary table of the outstanding authorisations which were conferred by the shareholders' general meeting to the Board of Directors, in particular 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 authorisation	Maximum authorised 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 securities giving access to shares in the Company or one of its subsidiaries, **with preferential subscription** rights	15 May 2014	26 months	€315 million €600 million (debt securities)	Use as at 31 December 2014: share capital increase of €91,026,240 (15 December 2014)
Delegation of authority granted to the Board of Directors to issue shares in the Company and/or securities giving access to shares in the Company or one of its subsidiaries, by means of a public offer, **without preferential subscription** rights	15 May 2014	26 months	10% of the Company's share capital as at 15 May 2014 €600 million (debt securities)	None
Delegation of authority granted to the Board of Directors to increase the Company's share capital, **without preferential subscription** rights, through the issue of shares and/or securities giving access to shares in the Company, via an offer referred to in article L. 411-2 II of the French Monetary and Financial Code	15 May 2014	26 months	10% of the Company's share capital as at 15 May 2014 €600 million (debt securities)	None
Authorisation granted to the Board of Directors to increase the number of shares to be issued, in the event of a share capital increase with or without preferential subscription rights of existing shareholders	15 May 2014	26 months	15% of the initial issue, subject to the cap stated in the resolution authorising the issue	None
Overall limitation of authorisations to increase the Company's share capital immediately and/or in the future	15 May 2014	26 months	€315 million	Use as at 31 December 2014: share capital increase of €91,026,240 (15 December 2014)
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	15 May 2014	26 months	€12 million	None
Authorisation granted to the Board of Directors to trade in the Company's shares*	15 May 2014	18 months	€110 per share €100 million (up to 10% of the share capital at any time)	Use at 31 January 2015: see paragraph 5.2.4 of the reference document
Delegation of authority granted to the Board of Directors to allocate free shares of the Company subject to performance conditions	4 June 2013	38 months	1,250,000 shares (2% of the share capital as at 4 June 2013)	Use as at 31 December 2014: grant of 250,000 shares (6 November 2013) grant of 17,178 shares (6 May 2014) grant of 275,000 shares (13 November 2014)
Delegation of authority granted to the Board of Directors to reduce share capital by cancelling shares *	4 June 2013	24 months	10% of the share capital	Use as at 31 December 2014: none

* *New delegations of authority and authorisations, which terms are set out in chapter 6 of this reference document, will be submitted to the vote of the Company's combined annual general meeting on 2 June 2015.*

As at 31 December 2014, the Company's share capital, which was 728,226,950 euros, divided in 72,822,695 shares, could be increased by 803,346 shares resulting from the exercise of 803,346 options, representing a potential maximum dilution of 1.1%.

There are no other securities giving access to the Company's capital either immediately or in the future (see paragraph 5.2.6 of this reference document for a description of these options).

5.2.6 STOCK OPTIONS AND PERFORMANCE SHARE PLANS

In order to incentivise and closely involve managers and certain employees in the Group's future growth as well as its stock market performance, the Board of Directors put in place in 2006 stock option plans and free performance share allocation plans, subject to performance conditions.

In accordance with the applicable stock-based compensation policy, the Board of Directors withdrew the practice of stock options in 2013.

However, as at 31 December 2014, after adjustments made as a consequence of the share capital increase completed on 15 December 2014 and of its terms and conditions, the following are still outstanding:

- 224,500 stock options resulting from stock option plans put in place in 2007 and 2008; and
- 578,846 stock options resulting from the 2010 and 2011 plans.

As at 31 December 2014, the total number of outstanding stock options was therefore 803,346, *i.e.* 1,1% of the Company's share capital on that date.

Furthermore, since 2007, as the coverage of the free performance share allocation plans in place has been provided by the buy-back of treasury shares as part of the Company's share buy-back programme, these plans do not result in any potential dilution for shareholders.

Additional information on the stock option plans and the performance share award plans put in place by the Group is given in section 3.5 of this reference document as well as in note 28 of the notes to the consolidated financial statements at 31 December 2014 set out in paragraph 4.3.3 of this reference document.

5.2.7 SHARE CAPITAL INCREASE RESERVED FOR EMPLOYEES

On 27 February 2013, the Board of Directors reaffirmed its intention to pursue a dynamic employee ownership policy by regularly offering Group employees the opportunity to purchase Arkema shares with preferential terms (20% discount, maximum subscription of 1,000 shares) with, in particular, the allocation of free shares to employees in countries outside France participating in the operation, in order to make the offer more attractive.

Accordingly, in accordance with the delegation of authority granted by the annual general meeting of 23 May 2012, the Board of Directors, meeting on 3 March 2014, 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 7 to 20 March 2014 inclusive.

The subscription conditions were as follows:

- subscription price of 64.19 euros, corresponding to the average opening price quoted in the 20 trading days preceding 3 March 2014, 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, with a vesting period of four years, *i.e.* on 7 May 2018, with no holding period required, except in Italy and Spain where definitive allocation will take place after three years, *i.e.* on 8 May 2017, with a three-year holding period;
- for employees of French companies, possibility of subscribing to the share capital increase using sums of the incentive scheme or the profit-sharing scheme supplemented, as the case may be, by the employer;
- possibility of spreading the payment of the shares over 24 months.

This operation resulted in the issuance of 491,502 new shares on 23 April 2014, representing 0.85% of the Company's share capital.

Nearly 6,000 subscriptions were recorded. The employee participation rate reached 41% on average in the world, *i.e.* almost five points more than with the previous operation in 2012, and 63% in France, *i.e.* 9 points more than in 2012.

The 1,261 subscriptions by employees based outside France resulted in the allocation of 16,368 rights to free shares, subject to a specific plan, the provisions of which and the list of beneficiaries were finalised by the Company's Board of Directors on 6 May 2014. At this meeting, the Board also allocated 750 free shares to employees based in countries where the operation could not be offered, on the basis of 5 free shares per employee.

Final allocation will take place after four years, with no mandatory holding period, *i.e.* on 7 May 2018, except in Italy and in Spain where final allocation will take place after three years, *i.e.* on 8 May 2017, with a three-year holding period.

Upon completion of this operation, employees held almost 4.7% of the Company's share capital.

5.3 SHARE OWNERSHIP

5.3.1 BREAKDOWN OF SHARE OWNERSHIP AND VOTING RIGHTS AT 31 DECEMBER 2014

The breakdown of the share capital was established on the basis of a total number of 72,822,695 shares at 31 December 2014, carrying 77,338,556 voting rights (including double voting rights and after deduction of treasury shares), on the basis of the declarations made to the AMF of threshold crossing and of the analysis made by the Company based on TPI (*Titres au Porteur Identifiable* – identifiable bearer shares). TPI procedures were carried out at the end of 2014, 2013 and 2012.

To the best of the Company's knowledge, the breakdown of Arkema's share ownership and voting rights at 31 December 2014 was as follows:

	% of share capital	% of voting rights	% of theoretical voting rights*
Main shareholders owning at least 5% of the share capital and/or voting rights:			
Fonds Stratégique de Participations [(1)]	6.5	6.2	6.1
Norges Bank	5.5	5.0	5.2
BlackRock Inc.	5.1	4.8	4.8
Employee shareholding [(2)]**	**4.4**	**7.7**	**7.7**
Treasury shares	**0.1**	**0**	**0.1**
Public	**78.4**	**76.1**	**76.1**
TOTAL	**100**	**100**	**100**

* *Pursuant to article 223-11 of the AMF general regulation, 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 of this reference document.*

(1) *The Fonds Stratégique de Participations (FSP), an investment company created by four major insurance companies in France – BNP Paribas Cardif, CNP Assurances, Crédit Agricole Assurances, through its subsidiary Predica, and Sogécap (Société Générale group) – is a member of the Board of Directors and is represented by Mrs Isabelle Boccon-Gibod (see paragraph 3.2.1.2 of this reference document).*

(2) *To the Company's knowledge, the Arkema Actionnariat France and the Arkema Actionnariat International FCPE held 5.6% of the Company's share capital at 31 December 2014, representing 10.0% of the Company's voting rights. These funds include the shareholding of employees of ARKEMA (see paragraph 5.3.4 of this reference document), of Total and of Kem One (vinyl activities divested in July 2012). In May 2014 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) programme in the United States. In this regard, it concluded a Deposit Agreement with Bank of New York Mellon on 18 May 2006. At 31 December 2014, 671,422 shares were held by Bank of New York Mellon on behalf of ADR bearers.

5.3.2 CONTROL OF THE COMPANY

At the date of this reference document:

- the Company is not controlled, either directly or indirectly, by any single shareholder; and
- to the Company's knowledge, there is no agreement or pact between shareholders, the implementation of which would result in the takeover of the Company.

5.3.3 CLAUSES LIKELY TO HAVE AN EFFECT ON THE CONTROL OF THE COMPANY

No provision of the Articles of Association can delay, defer or prevent a change of control over the Company. However there are provisions pertaining to double voting rights and limitations on voting rights in articles 17.3 and 17.4 of the Articles of Association which are presented in paragraph 5.5.2 of this reference document.

5.3.4 EMPLOYEE SHAREHOLDING

According to the definition of employee shareholding under the terms of article L. 225-102 of the French Commercial Code (*Code de commerce*), the number of Arkema shares held by employees as at 31 December 2014 was 3,207,321, representing 4.4% of the share capital and, taking account of double voting rights, 7.7% of voting rights. This may be broken down as follows:

Shares held by ARKEMA employees within FCPE Arkema Actionnariat France	2,627,847
Shares held by ARKEMA employees within FCPE Arkema Actionnariat International	213,198
Pure registered shares held within a PEG Group Savings Plan (*Plan d'Épargne Groupe*)	206,134
Shares arising from the exercise of stock options and held as pure registered shares within a PEG	160,142
TOTAL EMPLOYEE SHAREHOLDING	**3,207,321**

5.3.5 HISTORY OF DISCLOSURES OF LEGAL THRESHOLD CROSSING IN 2014

The following disclosures of legal shareholding threshold crossing were made to the AMF in 2014 and up to the date of this reference document:

Company	Threshold crossing date	Threshold crossed
BlackRock Inc.	10 January 2014	upward the 5% threshold of share capital
FMR LLC (Fidelity Investments)	20 March 2014	downward the 5% threshold of voting rights
FMR LLC (Fidelity Investments)	19 May 2014	downward the 5% threshold of share capital
Amundi *	26 May 2014	upward the 10% threshold of voting rights
BlackRock Inc.	6 January 2014	downward the 5% threshold of share capital
BlackRock Inc.	13 February 2015	upward the 5% threshold of share capital
BlackRock Inc.	11 March 2015	downward the 5% threshold of share capital

* *Company acting on behalf of the Arkema Actionnariat France FCPE (Fonds Commun de Placement d'Entreprise – company collective investment fund) that it manages. At the time, Amundi made the following statement:*
"Amundi hereby declares on its own behalf and on behalf of the FCPE Arkema Actionnariat France that the latter:
- *financed acquisitions of Arkema shares by the dividends paid which were directly reinvested in the fund, by employee subscriptions (mandatory and optional profit-sharing, employer's contribution, etc.);*
- *acts alone;*
- *does not intend to continue its purchases of Arkema shares, but since it is an open fund this position could change. All subscriptions and/or dividend rights will be used in purchases;*
- *does not intend to take control of Arkema;*
- *does not intend to change Arkema's strategy or any of the operations listed in article 223-17 I, 6 of the general regulation;*
- *has not concluded any temporary disposal agreement relating to the shares and/or voting rights of Arkema;*
- *is represented by a director on the Board of Directors and does not intend to request the appointment of one or more additional persons to the Board of Directors of Arkema."*

5.3.6 HISTORY OF SHARE CAPITAL AND VOTING RIGHTS BREAKDOWN

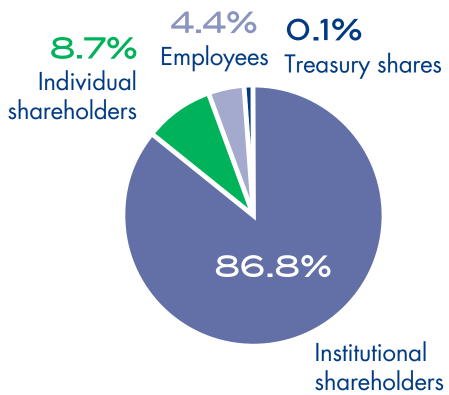
To the best of the Company's knowledge, the estimated share ownership at 31 December 2014, 2013 and 2012 was as follows [(1)]:

	31 December 2014		31 December 2013		31 December 2012	
	% of share capital	% of voting rights	% of share capital	% of voting rights	% of share capital	% of voting rights
Fonds Stratégique de Participations	6.5	6.2	6.0	5.7	n/a	n/a
Norges Bank	5.5	5.2	5.4	5.0	n/a	n/a
BlackRock Inc.	5.1	4.8	n/a	n/a	n/a	n/a
FMR LLC (Fidelity Investments)	n/a	n/a	5.4	5.1	5.4	5.0
Greenlight Capital	n/a	n/a	n/a	n/a	5.3	5.0
Other institutional shareholders	69.7	65.5	69.8	65.4	75.5	70.8
Individual shareholders	8.7	10.6	8.9	11.2	8.4	10.7
Employee shareholding	4.4	7.7	4.1	7.6	4.9	8.5
Treasury shares	0.1	0	0.4	0.0	0.5	0.0
TOTAL	**100**	**100**	**100**	**100**	**100**	**100**
Number of shares/voting rights	72,822,695	77,338,556	63,029,692	67,267,606	62,877,215	67,086,290

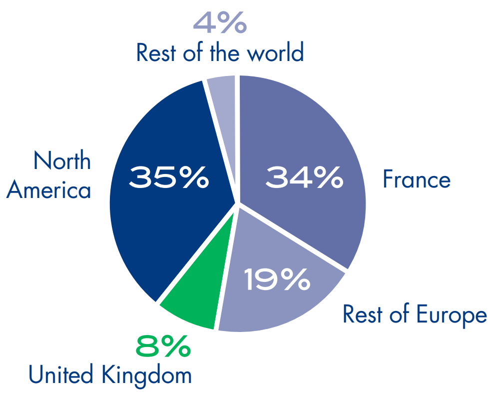
(1) For institutional shareholders, only investments in excess of 5% of the share capital are shown in the above table.

5.3.7 ESTIMATED SHARE OWNERSHIP OF ARKEMA AT 31 DECEMBER 2014

BY SHAREHOLDER TYPE



BY GEOGRAPHICAL REGION



5.4 STOCK MARKET

5.4.1 STOCK MARKET QUOTATION

The Arkema share is quoted on Euronext Paris, compartment A. It is eligible to 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) programme 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

PERFORMANCE OF ARKEMA SHARE IN 2014*

Performance since 1 January 2014 (as at 31 December 2014)	-33%
Last closing price of the year *(in euros)*	55.07
Average of last 30 closing prices of the year *(in euros)*	54.18
Highest price of the year *(in euros)*	82.17
Lowest price of the year *(in euros)*	43.63

* *In order to take into account the detachment of preferential subscription rights resulting from the share capital increase completed on 15 December 2014, the information prior to the quotation of the newly issued shares has been restated.*

INDICES

The Arkema share is included in the following indices:

- CAC Next 20;
- CAC Large 60;
- SBF 120;
- Euro Stoxx Chemicals; and
- MSCI.

HISTORICAL DATA ON ARKEMA SHARE SINCE 1 JANUARY 2014*

Month	Number of securities traded	Trading volume *(in millions of euros)*	Highest price *(in euros)*	Lowest price *(in euros)*
January 2014	4,522,396	360.61	82.17	72.89
February 2014	2,970,606	236.80	79.89	73.89
March 2014	3,771,444	302.64	80.07	73.78
April 2014	2,883,906	228.14	80.14	72.71
May 2014	5,055,342	382.80	77.79	70.24
June 2014	4,687,027	346.23	75.03	67.66
July 2014	5,347,508	379.66	72.19	66.29
August 2014	9,201,566	506.22	56.55	48.44
September 2014	5,438,358	303.88	56.31	50.72
October 2014	6,670,224	326.16	51.62	43.63
November 2014	7,914,143	411.54	56.56	46.96
December 2014	6,313,347	348.66	57.52	50.00
January 2015	8,258,153	480.67	64.24	50.43
February 2015	5,790,048	379.81	67.47	63.41

* *In order to take into account the detachment of preferential subscription rights resulting from the share capital increase completed on 15 December 2014, the information dating prior to the quotation of the newly issued shares has been restated.*

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 AMF. This document is available on the AMF website (www.amf-france.org) and on the Group's website (www.finance.arkema.com). An English version of this reference document is also available on the Group's website (www.finance.arkema.com).

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 its activities, strategy and outlook.

At the time of the publication of its annual results, the Group also 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.

In 2014, the Group organised some 600 meetings, and took part in 10 or so conferences in Paris, London, San Francisco, Zurich and Lyon.

5

5.4.4 RELATIONS WITH INDIVIDUAL SHAREHOLDERS

The Group aims to inform its individual shareholders on 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 Group's strategy and outlook. A number of meetings with shareholders are also organised in France every year. In 2014, ARKEMA met with its shareholders in Rennes, Dijon and Strasbourg, as well as at the Actionaria event 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 "Shareholder Newsletters" are available in the Individual Shareholders section of the website (www.finance.arkema.com).

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 two years continuously (see paragraph 5.5.2.1 of this reference document); and
- 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

93761 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

During its Investors Day held in September 2012, the Group set a target to gradually reach a 30% payout ratio on ajusted net income, and aims not to reduce the amount of its dividend per share. ARKEMA met this target in 2014, with the payment of a dividend of 1.85 euro per share in respect of 2013, representing 32% of the 2013 adjusted net income.

On the announcement in September 2014 of its project to acquire BOSTIK, finalised on 2 February 2015, ARKEMA confirmed its dividend policy and announced its intention to maintain the dividend per share at 1.85 euro in respect of 2014.

Reaffirming the importance of dividend as a key component of shareholders return, and confirming what had been announced in September 2014, the Board of Directors, after approval of the 2014 financial statements, decided on 4 March 2015 to propose to the annual general meeting on 2 June 2015 that the dividend be maintained at 1.85 euro per share, at the same level as in 2013, despite a significant decrease in 2014 adjusted net income and the increased number of shares following the share capital increase that took place at the end of 2014. The Board also confirmed the Group's confidence in its long-term outlook and the strength of its balance sheet.

In the context of a strong development of the Group with the recent finalisation of three major growth projects, the Board of Directors also decided to offer to the shareholders the possibility of receiving payment of the dividends for the 2014 financial year, either in cash or in new shares in the Company with the benefit of a 10% discount. Such option for the payment of the dividend in shares will be reviewed each year by the Board of Directors.

	2014*	2013	2012	2011	2010
Dividend per share *(in euros)* (1)	1.85 (2)	1.85	1.80	1.30	1.00
Payout ratio (dividend per share/adjusted net income per share)	51%	32%	25%	14%	17%

** In 2014, amount of dividend proposed to the annual general meeting on 2 June 2015.*

(1) Dividend eligible for the 40% deduction provided for in the French General Tax Code.

(2) Adjusted to take account of the share capital increase with preferential subscription rights completed in December 2014, the dividend increased by 3% compared to previous year.

5.5 EXTRACT FROM THE ARTICLES OF ASSOCIATION

The following provisions are included in the Company's Articles of Association as of the date of this reference document.

Pursuant to the provisions of article R. 225-85 of the French Commercial Code (*Code de commerce*), as amended by decree n° 2014-1466 dated 8 December 2014 which modifies the date and the conditions to establish the list of persons authorised to take part in shareholders and bondholders' meetings of trading companies and which now requires the book-entry of shares in the name of the shareholder or that of the intermediary acting on his or her behalf, under the terms of paragraph 7 of article L. 225-1 of the French Commercial Code (*Code de commerce*), by the second working day prior to the date of the meeting at 0:00 a.m. Paris time, either in the registered share accounts kept by the Company, or in the accounts for bearer shares kept by the intermediary authorised in order to attend general meetings and to participate in their deliberations, the Board submits to the annual general meeting to be held on 2 June 2015 to approve the financial statements for the financial year ending 31 December 2014, the modification of article 16.3 of the Articles of Association accordingly. For further details on this recommended modification, see paragraph 6.2.2 of this reference document.

5.5.1 GENERAL MEETINGS (ARTICLES 16, 17.1 AND 17.2 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 applicable laws and regulations, any shareholder has the right to attend general meetings and participate in the deliberations or to be represented, regardless of the number of shares he or she holds, provided that it can be established to the satisfaction of legal and regulatory conditions, that the shares have been registered in his or her name or that of an intermediary duly authorised on his behalf under the terms of paragraph 7 of article L. 225-1 of the French Commercial Code (*Code de commerce*), no later than three business days prior to the date of the meeting at 0:00 a.m. Paris time, either in the registered share account kept by the Company, or in the accounts for bearer shares kept by the authorised intermediary (article 16.3 of the Articles of Association submitted for modification to the annual general meeting on 2 June 2015).

The registration or accounting entry of the shares in bearer securities accounts held by the authorised 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 authorised by delegation, has the power to reduce or waive this period.

REPRESENTATION

A shareholder may be represented in general meetings by another shareholder, their spouse, the partner with whom they have entered into a civil partnership, or by any other person or legal entity under the terms of articles L. 225-106 *et seq.* of the French Commercial Code (*Code de commerce*).

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 authorised 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 authorised 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 (*Code de commerce*), 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 (ARTICLES 17.3 AND 17.4 OF THE ARTICLES OF ASSOCIATION)

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 two years, under the conditions applicable by law and 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.

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 or indirectly means those that are attached to shares held by an individual, either personally or jointly, or by a company, group, association or foundation, and those that are attached to shares held by a controlled company within the meaning of article L. 233-3 of the French Commercial Code (*Code de commerce*), by another company or by an individual, an association, a group or a 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 an individual or a legal entity, acting separately or in concert with one or more individuals 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 may be 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 five 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 inform the Company of any fractions of the share capital or of voting rights that they may hold, any individual or legal entity acting alone or in concert that has come into possession, within the meaning of articles L. 233-9 and L. 233-10 of the French Commercial Code, either directly or indirectly, of a percentage of the share capital or voting rights equal to or greater than 1%, is obliged to inform the Company, by registered letter with acknowledgment of receipt, of the total number of shares, voting rights and rights giving future access to the Company's capital, as well as the voting rights attached thereto, whether they are held alone or in concert, directly or indirectly, within five stock market trading days starting on the date from when the threshold was crossed.

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.

6

ANNUAL GENERAL MEETING

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

6.1 SPECIAL REPORT OF THE STATUTORY AUDITORS ON REGULATED AGREEMENTS AND COMMITMENTS

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.

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 : €728,226,950

Special report by the statutory auditors on regulated agreements and commitments

Year ended 31 December 2014

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 French Commercial Code (*Code de commerce*) relating to the execution, in the year ended December 2014, 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

In accordance with article L.225-40 of the French Commercial Code (*Code de commerce*), we were advised of the following agreements and commitments that have been previously approved by the Board of Directors.

With Mr Laurent Mignon, Director within your Company and Chief Executive Officer of Natixis

Agreements signed in connection with the financing of the Bostik group acquisition:

- to secure the bank financing for the acquisition of the Bostik group, out of concern for the strict conditions of confidentiality stipulated by the vendor, your Company, on 17 September 2014, entered into a bridge term loan facility loan and underwritting agreement with Natixis bank for maximum aggregate principal of €1.5 billion. Under the agreement, Natixis will act as Global coordinator, principal arranger, underwriter, bookrunner and agent. Your Company has the option of extending the one-year bridge loan by six months. The bridge term loan facility include a guarantee of the availability of funds which is usual for this type of financing. At 31 December 2014, the bridge term loan facility had been reduced to €471 million. At the date of our report, the bridge term loan facility had been repaid in full;

- in connection with the issue of perpetual hybrid bond, set up in October 2014 and amounting to a net value of 689 millions euros, your Company signed, on 17 September 2014, an exclusive engagement letter with Natixis bank which will act as sole global coordinator global and lead bookrunner;
- in connection with the share capital increase with preferential subscription rights, which took place on December 15, 2014 and amounting to 339 million euros net:
  - on 17 September 2014, your Company signed an exclusive engagement letter with Natixis bank, which will act as sole global coordinator and lead bookrunner for the issue, and
  - on 18 November 2014, your Company entered into an undertaking agreement with Natixis bank, whereby the latter will act as global coordinator, lead underwriter and joint bookrunner, and other banks will act as co-leaders and joint bookrunners.

In consideration for services rendered, your Company has paid compensation to Natixis which reach an amount of less than 0.2% of your Group's net sales.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE ANNUAL GENERAL MEETING

Agreements and commitments approved during prior years

Without effective implementation in the year ended 31 December 2014

In accordance with article R.225-30 of the French Commercial Code, we were advised of the continuation of the following agreements and commitments in the year ended 31 December 2014, already approved by the annual general meeting in prior years, which did not result in effective implementation in the year ended 31 December 2014.

With Mr Thierry Le Hénaff, Chairman and Chief executive officer of your Company

a) Indemnity for non-voluntary early termination

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.

b) Supplementary pension scheme

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 2014, to an annual retirement pension equal to 28.4% of his current annual compensation.

Paris La Défense, 24 March, 2015

The statutory auditors

French original signed by

KPMG Audit		ERNST & YOUNG Audit
Département de KPMG S.A.		
Jacques-François Lethu	François Quédiniac	Valérie Quint
Partner	*Partner*	*Partner*

6.2 DRAFT AGENDA AND DRAFT RESOLUTIONS SUBMITTED TO THE SHAREHOLDERS' COMBINED GENERAL MEETING

6.2.1 DRAFT AGENDA FOR THE COMBINED GENERAL MEETING OF 2 JUNE 2015

RESOLUTIONS PROPOSED TO THE ORDINARY GENERAL MEETING

- Approval of the Company's financial statements for the financial year ended 31 December 2014.
- Approval of the consolidated financial statements for the financial year ended 31 December 2014.
- Allocation of net income for the financial year ended 31 December 2014 and setting of the dividend.
- Option for the payment of the dividend in shares.
- Statutory auditors' special report on the regulated agreements and commitments referred to in articles L. 225-38 *et seq.* of the French Commercial Code.
- Renewal of the term of office of Mrs Victoire de Margerie as member of the Board of Directors.
- Renewal of the term of office of Mr François Énaud as member of the Board of Directors.
- Renewal of the term of office of Mr Laurent Mignon as member of the Board of Directors.
- Opinion of the shareholders on the elements of compensation of Mr Thierry Le Hénaff.
- Authorisation to be granted to the Board of Directors to trade in the Company's shares.

RESOLUTIONS PROPOSED TO THE EXTRAORDINARY GENERAL MEETING

- Delegation of authority granted to the Board of Directors to reduce the share capital by cancelling shares.
- Modification of article 16.3 of the Articles of Association of the Company.
- Powers for the accomplishment of formalities.

6.2.2 DRAFT RESOLUTIONS PROPOSED TO THE COMBINED GENERAL MEETING OF 2 JUNE 2015

RESOLUTIONS PROPOSED TO THE ORDINARY GENERAL MEETING

First resolution

(Approval of the Company's financial statements for the financial year ended 31 December 2014)

The general meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after reviewing the Company's financial statements for the financial year ended 31 December 2014, the Board of Directors' management report and the statutory auditors' reports, approves the Company's financial statements for the financial year ended 31 December 2014, as presented to it, as well as the transactions reflected in these financial statements and summarised in these reports.

In accordance with the provisions of article 223 *quater* of the French Tax Code (*Code général des impôts*), the ordinary general meeting formally notes that no expenses or charges referred to in article 39-4 of said Code were incurred during the past financial year.

Second resolution

(Approval of the consolidated financial statements for the financial year ended 31 December 2014)

The general meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after reviewing the consolidated financial statements for the financial year ended 31 December 2014, the Board of Directors' management report and the statutory auditors' report on the consolidated financial statements, approves the Company's consolidated financial statements for the financial year ended 31 December 2014, as presented to it, as well as the transactions reflected in these financial statements and summarised in these reports.

Third resolution

(Allocation of net income for the financial year ended 31 December 2014 and setting of the dividend)

The general meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, having noted that the Company's financial statements for the financial year ended 31 December 2014 show a profit of 188,597,951.74 euros decides, as recommended by the Board of Directors, to allocate the profit for the financial year as follows:

Profit for the financial year	€188,597,951.74
Prior retained earnings	€0
Allocation to legal reserve	€9,429,897.58
Distributable profit	€179,168,054.16
Dividend distribution	€134,721,985.75

The general meeting accordingly decides to pay with regard to the 72,822,695 shares carrying dividend rights on 1 January 2014 and existing on the date of the Board of Directors' meeting adopting the draft resolutions, a dividend of 134,721,985.75 euros corresponding to a distribution of 1.85 euros per share, it being specified that full powers are given to the Board of Directors to record in "retained earnings" the fraction of the dividend corresponding to the Company's treasury shares.

The shares will be traded ex-dividend as of 12 June 2015 and the dividend for the 2014 financial year will be payable as of 8 July 2015.

This distribution is eligible for the 40% tax deduction to which individual French tax residents are entitled as provided for in article 158.3-2° of the French Tax Code.

It is specified that the dividend paid for the last three financial years was as follows:

Financial year	2012	2013	2014
Net dividend per share *(in euro)*	1.80 (1)	1.85 (1)	1.85 (1)

(1) Amounts eligible in full for the 40% tax deduction to which individual French tax residents are entitled as provided for in article 158.3-2° of the French Tax Code.

Fourth resolution

(Option for the payment of the dividend in shares)

The general meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after reviewing the Board of Director's management report, decides in accordance with articles L. 232-18 *et seq.* of the French Commercial Code and article 20 of the Company's Articles of Association, to offer each shareholder the possibility of opting for payment in the Company's shares for the entire distributed dividend relating to the shares that they hold.

The shareholders will be able to opt for the payment of the dividend in new shares between 12 June 2015 and 25 June 2015 inclusive.

Beyond that date, the dividend will be paid as of 8 July 2015 in cash only.

In accordance with article L. 232-19 of the French Commercial Code, the annual general meeting decides that:

(i) the issue price for the new shares to be distributed in payment of the dividend will be equal to 90% of the average of the opening price of Arkema shares on Euronext Paris for the twenty stock market trading days prior to the date of this meeting, reduced by the net amount of the dividend, with the price rounded up, as necessary, to the nearest greater euro cent;

(ii) the shares thus issued in payment of the dividend will carry dividend rights as of 1 January 2015 and will be entirely fungible with existing shares in the Company;

(iii) if the amount of the dividend for which this option is exercised does not correspond to a whole number of shares, the shareholder may choose to receive the nearest greater whole number of shares by paying the difference in cash on the day he exercises the option, or to receive the nearest lower whole number of shares with the outstanding balance in cash.

The annual general meeting grants full powers to the Board of Directors to execute or sub-delegate, as provided for by law, the execution of this resolution, in particular for the purpose of taking all steps and conducting any transactions related or subsequent to the exercising of this option, carrying out any formalities required for the issuance or listing of the shares issued pursuant to this resolution and for the completion and financial service of the shares, allocating the costs of the increase in share capital to the amount of the attached premium, and to deduct from this amount the sums necessary to increase the legal reserve to one tenth of the new share capital, observing the capital increases arising and making any adjustments to the Articles of Association accordingly.

Fifth resolution

(Agreements referred to in articles L. 225-38 et seq. of the French Commercial Code)

The general meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after reviewing the statutory auditors' special report provided for in article L. 225-40 of the French Commercial Code, approves said report, duly notes the information relating to the agreements entered into and the commitments made during prior financial years and approves the transactions and agreements entered into during the financial year ended 31 December 2014.

Sixth resolution

(Renewal of the term of office of Mrs Victoire de Margerie as member of the Board of Directors)

The general meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after reviewing the Board of Directors' report and formally noting that the term of office of Mrs Victoire de Margerie as director expires on the date hereof, decides to reappoint her as a director for a term of four (4) years which will expire at the close of the ordinary general meeting to be held in 2019 to approve the financial statements for the financial year ending 31 December 2018.

Seventh resolution

(Renewal of the term of office of Mr François Énaud as member of the Board of Directors)

The general meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after reviewing the Board of Directors' report and formally noting that the term of office of Mr François Énaud as director expires on the date hereof, decides to reappoint him as a director for a term of four (4) years which will expire at the close of the ordinary general meeting to be held in 2019 to approve the financial statements for the financial year ending 31 December 2018.

Eighth resolution

(Renewal of the term of office of Mr Laurent Mignon as member of the Board of Directors)

The general meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after reviewing the Board of Directors' report and formally noting that the term of office of Mr Laurent Mignon as director expires on the date hereof, decides to reappoint him as a director for a term of four (4) years which will expire at the close of the ordinary general meeting to be held in 2019 to approve the financial statements for the financial year ending 31 December 2018.

Ninth resolution

(Opinion of the shareholders on the elements of compensation of Mr Thierry Le Hénaff)

The general meeting, consulted pursuant to the recommendation of § 24.3 of the Afep-Medef Code of Corporate Governance of June 2013, which is the Company's reference code pursuant to article L. 225-37 of the French Commercial Code, and voting in accordance with the quorum and majority requirements for ordinary general meetings, after reviewing the Board of Directors' report, issues a favourable opinion on the elements of compensation due or allocated in respect of the financial year ended 31 December 2014 to Mr Thierry Le Hénaff, the Company's Chairman and Chief Executive Officer, as set out in said report.

Tenth resolution

(Authorisation to be granted to the Board of Directors for 18 months to trade in the Company's shares)

The general meeting, voting in accordance with the quorum and majority requirements for ordinary general meetings, after reviewing the Board of Directors' report, authorizes the Board of Directors to buy or arrange for the buying of shares in the Company in accordance with the provisions of articles L. 225-209 *et seq.* of the French Commercial Code, of European regulation n° 2273/2003 of 22 December 2003 and of Title IV of Book II of the French Financial Markets Authority's (*Autorité des marchés financiers* - AMF) regulations, up to a maximum of 10% of the total number shares making up the share capital, at any time whatsoever, it being specified that the maximum of 10% applies to the number of Company shares which may, as necessary, be adjusted to take into account transactions affecting the share capital and occurring after this meeting, under the following conditions:

(i) the maximum purchase price per share must not exceed 95 euros.

However, the Board of Directors will be able to adjust the aforementioned purchase price in the event of capitalisation of the paid-in surplus, reserves or profits, giving rise either to an increase in the par value of the shares, or to the creation and issue of free shares, and in the event of a stock split, reverse stock split, or any other transaction concerning shareholders' equity, to reflect the impact of such transactions on the share value;

(ii) the overall maximum amount of the funds used to execute this share purchase programme may not exceed 100 million euros;

(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 Company's share capital;

(iv) the shares redeemed and held by the Company shall be deprived of voting rights and shall not give entitlement to payment of a dividend;

(v) such shares can be acquired or transferred at any time, except during public offer periods with regard to the Company's shares, under the conditions and within the limits, notably with regard to volume and price, stipulated by the laws and regulations in force on the date of the transactions concerned, by any means and *inter alia* on the market or over-the-counter, including through the acquisition or sale of blocks of shares, via the use of financial derivatives or warrants traded on a regulated market or over-the-counter, under the conditions stipulated by the market authorities and at the times when the Board of Directors or the person acting on a delegation of authority from the Board of Directors shall determine.

The general meeting decides that these share purchases can be made for any purpose permitted by law whether now or in the future, and in particular with a view to:

(i) implementing market practices allowed by the AMF such as (a) purchasing shares in the Company in order to hold them and subsequently tender them in exchange or as payment as part of any potential external growth transactions, it being specified that the shares acquired for this purpose may not exceed 5% of the Company's share capital at the time of the acquisition or (b) purchasing or selling shares within the scope of a liquidity contract entered into with an investment services provider and compliant with the code of conduct recognised by the AMF, as well as (c) any market practice subsequently permitted by the AMF or by law;

(ii) putting in place and complying with obligations and in particular to deliver shares upon the exercise of rights attached to negotiable securities giving access by any means, whether immediately or in future, to shares of the Company, as well as carrying out any hedging transactions in respect of the Company's obligations related to such negotiable securities, under the conditions provided for by the market authorities and at the times determined by the Board of Directors or the person acting on a delegation of authority from the Board of Directors;

(iii) covering stock option plans granted to employees or executive officers of the Company or its Group;

(iv) granting free shares of the Company to the employees or executive officers of the Company or its Group under the terms of articles L. 225-197-1 *et seq.* of the French Commercial Code;

(v) offering employees to purchase shares, directly or via a company savings plan, under the terms provided for by law, particularly articles L. 3332-1 *et seq.* of the French Labour Code; and

(vi) cancelling all or part of the purchased shares in order to reduce the Company's share capital.

The general meeting grants full powers to the Board of Directors, with the possibility for it to delegate under the conditions provided for by law, in order to ensure the implementation of such authorisation, and in particular to set the terms and conditions thereof, carry out the share buy-back programme and notably place all stock market orders, enter into any agreements, prepare and amend any documents, in particular information documents, perform all formalities, including to assign or reassign the shares purchased to the various purposes pursued, and make all declarations to the French financial markets authority and any other bodies and, in general, do whatever may be necessary.

The general meeting decides that this authorisation is given for a term of eighteen (18) months as from the date of this general meeting. It renders ineffective the unused part of any prior authorisation granted for the same purpose and in particular that given by the combined general meeting held on 15 May 2014 in its 13th resolution.

RESOLUTIONS PROPOSED TO THE EXTRAORDINARY GENERAL MEETING

Eleventh resolution

(Authorisation given to the Board of Directors for 24 months to reduce the share capital by cancelling shares)

The general meeting, voting in accordance with the quorum and majority required for extraordinary general meetings, after reviewing the Board of Directors' report and the statutory auditors' special report, and in accordance with the provisions of articles L. 225-209 *et seq.* of the French Commercial Code:

- authorises the Board of Directors to reduce the share capital, on one or more occasions, and in proportions and at periods at its discretion, by the cancellation of any number of treasury shares that it may decide, up to a maximum of 10% of the Company's share capital per period of twenty four (24) months, it being specified that this maximum of 10% applies to an amount of the Company's share capital which may, as necessary, be adjusted to take into account transactions affecting the share capital and occurring after this meeting;
- decides that the difference between the purchase price of the cancelled shares and their par value will be allocated to the share premium account or to any other available reserve account, including the legal reserve within the limit of 10% of the reduction in share capital;
- grants the Board of Directors with all powers to carry out the reduction of the share capital resulting from the cancellation of the shares and the above-mentioned allocation, and accordingly modify the Company's Articles of Association and perform any necessary formalities, with the right to sub-delegate such powers in accordance with the law.

This authorisation is given for a period of 24 months from the date of this meeting.

Twelfth resolution

(Modification of article 16.3 of the Company's Articles of Association concerning the conditions of meeting attendance)

The general meeting, voting in accordance with the quorum and majority requirements for extraordinary general meetings, after reviewing the Board of Directors' report and the provisions of article R. 225-85 of the French Commercial Code as modified by decree n° 2014-1466 of 8 December 2014, which modifies the date and the conditions for establishing the list of persons authorised to attend shareholders and bondholders' meetings of trading companies, decides to modify article 16.3 of the Company's Articles of Association as follows:

"16.3 Conditions of meeting attendance

In compliance with current regulatory requirements, any shareholder has the right to attend general meetings and to participate in the deliberations or to be represented, regardless of the number of shares he or she owns, provided that it can be proven in accordance with legal and regulatory provisions, that the shares have been registered in his or her name or in that of an intermediary duly authorised on their behalf under the terms of paragraph seven of article L. 228-1 of the French Commercial Code, within the regulatory period, either in the registered share accounts held by the Company or in the bearer share accounts held by an authorised intermediary.

The registration or accounting entry of the shares in bearer securities accounts held by the authorised intermediary shall be evidenced by a certificate of participation issued by the intermediary holding the account under applicable legal and regulatory conditions."

Thirteenth resolution

(Powers for the formalities)

The general meeting grants full powers to the bearer of an original, a copy or an excerpt of the minutes of this general meeting for the purposes of performing all filing, publicity or other formalities that may be required.

6.3 BOARD OF DIRECTORS REPORT ON THE RESOLUTIONS SUBMITTED TO THE COMBINED GENERAL MEETING OF 2 JUNE 2015

The Board of Directors proposes to submit the resolutions described below to the vote of the shareholders at the combined general meeting of 2 June 2015.

RESOLUTIONS PROPOSED TO THE ORDINARY GENERAL MEETING

Approval of the annual financial statements, allocation of net income and option for the payment of the dividend in shares (1st, 2nd, 3rd and 4th resolutions)

The **1st resolution** purpose is to approve the Company's financial statements for the 2014 financial year as presented in the Board of Directors' management report, as well as all the transactions reflected by such financial statements or which are mentioned therein. We propose that you acknowledge that no expenses and charges referred to in article 39-4 of the French Tax Code were incurred during the past financial year.

We recommend, in the **2nd resolution**, in accordance with the provisions of article L. 225-100 of the French Commercial Code, that you approve the consolidated financial statements for the 2014 financial year, as well as all the transactions reflected by such financial statements or which are mentioned therein.

Taking account of to the net income of 188,597,951.74 euros shown in the annual financial statements, the Board of Directors proposes, in the **3rd resolution**, that the net income be allocated as follows:

Profit for the financial year	€188,597,951.74
Prior retained earnings	€0
Allocation to legal reserve	€9,429,897.58
Distributable profit	€179,168,054.16
Dividend distribution	€134,721,985.75

The payment of the dividend with regard to the 72,822,695 shares carrying dividend rights on 1 January 2014 and existing on the date of the Board of Directors' meeting adopting the draft resolutions, amounting to 134,721,985.75 euros, would correspond to a distribution of 1.85 euros per share.

The shares will be traded ex-dividend as of 12 June 2015 and the dividend for the 2014 financial year will be payable from 8 July 2015.

This distribution would be eligible for the 40% tax deduction to which individual French tax residents are entitled as provided for in article 158.3-2° of the French Tax Code.

It is specified that the dividend paid for the last three financial years was as follows:

Financial year	2012	2013	2014
Dividend per share *(in euros)*	1.80 (1)	1.85 (1)	1.85 (1)

(1) Amounts eligible in full for the 40% tax deduction to which individual French tax residents are entitled as provided for in article 158.3-2° of the French Tax Code.

If the Company holds certain of its own shares on the dividend payment date, the amount corresponding to the dividends not paid in relation to such shares would be allocated to the "retained earnings" account.

The Board of Directors also proposes, in the **4th resolution**, in accordance with the law and the Company's Articles of Association, to offer each shareholder the possibility of opting for payment of the entire dividend in shares.

This would give shareholders, should they opt for the payment of the dividend in shares, the opportunity of immediately reinvesting the amount of their dividend and obtaining, in exchange, new Arkema shares.

The shareholders will be able to opt for the payment of the dividend in new shares between 12 and 25 June 2015 inclusive. Beyond that date, the dividend will be paid from 8 July 2015 in cash only.

The issue price for the new shares to be distributed in payment of the dividend would be equal to 90% of the average of the opening price of Arkema share on the Euronext Paris for the 20 stock market trading days prior to the date of the meeting, reduced by the net amount of the dividend; The price would be rounded up, as necessary, to the nearest greater euro cent.

The shares thus issued in payment of the dividend would carry dividend rights as of 1 January 2015 and will be entirely fungible with the other shares in the Company.

If the amount of the dividend for which this option is exercised does not correspond to a whole number of shares, the shareholder may choose:

- to receive the nearest greater whole number of shares by paying the difference in cash on the day he exercises the option; or
- to receive the nearest lower whole number of shares with the outstanding balance in cash.

Approval of the agreements and commitments referred to in articles L. 225-38 *et seq.* of the French Commercial Code (5th resolution)

We recommend, in the **5th resolution**, that you approve the regulated agreements and commitments entered into during the 2014 financial year, as presented in the statutory auditors' special report.

This mainly concerns the agreements entered into for funding the acquisition of the Bostik Group between the Company and Natixis.

It also concerned (i) the commitment already approved by the general meeting held on 23 May 2012 to grant Mr Thierry Le Hénaff, Chairman and Chief Executive Officer an indemnity in case of non-voluntary departure and (ii) the commitment to provide a supplementary pension scheme for certain senior managers including the Chairman and CEO.

Reappointment of directors (6th, 7th and 8th resolutions)

Renewal of the term of office of Mrs Victoire de Margerie as member of the Board of Directors.

The Board of Directors proposes, in the **6th resolution,** that you reappoint Mrs Victoire de Margerie as director for a term of four years expiring at the close of the annual general meeting which will be held in 2019 to approve the financial statements for the financial year ending 31 December 2018. Information concerning Mrs Victoire de Margerie is set out in paragraphs 3.2.1.2 and 3.2.1.3 of this reference document.

Renewal of the term of office of Mr François Énaud as member of the Board of Directors.

The Board of Directors proposes, in the **7th resolution,** that you reappoint Mr François Énaud as director for a term of four years expiring at the close of the annual general meeting which will be held in 2019 to approve the financial statements for the financial year ending 31 December 2018. Information concerning Mr François Énaud is set out in paragraphs 3.2.1.2 and 3.2.1.3 of this reference document.

Renewal of the term of office of Mr Laurent Mignon as member of the Board of Directors.

The Board of Directors proposes, in the **8th resolution,** that you reappoint Mr Laurent Mignon as director for a term of four years expiring at the close of the annual general meeting which will be held in 2019 to approve the financial statements for the financial year ending 31 December 2018. Information concerning Mr Laurent Mignon is set out in paragraphs 3.2.1.2 and 3.2.1.3 of this reference document.

Opinion of the shareholders on the elements of compensation due or allocated, in respect of the financial year ended 31 December 2014, to each of the Company's executive officers (9th resolution)

In accordance with the recommendations of § 24.3 of the Afep-Medef Code revised in June 2013, the code to which the Company refers pursuant to article L. 225-37 of the French Commercial Code, the elements of the compensation due or allocated to each of the Company's executive officers in respect of the past financial year are submitted to the opinion shareholders.

Accordingly, we propose, in the **9th resolution**, that you vote in favour of the following elements of compensation due or allocated in respect of the financial year ended 31 December 2014 to Mr Thierry Le Hénaff, Chairman and Chief Executive Officer, and only executive officer of the Company:

ELEMENTS OF COMPENSATION DUE OR ALLOCATED TO MR THIERRY LE HÉNAFF FOR 2014 SUBMITTED TO SHAREHOLDERS' OPINION

Elements of compensation due or allocated for 2014	Amounts or accounting valuation submitted to the vote	Presentation
Fixed compensation	€750,000	The annual fixed part was amended on 23 May 2012 upon the renewal of the term of office of the Chairman and Chief Executive Officer so that this fixed compensation might be more closely aligned with that of executive officers of comparable industrial companies. At its meeting of 3 March 2014, the Board of Directors decided to maintain the fixed part due for 2014 at 750,000 euros, which places the level of Mr Thierry Le Hénaff's annual fixed compensation below the average of his peers.
Annual variable compensation	€688,500	The amount of the variable part due for 2014, which could, as in previous years, represent up to 150% of the annual fixed compensation, was set by the Board of Directors at its meeting on 4 March 2015, taking into account the quantitative and qualitative criteria approved by the Board in 2014 and the achievements noted as of 31 December 2014, as follows: • with regard to the three quantitative criteria linked to the financial performance of the Group (EBITDA, recurring cash flow, and margin on variable costs of new developments), the achievement rates obtained in 2014 differ substantially according to each of the three criteria. On the 1st criterion (EBITDA), the Group's performance was significantly below the target level, although margins demonstrated good resilience in more challenging market conditions in fluorogases and acrylics. The performance with regard to recurring cash flow remained solid with good control of capital expenditure, in a year when large projects were undertaken, and of working capital. In addition, the margin on variable costs of new developments, while not at the target level, was relatively high with numerous new developments in High Performance Materials, particularly in fluorinated polymers and in Filtration and Adsorption, as well as downstream acrylics (Coating Solutions segment). After applying the calculation formula defined by the Nominating, Compensation and Corporate Governance Committee, the amount of the variable part due in respect of quantitative criteria amounted to 51.8% of annual fixed compensation, significantly less than in previous years; and • with regard to the qualitative criteria which mainly dealt with the implementation of the Group's strategy, the performance was deemed excellent at the end of a particularly busy year in terms of the ongoing transforming projects underway within the Group. The Board of Directors acknowledged, in particular, the achievement or progress of various complex industrial projects which are significant and structuring for the Group's long-term positioning, such as the completion and successful start up of the Thiochemicals platform in Malaysia, which represented an investment of around 200 million euros, the completion of the acrylics investment programme in North America which represented an overall investment of 110 million US dollars over three years, the completion of the Bostik Group acquisition, including the negotiations and financing arrangements, the set up of an acrylics joint-venture with Jurong Chemical in China and the completion of the first stage of that transaction, which enabled ARKEMA to access to a world-scale unit in acrylics, the strict control of fixed costs and working capital and, finally, the very clear improvement in safety results which exceeded the original targets by far. Consequently, the amount of the variable part due in respect of qualitative criteria was set at 40% of annual fixed compensation. In total, the variable compensation for 2014 set by the Board of Directors amounted to 688,500 euros, *i.e.* 14% less than the variable part for 2013 and 34% less than the variable part for 2012. It represents 91.8% of the 2014 annual fixed compensation, representing a overall achievement rate of 61.2% (47.1% in respect of quantitative criteria and 100% in respect of qualitative criteria). Further details on the criteria may be found in paragraph 3.4.3.2 of this reference document.
Deferred variable compensation	N/A	Mr Thierry Le Hénaff receives no multi-yearly variable compensation.
Exceptional compensation	N/A	Mr Thierry Le Hénaff does not benefit from any exceptional compensation.
Attendance fees	N/A	Mr Thierry Le Hénaff receives no attendance fees from Arkema.
Stock options	N/A	The Board of Directors decided at the beginning of 2013 to withdraw stock option arrangements.

Elements of compensation due or allocated for 2014	Amounts or accounting valuation submitted to the vote	Presentation
Performance shares	€868,660	Making use of the authorisation granted by the shareholders general meeting on 4 June 2013 (12th resolution), at the proposal of the Nominating, Compensation and Corporate Governance Committee, the Board of Directors, on 13 November 2014, awarded 26,000 performance shares (representing 0.04% of the share capital) to Mr Thierry Le Hénaff (out of a total of 275,000 shares awarded to around 780 beneficiaries, representing 9.45% out of a maximum of 12%). The definitive award of these shares, following a four-year vesting period, is contingent upon his continued presence in the Group and the fulfilment of three stringent performance criteria: ARKEMA's EBITDA growth, comparative EBITDA margin and comparative Total Shareholder Return. These three criteria are applicable for 35%, 30% and 35% of rights awarded, respectively. Further details on the criteria may be found in paragraph 3.5.1 of this reference document.
Benefits in kind	€6,720	Mr Thierry Le Hénaff has a company car.

ELEMENTS OF COMPENSATION DUE OR ALLOCATED FOR 2014 ALREADY SUBMITTED TO THE SHAREHOLDERS' GENERAL MEETING FOR APPROVAL AS PART OF THE PROCEDURES FOR REGULATED AGREEMENTS AND COMMITMENTS

Severance compensation	*No payment*	*Mr Thierry Le Hénaff benefits from severance compensation as part of his director's term of office, the amount of which, calculated on the basis of the fulfilment of five quantitative criteria set by the Board of Directors and approved by the shareholders general meeting (TRIR (Total Recordable Injury Frequency Rate), comparative EBITDA margin, working capital, EBITDA margin, and return on capital employed), may not exceed two years of his total annual gross compensation (fixed and variable).* *In accordance with the procedure relating to the regulated agreements and commitments, this commitment was authorised by the Board of Directors meeting on 7 March 2012 and* ***approved by the shareholders general meeting on 23 May 2012*** *(6th resolution).* *Further detail on the conditions of the award of this compensation may be found in paragraph 3.4.3.4 of this reference document.*
Non-competition compensation	*N/A*	*Mr Thierry Le Hénaff does not benefit from non-competition compensation.*
Supplementary pension scheme	*No payment*	*Mr Thierry Le Hénaff benefits from supplementary defined benefit pension scheme, applicable to certain senior executives of the Group receiving annual compensation exceeding eight times the social security annual ceiling, and contingent upon the fulfilment of the beneficiary completing his career in the Group. The future income from this supplementary pension scheme will be deducted from the income from the defined contribution scheme applicable to certain senior executives of the Group. The Company's pension commitments for the Chairman and Chief Executive Officer corresponded, on 31 December 2014, to an annual pension, the calculation of which is based in particular on the average compensation paid over the last three years, equal to 28.4% of his current annual compensation.* *In accordance with the regulated agreements and commitments procedure, this commitment was authorised by the Board of Directors on 4 July 2006, and* ***approved by the shareholders general meeting on 5 June 2007*** *(4th resolution).* *Further details on this pension commitment may be found in paragraph 3.4.3.4 of this reference document.*

Share buy-back (10th resolution)

As the authorisation granted by the general meeting on 15 May 2014 to the Board of Directors to trade in the Company's shares is due to expire in the near future, it is proposed, in the **10th resolution**, that you give the Board of Directors another authorisation, for a period of 18 months, to purchase or to have other purchase shares of the Company, at any time, except during public offer periods with regard to the Company's shares, at a maximum price of **95 euros** per share.

This authorisation would enable the Board of Directors to acquire a number of shares of the Company **representing a maximum of 10% of the Company's share capital**, in particular with a view to:

(i) implementing market practices allowed by the French Financial Markets Authority (AMF) such as (a) the purchase of the Company's shares in order to hold them and subsequently tender them in exchange or as payment as part of any potential external growth transactions, it being specified that the number of shares acquired with a view to being delivered within the scope of a merger, demerger or split-up, or contribution, may not exceed 5% of the Company's 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 compliant with the code of conduct recognised by the AMF, as well as (c) any market practice subsequently permitted by the AMF or by law;

(ii) putting in place and complying with obligations and in particular to deliver shares upon the exercise of rights attached to negotiable securities giving access by any means, whether immediately or in future, to shares of the Company, as well as carrying out any hedging transactions in respect of the obligations of the Company (or of any of its subsidiaries) related to such negotiable securities, under the conditions provided for by the market authorities and at the times determined by the Board of Directors or the person acting on a delegation of authority from the Board of Directors;

(iii) granting free shares of the Company to the employees or executive officers of the Company or its Group under the terms of articles L. 225-197-1 *et seq.* of the French Commercial Code;

(iv) offering employees to purchase shares, directly or via a company savings plan, under the terms provided for by law, namely articles L. 3332-1 *et seq.* of the French Labour Code;

(v) cancelling all or part of the purchased shares in order to reduce the Company's share capital.

The maximum aggregate amount of the funds intended for the implementation of this share buy-back programme would be 100 million euros.

This new authorisation would render ineffective, as from the date of this general meeting, the 9th resolution of the combined general meeting of 15 May 2014.

RESOLUTIONS PROPOSED TO THE EXTRAORDINARY GENERAL MEETING

Delegation of authority granted to the Board of Directors to reduce the share capital by cancelling shares (11th resolution)

The Board of Directors recommends you to renew the authorisation, in accordance with the provisions of articles L. 225-209 *et seq.* of the French Commercial Code, to reduce the share capital by cancelling shares that will have been acquired under the share buy-back authorisation granted in the 10th resolution, up to a maximum of 10% of the Company's share capital over a period of 24 months.

The Board of Directors recommends you to grant all powers, with the right to sub-delegate such powers in accordance with the law, to carry out the reduction of the share capital resulting from the cancellation of the shares and the above-mentioned allocation, as well as to accordingly modify the Company's Articles of Association and perform any necessary formalities.

The Board of Directors recommends that this authorisation should be granted for a period of twenty four (24) months from the date of the annual general meeting.

Modification of article 16.3 of the Articles of Association of the Company (12th resolution)

The Board of Directors proposes, in the **12th resolution** the modification of article 16.3 of the Company's Articles of Association to take into account the provisions of article R. 225-85 of the French Commercial Code, as modified by decree n° 2014-1466 of 8 December 2014, which modifies the date and the conditions for establishing the list of persons authorised to attend shareholders and bondholders' meetings of trading companies, it being specified that the right to attend the meetings of companies whose securities are traded in a regulated market is henceforth justified by **the registering** in the name of the shareholder in the share account, or in the name of the intermediary registered on his behalf under the terms of paragraph seven of article L. 228-1 of the French Commercial Code, by the **second working day** prior to the meeting, at 0:00 a.m. Paris time, either in the share account held by the Company or in the bearer share account held by the intermediary, as stated under article L. 211-3 of the French Monetary and Financial Code.

Article 16.3 of the Articles of Association of the Company would therefore be modified as follows:

"16.3 Conditions of meetings attendance

In compliance with current regulatory requirements, any shareholder has the right to attend general meetings and participate in the deliberations or to be represented, regardless of the number of shares he or she owns, provided that it can be proven in accordance with legal and regulatory provisions, that the shares have been registered in his or her name or that of an intermediary duly authorised on their behalf under the terms of paragraph seven of article L.228-1 of the French Commercial Code within the regulatory period, either in the registered share accounts held by the Company or in the bearer share accounts held by an authorised intermediary.

The registration or accounting entry of the shares in bearer securities accounts held by the authorised intermediary shall be evidenced by a certificate of participation issued by the intermediary holding the account under applicable legal and regulatory conditions."

Powers to perform the legal formalities (13th resolution)

The Board of Directors proposes, in the **13th resolution**, that you grant full powers to the bearer of a copy or of an excerpt of the minutes of the general meeting to perform all necessary formalities.

This report contains the main provisions of the text of draft resolutions. We ask you to vote in favour of these draft resolutions.

The Board of Directors

6.4 STATUTORY AUDITORS' REPORT ON THE AUTHORISATION TO REDUCE THE SHARE CAPITAL BY CANCELLATION OF SHARES

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users.

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
Statutory auditors
Member of "Compagnie Régionale de Versailles"

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
SAS à capital variable
Statutory auditors
Member of "Compagnie Régionale de Versailles"

Arkema

Extraordinary shareholders' meeting of June 2, 2015

Eleventh resolution

Statutory auditors' report on the reduction in capital

To the Shareholders,

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 the reduction in capital by the cancellation of repurchased shares, we hereby report on our assessment of the terms and conditions for the proposed reduction in capital.

Your board of directors requests that it be authorised, for a period of twenty-fourth months starting on the date of the present shareholders' meeting, to proceed with the reduction, representing an amount not exceeding 10% of its total share capital, by periods of twenty-fourth months, of share capital by cancellation of shares the company was authorised to repurchase, in compliance with the article mentioned above.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted in verifying that the terms and conditions for the proposed reduction in capital, which should not compromise equality among the shareholders, are fair.

We have no matters to report as to the terms and conditions of the proposed reduction in capital.

Paris-La Défense, 4 March, 2015

The statutory auditors

French original signed by

KPMG Audit

Department of KPMG SA

Jacques-François Lethu
Partner

François Quédiniac
Partner

ERNST & YOUNG Audit

Valérie Quint
Partner

6

6.5 SUPPLEMENTARY REPORT BY THE BOARD OF DIRECTORS ON THE USE MADE OF THE DELEGATION OF AUTHORITY GRANTED PURSUANT TO THE 14TH RESOLUTION OF THE COMBINED ANNUAL GENERAL MEETING OF 15 MAY 2014 (ARTICLE R. 225-116 OF THE FRENCH COMMERCIAL CODE)

It will be recalled that the combined general meeting of 15 May 2014, in its fourteenth resolution, and in accordance with the provisions of articles L. 225-129 to L. 225-129-6 of the French Commercial Code, granted the Board of Directors' powers, with the possibility of sub-delegation in accordance with the law, until 15 July 2016, to decide on a share capital increase by issuing new shares, with preferential subscription right, up to a maximum of 315 million euros in par value.

In accordance with the provisions of article R. 225-116 of the French Commercial Code, it is the Board of Directors' responsibility to prepare an additional report defining the final conditions of the transaction, the impact of this increase in share capital on the situation of a shareholder and the theoretical impact on the current stock market value of the share.

I. Use by the Board of Directors and the Chairman and Chief Executive Officer of the powers granted by the combined general meeting of 15 May 2014 for the purpose of carrying out an increase of the share capital through the issue of new shares with preferential subscription right

During the meeting held on 13 November 2014, the Board of Directors decided to use the powers granted by the general meeting in order to carry out an increase of the share capital with preferential subscription right of a maximum amount of three hundred and seventy (370) million euros, and subdelegated to the Chairman and Chief Executive Officer the powers to decide on the execution of the share capital increase and to set its terms.

On 17 November 2014, the Chairman and Chief Executive Officer, by virtue of said subdelegation, decided to proceed with the share capital increase with preferential subscription right, in the amount of three hundred and fifty million four hundred and fifty-one thousand and twenty-four (350,451,024) euros (including issue premium) through the issue of 9,102,624 new shares at the subscription price of 38.50 euros.

The AMF granted the prospectus pertaining to the share capital increase with visa number 14–602 on 18 November 2014.

On 15 December 2014, the Chairman and Chief Executive Officer formally noted the issue of 9,102,624 new shares fully subscribed and the subsequent completion of the share capital increase.

The main conditions for the issue of the new shares were as follows:

Period of subscription and exercise of preferential subscription rights

Subscription for the public in France was opened from 20 November 2014 to 3 December 2014 inclusive. The shares were traded ex-preferential subscription rights as of 20 November 2014 and subscription rights were traded on the regulated Euronext Paris from 20 November to 3 December 2014 inclusive.

During such period, the holders of preferential subscription rights were able to subscribe (i) on an irreducible basis, 1 new share for every 7 rights held (each shareholder initially receiving one preferential subscription right per share held) and (ii) on a reducible basis, the number of new shares they wanted in addition to those they were entitled to by exercising their rights on an irreducible basis (such requests being reduced in proportion to the total number of shares not subscribed on an irreducible basis).

Issue price

The issue price was 38.50 euros per new share including a par value of 10 euros and an issue premium of 28.50 euros.

Entitlement date for dividend rights

The new shares carry dividend rights as of 1 January 2014 and are entitled to dividend distributed for the 2014 financial year as well as to any other distribution of dividends decided on after their date of issue.

Gross income from the issue and number of new shares issued

Gross income from the issue reached 350,451,024 euros, issue premium included.

The number of new shares issued was 9,102,624 (10 euros par value each) including 8,890,163 shares subscribed to on an irreducible basis and 212,461 on a reducible basis.

Listing of new shares

Since 15 December 2014, the date of settlement-delivery of the new shares, the latter have been listed on the Euronext Paris under ISIN Code FR0010313833.

Following completion of the share capital increase, the Company's share capital stood at 728,209,980 euros, divided into 72,820,998 shares with a par value of 10 euros each.

Detailed information about the issue of these new shares may also be found in the transaction note regarding the issue and admission to trading of new shares in the context of the share capital increase, approved by the AMF under visa number 14–602, available free of charge at the Company's registered office, on its internet site (www.arkema.com) and on the AMF internet site (www.amf-france.org).

II. Impact of the increase in share capital on the situation of a shareholder

For information, the impact of the issue on the shareholding of a person holding 1% of the Company's share capital prior to the issue, and who did not subscribe to the latter (calculated on the basis of the 63,718,374 shares making up the Company's share capital as at 7 November 2014), is as follows:

	Stake held by the shareholder as a % of the share capital (undiluted basis)	Stake held by the shareholder as a % of the share capital (diluted basis) (1)	Total number of shares (undiluted basis)	Total number of shares (diluted basis) (1)
Before the issue of the new shares resulting from the share capital increase	1%	0.99%	63,718,374	64,493,185
After the issue of the new shares resulting from the share capital increase	0.88%	0.87%	72,820,998	73,595,809

(1) In the case of exercise of the totality or not, of the 774,811 outstanding stock options.

III. Impact of the share capital increase on the Group's consolidated shareholders' equity and on the Company's shareholders' equity on a per share basis

For information, the impact of the issue on the Group's consolidated shareholders' equity and on the Company's shareholders' equity on a per share basis (calculated on the basis of the Group's consolidated shareholders' equity as stated in the consolidated financial statements as at 30 September 2014 and the Company's shareholders' equity as stated at 30 September 2014 and the 63,674,491 shares making up the Company's share capital as at 30 September 2014, after deduction of the treasury shares) is as follows:

	Share of consolidated shareholders' equity *(in euros)* as at 30 September 2014 (undiluted basis)	Share of consolidated shareholders' equity of the Company *(in euros)* as at 30 September 2014 (undiluted basis)	Share of consolidated shareholders' equity *(in euros)* as at 30 September 2014 (diluted basis) (1)	Share of consolidated shareholders' equity of the Company *(in euros)* as at 30 September 2014 (diluted basis)(1)
Before the issue of the new shares resulting from the share capital increase	**€39.15**	**€25.61**	**€39.20**	**€25.82**
After the issue of the new shares resulting from the share capital increase	**€38.91**	**€27.06**	**€38.95**	**€27.23**

(1) In the case of exercise of the totality or not, of the 796,323 outstanding stock options.

6

IV. Theoretical impact of the increase in share capital on the stock market value of the share

The theoretical impact of the increase in share capital on the current stock market value of the share, resulting firstly from the average of the opening trading prices for the twenty previous trading sessions and, secondly, from the subscription price, is as follows:

	Undiluted basis *(in euros)*	**Diluted basis** [(1)] *(in euros)*
After the issue of the new shares resulting from the share capital increase	**(1.47)**	**(1.46)**

(1) In the case of exercise, of the totality or not, of the 774,811 outstanding stock options.

In accordance with current legal and regulatory provisions, this supplementary report is available to the shareholders at the Company's head office and will be presented to the shareholders at the next general meeting.

Colombes, 22 January 2015.

The Board of Directors

7

INFORMATION ABOUT THE REFERENCE DOCUMENT

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

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 of 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 on pages 320 to 324 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 2014 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 181 and 182 of this reference document.

The historical financial information and the related reports by the statutory auditors are incorporated by reference in this reference document."

Colombes, 30 March 2015.

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 Jacques-François Lethu and François Quédiniac	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 15 May 2014. Current term ends at the conclusion of the annual general meeting to be held to approve the financial statements for the year ending 31 December 2019.	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
KPMG Audit IS	**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 15 May 2014. Current term ends at the conclusion of the annual general meeting to be held to approve the financial statements for the year ending 31 December 2019.	Appointed at the annual general meeting of 23 May 2012. Current term ends at the conclusion of the annual general meeting to be held 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)
Phone: +33 (0)1 49 00 74 63

7

7.3 CROSS REFERENCE TABLE AND RECONCILIATION TABLE

7.3.1 CROSS REFERENCE TABLE

In accordance with Annex I of EC regulation n° 809/2004 of 29 April 2004		Reference document	
N°	**Heading**	**Reference**	**Page(s)**
1.	**Persons responsible**	**Chapter 7**	**313**
1.1	Persons responsible for the information given in the reference document	7.1.1	314
1.2	Declaration by persons responsible for the reference document	7.1.2	314
2.	**Statutory auditors**		
2.1.	Names and addresses of the Company's statutory auditors	7.1.3	315
2.2.	Statutory auditors having resigned, been removed or not been reappointed during the period covered by the reference document	None	
3.	**Selected financial information**	**ARKEMA 2014 highlights**	**2-11**
3.1.	Selected historical financial information	ARKEMA 2014 highlights	4
3.2.	Selected financial information for intermediary periods	None	
4.	**Risk factors**	**1.7**	**44-62**
5.	**Information about the Company**	**5.1.1**	**278**
5.1.	History and development of the Company	5.1.1	278
5.1.1.	Legal and commercial name of the Company	5.1.1	278
5.1.2.	Place of registration and registration number of the Company	5.1.1	278
5.1.3.	Date of incorporation and term of the Company	5.1.1	278
5.1.4.	Registered offices and legal form of the issuer, legislation under which the Company operates, its country of incorporation, address and telephone number	5.1.1	278
5.1.5.	Important events in the development of the Company's business	5.1.1	278
5.2.	Capital expenditure	1.3	31
5.2.1.	Principal investments made by the Company during each financial year in the period covered by the historical financial information up to the date of the reference document	1.3.1	31
5.2.2.	Principal investments made by the Company that are in progress	1.3.2	32
5.2.3.	Information concerning the Company's principal future investments on which its management bodies have already made firm commitments	1.3.3	32
6.	**Business overview**	**Chapter 1**	**13-62**
6.1.	Main business areas	1.1 and 1.2	14, 21
6.1.1.	Nature of the Company's operations and its principal activities	1.1 and 1.2	14, 21
6.1.2.	Significant new products or services introduced onto the market	1.2 and 1.4	21, 33
6.2.	Principal markets	1.1 and 1.2	14, 21
6.3.	Exceptional factors influencing the information provided in accordance with items 6.1 and 6.2	None	
6.4.	Extent of the Company's dependence on patents and licenses, industrial, commercial or financial contracts or new manufacturing processes	1.7.2.2, 1.7.2.3 and 1.7.2.4	51, 53, 55
6.5.	Basis for any statements made by the Company regarding its competitive position	1.2	21
7.	**Structure**	**5.1.2**	**279**
7.1.	Description of the Group and the Company's position within the Group	5.1.2	279
7.2.	List of the Company's significant subsidiaries	4.3.2 and 5.1.2	244, 279

In accordance with Annex I of EC regulation n° 809/2004 of 29 April 2004		Reference document	
N°	**Heading**	**Reference**	**Page(s)**
8.	**Property, plant and equipment**		
8.1.	Material tangible fixed assets, either existing or planned	1.3.4	32
8.2.	Environmental issues that may affect the Company's use of tangible fixed assets	2.2	70-85
9.	**Analysis of the financial condition and results**	**4.1**	**168-178**
9.1.	Description of the Company's financial condition, changes in its financial condition and results of its operations during each financial year and interim period for which historical financial information is required	4.1	168
9.2.	Operating income	4.1.5	170
9.2.1.	Significant factors, including unusual or infrequent events or new developments materially affecting or that may materially affect the Company's income from operations	4.1.1, 4.1.2, 4.1.3 and 4.1.4	168-170
9.2.2.	Discussion of changes in net sales or revenues	4.1.4, 4.1.5 and 4.1.6	169-173
9.2.3.	Governmental, economic, fiscal, monetary or political strategy or factors that have materially affected or could materially affect the Company's operation directly or indirectly	4.1.1, 4.1.2, 4.1.3 and 4.1.6	168
10.	**Cash and shareholders' equity**	**4.1.8**	**175-177**
10.1.	Information about the Company's capital resources (both short- and long-term)	4.1.8 and 4.1.9	175-177
10.2.	Sources and amounts of the Company's cash flows and description of these cash flows	4.1.9	177-178
10.3.	Information on the Company's borrowing requirements and funding structure	4.1.8.1	175-176
10.4.	Information regarding any restrictions on the use of capital resources liable to have a significant effect, whether direct or indirect, on the operations of the Company	4.1.8.2	177
10.5.	Information regarding anticipated sources of funds required to honor the main planned capital expenditure and major expenses relating to the most significant property, plant and equipment items	4.1.8.3	177
11.	**Research and development, patents and licenses**	**1.4**	**33**
12.	**Trend information**	**4.2**	**179-180**
12.1.	Most significant trends in production, sales and inventory, costs and selling prices from the end of the last financial year up to the date of the reference document	4.2.1	179
12.2.	Information on any known trends, uncertainty, demands, commitments or events that are reasonably likely to have a material effect on the Company's outlook for at least the current financial year	4.2	179
13.	**Profit forecasts or estimates**	**None**	
14.	**Administrative, management and supervisory bodies and Executive Committee of the Company**		
14.1.	Names, business addresses and functions within the Company 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.	3.2.1.2	127
14.2.	Conflicts of interest, undertakings related to appointments, restrictions on the sale of interests in the Company's share capital	3.2.1.1 and 3.2.3	125, 136

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**	**144, 156**
15.1.	The amount of compensation paid and benefits in kind granted by the Company and its subsidiaries	3.4	144
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, 3.4.2, 3.4.3.4 and note 19 of the notes to the consolidated financial statements	144, 146, 152, 214
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	3.2.1.2	127
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	136
16.3.	Information on the Company's Audit Committee and Compensation Committee	3.3.3.1 and 3.3.3.2	140, 142
16.4.	A statement as to whether or not the Company complies with the corporate governance regime in its country	3.1	124
17.	**Employees**	**2.5**	**97-116**
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	98
17.2.	Shareholdings and stock options	2.5.1.3 and 5.2.6	101, 285
17.3.	Description of any arrangements for involving employees in the capital of the Company	2.5.1.3 and 5.2.7	101, 285
18.	**Major shareholders**	**5.3**	**286-289**
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	286
18.2.	Different voting rights or an appropriate negative statement	5.3.3	287
18.3.	Direct or indirect control over the Company	5.3.2	287
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	287
19.	**Related party transactions**	**5.1.3**	**280**
20.	**Financial information concerning the assets, financial condition and results of the Company**	**4.3 and 4.5**	**181, 252**
20.1.	Historical financial information	4.3.2 and 4.5.2	183, 254
20.2.	Pro Forma financial information	4.4	247-251
20.3.	Financial statements	4.3.2 and 4.5.2	183, 254
20.4.	Auditing of historical annual financial information	4.3.1 and 4.5.1	183, 252
20.4.1.	Declaration that the historical financial information has been audited	4.3.1 and 4.5.1	183, 252
20.4.2.	Other information in the reference document which has been audited by the statutory auditors	None	
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	None	
20.5.	Date of the latest audited financial information	4.3.2 and 4.5.2	183, 254
20.6.	Interim and other financial information	None	

In accordance with Annex I of EC regulation n° 809/2004 of 29 April 2004		Reference document	
N°	**Heading**	**Reference**	**Page(s)**
20.6.1.	Quarterly or half yearly financial information published since the last financial statements and, where appropriate, the audit or review report	None	
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	None	
20.7.	Dividend policy	5.4.6	292
20.7.1.	Dividend per share	5.4.6	292
20.8.	Legal and arbitration proceedings	1.7.2.4 and note 21.2 of the notes to the consolidated financial statements	55, 221
20.9.	Significant change in the issuer's financial or trading position	None	
21.	**Additional information**	**Chapter 5**	**277-296**
21.1.	Share capital	5.2.1	279
21.1.1.	The amount of issued capital, the number of shares authorised, 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	279
21.1.2.	Shares not representing capital	None	
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	281
21.1.4.	Convertible securities, exchangeable securities or securities with warrants	5.2.6	285
21.1.5.	Information about and terms of any acquisition rights and/or obligations over authorised but unissued capital or an undertaking to increase the capital	None	
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	None	
21.1.7.	History of share capital for the period covered by the historical financial information	5.2.2	281
21.2.	Memorandum and Articles of Association	5.1.1 and 5.5	278-293
21.2.1.	Company purpose	5.1.1	278
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	125, 137
21.2.3.	A description of the rights, preferences and restrictions attaching to each class of the existing shares	5.5.4	295
21.2.4.	A description of what action is necessary to change the rights of holders of the shares	5.5.2	294
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	293
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	294
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	295, 296
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	None	
22.	**Significant contracts**	**1.5**	**39**
23.	**Third party information and statement by experts and declarations of any interest**	**None**	
24.	**Documents available to the public**	**5.1.1**	**278**
25.	**Information on shares held by the Company**	**4.3.2, 4.5.2 and 5.1.2**	**183, 254, 279**

7

7.3.2 RECONCILIATION TABLE

This reference document includes all the items of the Company and Group management report as required by articles L. 225-100 *et seq.*, L. 232-1 II, L. 233-16, L. 233-26 and R. 225-102 of the French Commercial Code (I). It also contains all the information in the annual financial report referred to in articles L. 451-1-2 of the French Monetary and Financial Code and 222-3 of the French Financial Markets Authority (AMF) General Regulation (II).

In order to facilitate the reading of the management report and the annual financial report mentioned above, the following reconciliation table has been prepared to identify the sections constituting these reports.

Additionally, in accordance with AMF recommendation n° 2010-13, the reconciliation table helps to identify social and environmental liability data required pursuant to articles R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*) (III). The reconciliation table also helps to identify the information of the Chairman of the Board of Directors' report pursuant to article L. 225-37 of the French Commercial Code as approved by the Board of Directors on 4 March 2015 (IV).

Finally, the reconciliation table also lists other reports of the Board of Directors and the reports of 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 and 1.3
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 2014 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)	1.7.2
7	Indications on the use of financial instruments, and the Company's objectives and policy in terms of financial risk management	1.7.2.5
8	Significant events that have occurred since the accounts closing date	Note 32 of the notes to the consolidated financial statements
9	Foreseeable evolution and outlook of the Company	4.2
10	Research and development activities	1.4
11	List of terms of office and duties held in any company by each director in the year ended	3.2.1.2
12	Total compensation and employee benefits of any kind paid to each director in the year ended [(1)]	3.4.1, 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	3.4.1, 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
17	Transfer or disposal of shares undertaken to regularize cross shareholdings	Not applicable
18	Individual 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, 5.3.5, 5.3.6 and 5.3.7

N°	Information	Reference
19	Injunctions or fines for antitrust practises	1.7.2.1, 1.7.2.4, and note 21.2.2 of the notes to the 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 exercice of voting rights and share transfers, clauses of the agreements brought to the Company's attention, pursuant to article L. 233-11 of the French Commercial Code.	5.5.2
	Direct or indirect shareholdings in the Company share capital, of which it is aware under articles L. 233-7 and L. 233-12 of the French Commercial Code	5.3.1, 5.3.2, and 5.3.4
	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 exercise of voting rights	Not applicable
	Rules applicable to the appointment and replacement of members of the Board of Directors, and to amendments to the Company's Articles of Association	3.2.1.1, 3.2.3 and 3.3.2.2
	Powers of the Board of Directors, in particular regarding share issuance and buy-back	3.3.1, 3.3.2.1, 5.2.4 and 5.2.5
	Agreements reached by the Company and which are amended or lapse in the event of a change of control [2]	1.5.4, 4.1.8.1, and note 30.2 of the notes 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	3.4.3.4
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	3.5.2 and 5.2.6
23	Information on share buy-back programmes	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	4.5.4
26	Amount of dividends distributed in the last 3 years and dividends eligible for the 40% tax rebate	5.4.6
27	Information on non-tax-deductible sumptuary expenses (Article 223 quater of the French General Tax Code)	None (see 6.2.2)
28	Details of trade payables (article D. 441-4 of the French Commercial Code)	Note D 8 to the annual financial statements
(II)	**ANNUAL FINANCIAL REPORT**	
1	Annual accounts	4.5.2 and 4.5.3
2	Consolidated accounts	4.3.2 and 4.3.3
3	Report by statutory auditors on annual accounts	4.5.1
4	Statutory auditors' report on the consolidated financial statements	4.3.1
5	Management report including, at minimum, the information mentioned in 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 31 of the notes to the consolidated financial statements
8	Report by the Chairman on the conditions for preparing and organising the Board of Directors' work as well as the internal control procedures implemented by the Company	See IV of this table
9	Statutory auditors' report prepared in accordance with article L. 225-235 of the French Commercial Code	3.6

N°	Information	Reference
III	**CROSS-REFERENCE TABLE FOR PERSONNEL AND ENVIRONMENTAL INFORMATION**	
1	**Key environmental and social indicators**	**2.2, 2.5, 2.6 and 2.7**
2	**Personnel information**	
	Employment	
	• Total headcount and breakdown of employees by sex, age and geographical region	2.5.1.1
	• New recruits, redundancies	2.5.1.2
	• Compensation and compensation trends	2.5.1.3
	Organisation of work (I)	
	• Organisation of working hours	2.5.3.1
	Social relations	
	• Organisation of dialogue with social partners, in particular, procedures pertaining to personnel information and consultation, as well as negotiation procedure	2.5.4.1
	• Review of collective agreements	2.5.4.3 and 2.5.5.1
	Health and safety (I)	
	• Health and safety in the workplace	2.5.5.1
	• Review of agreements signed with trade unions or personnel representatives on matters of occupational health and safety	2.5.5.1
	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 illness	2.1.2 and 2.5.5.3
	Promotion and compliance with the provisions of the core conventions of the International Labour Organisation regarding	
	• Respect for freedom of association and the 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 prevent environmental risks and pollution	2.1.1.2 and 2.2.1
	Pollution and waste management	
	• Measures to prevent, reduce or remedy air, water and soil emissions that have a serious impact on the environment	2.2.1.2
	• Measures to prevent, recycle and dispose of waste	2.2.1.2
	• Addressing noise pollution and all other forms of pollution specific to an activity	2.2.1.2

N°	Information	Reference
	Climate change	
	• Greenhouse gas emissions	2.2.1.4
	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 note 20.3 of the notes 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	1.7.2.3 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
	• Partnerships and corporate sponsorships	2.4.2.2
	Subcontracting and suppliers (I)	
	• Social and environmental issues taken into account 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 BOARD OF DIRECTOR'S WORK AND INTERNAL CONTROL PROCEDURES**	
1	Report by the Chairman on the work of the Board and the internal control procedures	3.2.1.1 and 3.2.1.2
2	Composition of the Board, and application of balanced gender representation within the Board	3.3.2 and 3.3.3
3	Conditions for the preparation and organisation of the work of the Board 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	1.7.1
4	Potential limitations imposed by the Board on the powers of the CEO	3.3.1

N°	Information	Reference
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
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
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	Mention of the publication of information required 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 in compliance with article L. 225-235 of the French Commercial Code.	3.6
2	Special report by statutory auditors on regulated agreements and commitments	6.1
3	Draft agenda of the combined general meeting on 2 June 2015	6.2.1
4	Draft resolutions proposed to the combined general meeting on 2 June 2015	6.2.2
5	Report by the Board of Directors to the combined general meeting on 2 June 2015	6.3
6	Statutory auditors' report on the authorisation to reduce share capital through cancellation of shares	6.4
7	Supplementary report by the Board of Directors on the use made of the delegation of authority granted pursuant to the 14th resolution of the combined general meeting of shareholders on 15 May 2014 (article R. 225-116 of the French Commercial Code)	6.5
8	Fairness opinion of an independent third party pursuant to article L.225-102-1 of the French Commercial Code	2.8

(1) This includes compensation 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 or not they include clauses on change of control.

GLOSSARY

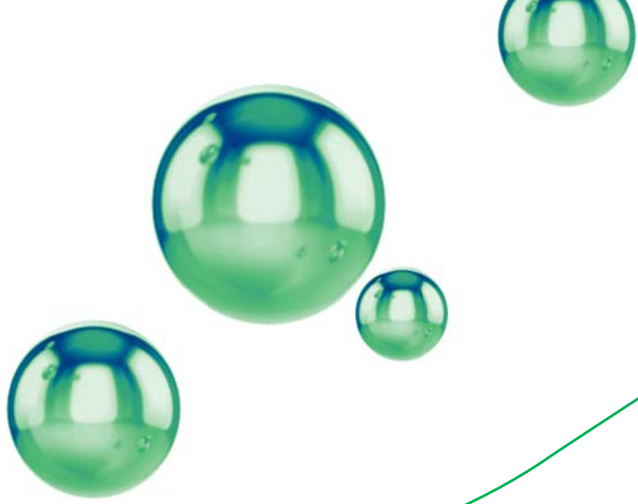
Term	Definition
Acrylic acid	An acid derived from propylene and mainly used as an intermediate in the preparation of superabsorbents and derivatives used in the manufacture of paints, inks and adhesives.
Acrylic esters	Acrylic acid esters.
Activated carbon	Processed charcoal used for its properties as 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.
CO_2	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.
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.
Dioctylphthalate or DOP	An ester made from phthalic anhydride and mainly used as a plasticiser.
DMAEA	Abbreviation for dimethylaminoethyl acrylate.
DMDS	Abbreviation for dimethyldisulfide.
EC Regulation 1107/2009	Refers to Regulation (EC) n° 1107/2009 of the European Parliament and the Council of 21 October 2009, concerning the authorisation, commercialisation, use and control of phytopharmaceutical products within the European Community.
EDA	Refers to copolymers and terpolymers made from ethylene and acrylic esters.
EFPI *(Environmental Footprint Performance Indicator)*	Refers to the intensive indicator used by ARKEMA to offset the impact of changes in the production scope or volume and to monitor changes in its environmental performance compared to its 2020 objectives.
Elastic Bonding	Refers to elastomeric adhesive technology used in hardwood flooring, transport, assembly and flexible packaging applications.
Emulsions	Binders for paints, adhesives and varnishes produced by polymerisation of monomers (acrylic, vinyl and others) and forming a stable dispersion in water of polymer particles which, coated and dried, form a continuous film.
Extensive indicator	*Indicator expressed in absolute value (in tonnes of emissions, in Mm3 or TWh of consumptions).*
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.
H_2S	Hydrogen sulfide.
HCFCs	Hydrochlorofluorocarbons.
Heat stabilizers	*Additives used to improve a polymer's resistance to heat.*

7

Term	Definition
HF	Hydrofluoric acid.
HFCs	Hydrofluorocarbons. 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.
Hotmelts PSA *(Pressure Sensitive Adhesives)*	Refers to pressure sensitive Hotmelts.
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.
IDEEL	*Institut des Énergies Décarbonées et Écotechnologies de Lyon.* 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.
Intensive indicator	Intensity indicator relative to production volumes.
Interface agents	Products used in the formulation of additives.
IRT	Instituts de Recherche Technologique.
ISO 14001	An international standard that defines the criteria for introducing an environmental management system in companies.
Kyoto Protocol	Refers to an international agreement, entered into by 84 countries on 11 December 1997 in Kyoto (Japan), which was intended to supplement the May 1992 United Nations Framework Convention on Climate Change (UNFCCC). The Kyoto Protocol entered into effect on 16 February 2005.
Latex	Binders for paints, adhesives and varnishes produced by polymerisation 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.
Molecular sieves	Synthesised mineral products used to purify liquids and gases by the selective adsorption of molecules.
Non-woven	Refers to textiles whose fibres are aligned in a random fashion.
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	Oxidising organic products used as initiators for polymerisation 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 plasticisers 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 polymerisation of a monomer having both an acid and an amine function.
Polyamide 10 (PA10), Polyamide 11 (PA11), and Polyamide 12 (PA12)	Thermoplastic polyamides, whose monomers have 10, 11 and 12 carbon atoms, respectively.

Term	Definition
Polyethylene	A plastic obtained by the polymerisation of ethylene.
Polymer Modified Binders	Refers to adhesives based on hydraulic binders.
Polymerisation	The union of several molecules of one or more compounds (monomers) to form a large molecule.
Polymers	Products made by polymerisation.
Polyphthalamide (PPA)	A thermoplastic material from the polyamide family, obtained by polymerisation of aromatic diacides and aliphatic diamines, and characterised by high melting point and high mechanical rigidity.
Polystyrene	A plastic obtained by the polymerisation of styrene, an aromatic compound.
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.
PVC	The ISO code for vinyl polychloride or polyvinyl chloride.
PVDF	The ISO code for polyvinylidene fluoride.
RCMS	The Responsible Care® Management System.
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.
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).
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 dioxide.
SPOM	Refers to Suspended Particulate Organic Matter present in water that can be recovered by physical or mechanical means (filtration, sedimentation).
Stabilizers	Additives used to preserve a given composition of a product.
Surfactants	Refers to a compound that increases the spreading and wetting properties of a liquid 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.
Ultrafiltration	Refers to a system of filtration on the scale of one hundredth of a micron.
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.

This document is printed in compliance with ISO 14001.2004 for an environment managment



ARKEMA
INNOVATIVE CHEMISTRY

Investor Relations
420, rue d'Estienne d'Orves
92700 Colombes - France
www.arkema.com